

Implementation Gaps in Minimum Wages: Comparison of Eight Asian Countries

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Minimum Wages (MW) have been an important policy instrument used by governments for labor market stabilization and also to improve the working conditions. While there have been ongoing debates about the impact of MW, poor quality implementation has been repeatedly cited as a major challenge. Workers in Asia who account for majority of world's working population face the brunt of poor implementation. Using data from sources like ILO Working Conditions Laws Database, Wage Indicator Foundation, official country data and building on past research, we examine MW implementation in eight developing countries in Asia. The comparison provides insights about convergence and divergence in implementation practices, thus increasing the ability to cross learn.

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Introduction

A well-defined and effectively implemented Minimum Wage (MW) system in a country guarantees not only a decent standard of living for the workers but also protects those with low skills since they are often subject to abuse and exploitation (Jones, 1997; Melo et al., 2012). To reduce wage inequality and poverty, MW acts as one of the most effective tools, especially in developing countries (Alaniz, Gindling & Terrell, 2011; ILO, 2016). Also, disturbances in the labor market equilibriums are adjusted by setting appropriate levels of MWs. (Varkkey, 2015; Varkkey, Korde & Singh, 2016; Heckman & Pages, 2000; Alaniz, Gindling & Terrell, 2011). However, in the recent past, many Asian countries are showing signs of struggles in ensuring proper implementation of MWs to protect worker rights. (Asian Post, 2018). Additionally, administration of MWs such as irregular adjustment of MW rates and ineffective implementation and compliance are problems. (ILO, 1990; Varkkey, 2015). Hence, many Asian countries are a subject of debate and

face several criticisms for their complicated structures on political, social and legal fronts.

Much of the academic literature on MW focuses on the employment effects of MW (Rani, 2017; Lemos, 2009), the impact of MW on the profitability of a firm (Draca, Machin & Reenen, 2011), the effect of MW on wage distribution (Neumark, Schweitzer & Wascher, 2004), the role of MW in a welfare state (Dolado, Felgueroso & Jimeno, 2000), and the impact of MWs on health (Horn, Maclean & Strain, 2016). These studies emphasize the immense potential of MW as a policy tool to reward work and improve income for low-skilled and low-wage workers. However, documentation and evaluation of MW policy of different countries, including implementation strategies, have been largely ignored.

The primary objective of this paper is to address this research gap and, thus, contribute to the on-going debate on the implementation issues at country-level. For this study, eight countries namely; Bangladesh, Cambodia, China, India, Indonesia, Pakistan, Sri Lanka and Vietnam are considered. The motivation to consider these countries for the study is that informal workers dominate the labor market in these countries. Moreover, each of these countries has different MW legal frameworks and implementation strategies like procedures, coverage, subsequent adjustments and operation and enforcement.

Background of MW Adoption

To gain insights into MW adoption systems existing in Asian countries, one needs to distil the learnings of the past two decades of formulating and revising relevant policies. For instance, Benassi (2011) after identifying and evaluating various MW implementation schemes emphasized that though the issue of MW implementation is debated at both academic and political levels, documentation of issues faced in implementation and compliance are ignored. Similarly, Rani et al. (2013) used household and labor force survey data of 10 developing countries and highlighted the gaps in MW coverage and compliance. The authors also observe that compliance of MW is better in countries with national MW floor than in those which have an occupation or industry-specific MW systems. Ra (2014), on similar lines, highlighted MW trends and issues in major Southeast Asian countries. Through a model based on microeconomic variables, the study concluded that implementation of MW regulations is highly influenced by political and non-economic factors. Some other studies like Gaski (2004) and Waldman, (2009) have looked at the issues of MW legitimacy from a social justice and civil rights perspective. Many MW debates, from a policy perspective, have raged on for the past two decades;

Compliance of MW is better in countries with national MW floor than in those which have an occupation or industry-specific MW systems.

but they have all primarily focused on the macroeconomic effects. None has investigated the effective implementation of MW regulations. Varkkey (2015) noted that despite the existence of institutional mechanisms to ensure wage payments in India, implementation of MW act is challenging because of its highly complex structure.

Implementation & Enforcement

Bangladesh: In the case of Bangladesh, the literature on the implementation and enforcement of MW policy is scarce. Most studies (Blanch & Amirul, 2013; Mahmud & Kabeer, 2003) have focused on the effect of MW on the workers in the garment sector. The first wage board to determine MW was set up in 1958, followed by the enactment of Minimum Wage Ordinance in 1961 (Chowdhury, 2006). However, at present, the Bangladesh Labor Act, 2006 ensures MW for workers. Under the Act, the government's 'Minimum Wage Board' declares minimum rates of wages for workers. These rates are revised every five years as per government directives. In terms of coverage, around 45 sectors are currently covered by sectoral MW, and in the process, leaving behind large sections of industrial workers, who are a part of an informal economy and form the largest workforce in the country (BILS, 2015).

Cambodia: A study by the Economic Institute of Cambodia (2009) notes that there is no official mechanism for setting MW; labor law guarantees it. The study also observes that the substantive

requirements for establishing a mechanism for setting MW are complicated and, therefore, the Cambodia government could not establish an official MW setting mechanism. Moreover, MW policy covers only the garment and footwear sector (Nguyen, 2017).

MWs in China are set through a decentralized collective bargaining process at the company level and, to a limited extent, at an industry level.

China: In contrast to Cambodia, MWs in China are set through a decentralized collective bargaining process at the company level and, to a limited extent, at an industry level¹ (Hu, 2015). In terms of coverage, the MW regulation passed in 2004 extends coverage to employees of state-owned enterprises, private enterprises, private non-enterprise units, self-employed businesses, and also to migrant workers. Moreover, in contrast to MW policies in other developing countries, a unique feature of the revised MW regulation (passed in 2004) is that it provides two types of MW rates: monthly and hourly, applied to full-time and part-time workers (Fang & Lin, 2013). For better enforcement, violation penalties were increased substantially from 20-100% to 100-500% in the new MW regulation (Wang & Gunderson, 2012).

¹Collective bargaining at the industry level was made mandatory by The Labor Contract Law of 2008. However, the law was unsuccessful in addressing the problems of privatization and informal employment (Hu, 2015).

India: For India, the literature on implementation and enforcement of MW policy is very scarce and inconclusive. Varkkey (2015) along with Varkkey, Korde, and Singh (2016) found that the Minimum Wage Act, 1948, empowered the government to fix MW for 'schedule employment'² based on collective bargaining. Interestingly, collective bargaining was applicable only in the formal sector, whereby its importance has decreased in recent times because of resistance from both employers and governments. The MW Act covers permanent employees, contract employees, and casual workers both in the organized and unorganized sectors. Surprisingly, in contrast to China, the criteria for fixing of MWs in India differ from those of ILO (which are considered by most developing countries for fixing MW). The recommendation of two principal sources, i.e. a) Committee on Fair Wages, 1949 and b) 15th Indian Labor Conference, 1957, are considered as criteria for determining MW (Upadhyaya, 2012). To ensure better compliance, the Act empowers the government to set up administrative machinery in each state to check violations by employers. The Act provides for penalties, which include imprisonment of up to six months and / or a fine of up to rupees five hundred (Hoda & Rai, 2017). Despite such enforcement mechanisms, some studies (Deshingkar, 2009;

Rani & Belser, 2012; Srijia, 2014) have found several drawbacks in the enforcement of the Act in India. A notable step is taken by Government of India for labor law reforms is introducing the Code on Wages Bill, 2019 which will improve the compliance and remove the complexities in wage rates without compromising social security of workers (Sharma, 2019)

Indonesia: Very few studies were found in the context of implementation and enforcement of MW policy in Indonesia since most research (Comola & Mello, 2011) focuses on the impact of MW legislation on employment. Recently, the exercise of MW setting has invited much social conflict between trade unions and government, as the existing labor law does not protect and help trade unions. Moreover, it does not allow trade unions to bargain for the rights of the workers, hindering thereby the process of collective bargaining (Tjandra & Klaveren, 2015). Evidence on the enforcement mechanism for MW policy in Indonesia is mixed. For instance, Manning (1998) and Rama (2001) found a positive impact of labor inspections on compliance of MW laws. Allen (2016), on the other hand, found ineffectiveness owing to limited labor inspection, supposedly due to resource constraints; this hurt compliance of MW laws. Santoso and Hassan (2014) found both negative and positive effects of labor inspections on compliance of MW laws.

Pakistan: Minimum Wage Ordinance for West Pakistan, 1961 outlines the basic framework of MW setting in Pakistan. (ILO, 2016). The ordinance

² In the Minimum Wage Act, 1948, there were total 13 schedule employment categories to which the act was applicable. However, since the Act empowers the appropriate government to expand or add schedule employments, at present there are more than 1700 employment categories (Central and State) in the list.

covers all classes of workers employed only in specific industrial undertakings; it excludes, for instance, employees of federal and provincial governments, coal mines, and agrarian workers. Research on the status of collective bargaining in Pakistan is minimal, possibly because of the lack of availability of data on collective bargaining procedures (Ali, Hisam & Javed, 2015; ILO, 2016). It is therefore not surprising that the only report which looks at labor standards in the garment supply chain in Pakistan finds that collective bargaining exists only at the factory level, that too on a limited scale (CW International, 2016). The existence of a large informal economy in Pakistan weakens the MW enforcement mechanism. Ali, Hisam, and Javed (2015) find that the legal complexity, pro-capital lobby and poor governance in Pakistan have weakened enforcement mechanisms, like the appointment of inspectors and penalties for violations, in the last decade.

Sri Lanka: Sri Lanka set up MW regulation in 1941, yet the literature on implementation and enforcement of MW is limited and restricted to the garment industry. A Wage Board primarily regulates the MW setting in Sri Lanka (Klaveren, 2016). This is like the process followed in some of the countries discussed above, where a tripartite body handles setting MW for schedule employment/trades, as notified by the government (Ramaraja, 2013). However, in the case of collective bargaining, Gamage (2013) noted that politicization and multi-unionism in the Sri Lankan labor market had weakened this mechanism.

Moreover, the multiplicity of trade unions is less in the private sector firms than in the public sector firms. In the case of enforcement mechanisms, Amersinghe (2009) finds a weak labor inspection system, especially in case of smaller employers in rural areas.

Vietnam: MW in Vietnam was first officially introduced in the mid-1990s. Initially, MW applied only to foreign companies; now, it applies to domestic firms as well (Schmillen & Packard, 2016). According to the Labor Code, 2012 Vietnam's current MW system has four different rates; one prescribed by the state, one is a general MW, followed by a regional and sectoral MW. Though Vietnam has developed scientific methods to determine wages following international standards, implementation and revision of MW policy is still a challenge.

Legal Framework

In all eight Asian countries, there is an official legal framework related to MW policy and implementation, as shown in Table 1.

Research Method

We use a qualitative approach based on a comprehensive review of available literature. The first stage of the data collection was a bibliographic survey in which the authors reviewed the extant national and international literature on enforcement and implementation of MW policy. Extensive review of literature and

Table 1 Legal Frameworks for MW Policy in Eight Asian Countries

| Sr. No | Country | Details of Legal Frameworks |
|--------|------------|---|
| 1 | Bangladesh | Bangladesh Labour (Amendment) Act, 2018 |
| 2 | Cambodia | Cambodian Labour Law 1997 |
| 3 | China | China has no separate legislation for MWs. Ministry of Labour and Social Security on December 31, 2003, promulgated Provision on MWs which regulates MWs in China. The provision was enforced on March 1st, 2004. |
| 4 | India | Minimum Wage Act, 1948 |
| 5 | Indonesia | Indonesia has legislation for minimum wage (MW) as per Law Act No. 13 of 2003 (article No. 88, 89 and 90). |
| 6 | Pakistan | Minimum Wages Ordinance, 1961 Minimum Wages Rules, 1962 |
| 7 | Sri Lanka | MWs in Sri Lanka is regulated by Wage Boards Ordinance No. 27 of 1941 (amended in 1982) |
| 8 | Vietnam | No separate MW legislation in the country. MWs are regulated by Labour Code 1994(to be amended in 2021) |

Source: Varkkey, Korde and Singh (2016) and Updated Review of related literature

ILO guidelines³ suggest six criteria essential for well-designed and effective MW system in any country (Annexure 1 for detailed description of criteria):

- i. Setting of MWs
- ii. Coverage
- iii. Enforcement mechanism
- iv. Components of fixing MWs
- v. Type and Rate of payment of MWs
- vi. Schedule frequency of adjustment.

Next, we compare performance of eight Asian countries against the identified criteria to understand the implementation and enforcement of MW policy. For this comparative analysis we have used ILO

Working Conditions Laws Database⁴, official country data, Wage Indicator Foundation⁵ and previous research by the authors⁶. Our research has established whether these countries have been ‘converging’ or ‘diverging’ in implementing their MW policies as per ILO guidelines on MWs.

Criteria wise Commonalities & Differences

Setting of Minimum Wages: According to ILO guidelines, MWs can be set either by the decision of a competent

³ ILO had launched a new MW Policy Guide in 2016 which shares diverse international practices and choices for setting MWs depending on country circumstances. (Available at: http://www.ilo.org/wcmsp5/groups/public/-dgreports/-dcomm/-publ/documents/publication/wcms_570376.pdf)

⁴ The ILO Working Conditions Laws Database provides information of more than 100 countries on MWs, Maternity protection and regulatory environment of working time. The database can be accessed at <https://www.ilo.org/dyn/travail/travmain.home>

⁵ WageIndicator Foundation (Amsterdam) is a non-profit organisation that collects and shares data about wages, minimum wages, labor law and career in more than 140 countries (www.wageindicator.org).

⁶ See Varkkey, Korde and Singh (2016) and Varkkey and Korde (2012)

authority, decision of a wage board and councils, labor courts and tribunal, or by giving force of law to the provision of the collective agreement (ILO, 2016). Our analysis shows that there is considerable variation, between the countries as regards the role of the competent authority, wage councils and other actors in the decision-making process for setting MW. Table 2 gives a comparative picture of institutional actors involved in the setting of MW in each country.

In Bangladesh, Sri Lanka, Pakistan, Vietnam and Indonesia, competent authority sets MWs along with wage councils while in Cambodia and India, MWs are set by competent authority along with TUs through collective bargaining. It is worth mentioning that among the eight countries, except China, there is a competent authority that plays the primary role in the setting of MW.

Coverage of MW: Adequate protection for all employees (including women, youth, and migrant workers) is crucial for effective implementation of MW policy. However, often MW policy of a country does not cover informal workers. (ILO, 2016). Our analysis (Table 3) reveals MWs applies to ‘all enterprises and establishments’ along with ‘domestic and low paid workers’ in Bangladesh, Vietnam, and Cambodia. Thus, the MW coverage is better in these countries. In contrast, coverage of MW policy in Sri Lanka, Pakistan, Indonesia, India, and China is incomplete. India covers workers only in scheduled employments/trade notified by the government; in China and Pakistan, limited coverage to individual, industrial and commercial households and industrial units respectively; while Indonesia does not cover workers with more than one year work experience.

Coverage of MW policy in Sri Lanka, Pakistan, Indonesia, India, and China is incomplete. India covers workers only in scheduled employments/trade notified by the government

Table 2 Setting of Minimum Wages

| Types of Minimum Wage Setting Mechanism | Bangladesh | Cambodia | China | India | Indonesia | Pakistan | Sri Lanka | Vietnam |
|---|------------|----------|-------|-------|-----------|----------|-----------|---------|
| Decision of competent authority | √ | √ | × | √ | √ | √ | √ | √ |
| Wage Council | √ | × | × | × | √ | × | √ | × |
| Provision of collective agreements | × | √ | √ | √ | × | × | × | × |

Source: ILO Working Conditions Laws Database and Varkkey, Korde and Singh (2016)

Table 3 Coverage of Minimum Wage

| Coverage of Minimum Wage | Bangladesh | Cambodia | China | India | Indonesia | Pakistan | Sri Lanka | Vietnam |
|---|------------|----------|-------|-------|-----------|----------|-----------|---------|
| Domestic and low paid workers | x | x | x | x | x | x | x | √ |
| All enterprises and establishments | √ | √ | x | x | x | x | x | x |
| Only for workers in industrial units | x | x | x | x | x | √ | x | x |
| Enterprises, private non-enterprise entities, individual industrial and commercial households | x | x | √ | x | x | x | x | x |
| Scheduled employments/trade notified by government | x | x | x | √ | x | x | √ | x |
| Workers/laborers with less than a year's service | x | x | x | x | √ | x | x | x |

Source: ILO Working Conditions Laws Database and Varkkey, Korde and Singh (2016)

Table 4 Enforcement Mechanism

| Enforcement Mechanism | Bangladesh | Cambodia | China | India | Indonesia | Pakistan | Sri Lanka | Vietnam |
|---|------------|----------|-------|-------|-----------|----------|-----------|---------|
| Labor inspections | √ | √ | √ | √ | x | √ | √ | √ |
| Fines/penalties for non-compliance of legislation | √ | √ | √ | √ | √ | √ | √ | √ |

Source: ILO Working Conditions Laws Database and Varkkey, Korde and Singh (2016)

Enforcement Mechanism: Effective coverage and compliance are necessary to ensure the effectiveness of MW policy (ILO, 2016). Labor inspections, along with penalties/fines, play a significant role in promoting compliance with labor legislation in general, and MWs in particular. Our analysis shows that all eight Asian countries have labor inspections and penalties for non-compliance of MW law (Table 4). According to Rani et al. (2013), one way to measure compliance is to estimate the level of workers who are paid less than the legal MWs.

Components of Fixing MWs: According to ILO's Article 3 of Minimum Wage Fixing Convention, 1970 (No. 131), the following elements should be taken into account when fixing MWs: "a) the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other

Table 5 Components of Fixing MWs

| Components of Fixing MWs | Bangladesh | Cambodia | China | India | Indonesia | Pakistan | Sri Lanka | Vietnam |
|--|------------|----------|-------|-------|-----------|----------|-----------|---------|
| Needs of workers and their families | x | ✓ | x | x | ✓ | x | x | x |
| Cost of living | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Level of wages and income in the country | x | ✓ | ✓ | x | x | x | x | x |
| Social Security benefits | x | ✓ | ✓ | x | x | x | x | x |
| Economic development | ✓ | ✓ | ✓ | x | ✓ | ✓ | x | ✓ |
| Inflation rate | ✓ | ✓ | ✓ | x | x | x | x | ✓ |
| Level of employment | ✓ | ✓ | ✓ | x | ✓ | x | x | ✓ |

Source: ILO Working Conditions Laws Database and Varkkey, Korde and Singh (2016)

social groups; and b) economic factors, including requirements of economic development, levels of productivity, and the desirability of attaining and maintaining a high level of employment.” Our analysis (Table 5) shows that among all the countries, Cambodia has taken into consideration all the components for fixing MWs. However, a study by EIC (2009) notes that the substantive requirements for establishing a mechanism for setting MWs are complicated, which in turn has resulted in unintended consequences for the informal sector in Cambodia.

Type & Rate of Payment of MW: The rate of payment of MWs are set for an hour of work, a week of work, a month of work, or any other period (ILO, 2016). Our analysis (Table 6) reveals that India has hourly, monthly, daily, and weekly MWs. This facilitates equal treatment between all types of workers, whether full-time or part-time. In contrast, Bangladesh has monthly, daily and weekly MWs, while Vietnam has hourly, monthly, and daily MWs. Sri Lanka has MWs monthly, China on an hourly and monthly basis, and Indonesia on a monthly and weekly basis whereas Cambodia has daily MWs.

Scheduled Frequency of Adjustment of MW: MWs must be regularly revised according to inflation/cost of living in the economy and the labor market trends. Failure to do so can make MWs obsolete, because more extended the period without adjustment, the higher the erosion in the real value of MWs (Starr, 1981). Our analysis (Table 7) shows that

Actual frequency of adjustment varies significantly among countries.

Table 6 Rate of payment of MWs

| Type and Rate of payment of MWs | Bangladesh | Cambodia | China | India | Indonesia | Pakistan | Sri Lanka | Vietnam |
|---------------------------------|------------|----------|-------|-------|-----------|----------|-----------|---------|
| Piece rate pay | × | × | × | ✓ | × | × | × | × |
| Hourly Minimum wages | ✓ | × | ✓ | ✓ | × | × | × | ✓ |
| Monthly Minimum Wages | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Daily Minimum wages | ✓ | × | × | ✓ | × | × | × | ✓ |
| Weekly Minimum wages | ✓ | × | × | ✓ | ✓ | × | ✓ | × |

Source: ILO Working Conditions Laws Database and Varkkey, Korde and Singh (2016)

Table 7 Scheduled Frequency of Adjustment of MWs

| Scheduled frequency of adjustment of MWs | Bangladesh | Cambodia | China | India | Indonesia | Pakistan | Sri Lanka | Vietnam |
|---|------------|----------|-------|-------|-----------|----------|-----------|---------|
| Annual Adjustment | × | × | × | × | × | × | × | ✓ |
| Once every two years | × | × | ✓ | × | × | ✓ | × | × |
| Specific time period for adjustment | × | ✓ | × | × | × | × | × | × |
| Once in five years | × | × | × | ✓ | × | × | × | × |
| Schedule frequency of adjustment identified | ✓ | × | × | × | ✓ | × | ✓ | × |

Source: ILO Working Conditions Laws Database and Varkkey, Korde and Singh (2016)

actual frequency of adjustment varies significantly among countries. Vietnam adjusts MWs annually while in China and Pakistan MWs are adjusted once in two years. MWs in India are adjusted once every five years, whereas, in Bangladesh, Cambodia, and Indonesia there is no scheduled frequency of MW adjustment identified.

The level of adherence to the ILO guidelines varies among the countries.

Each country has developed its unique MW system, and our findings (Tables 2 - 7) reveal that the level of adherence to the ILO guidelines varies among the countries. In the setting of MWs, ILO convention 131 and ILO guidelines on MWs emphasize the importance of participation and consultation with employers' and workers' organizations, since this creates a framework for peaceful and orderly procedures for resolving issues in the implementation of MW, if any. Setting of MWs by the public authority/government after consultation with social partners is considered as one of the most effective methods, whereas the unilateral determination of MWs can increase the probability of non-compliance. Our findings show

that Bangladesh and Vietnam follow ILO guidelines closely in criterion of setting MW; however, both the countries follow a participative approach in setting MWs. While rest of the countries are yet to adopt a well-defined mechanism for setting of MWs

All the eight countries have prescribed a mechanism of penalties for non-compliance

ILO guidelines on MW coverage recommends that every country should have MW laws, which in principle, guarantee a prescribed MW for low skilled workers enough to cover their basic needs. However, in practice, in many countries, specific sectors and/or categories of workers are left out of the protection umbrella of MW (ILO, 2016). Our findings show that Bangladesh, Vietnam, and Cambodia adhere to the ILO guidelines on MW coverage. As a result MW policy/law of these countries encompass a more comprehensive coverage. While in the rest of the countries, limitations/inadequacies of MW policy result in a large proportion of workers being uncovered, defeating thereby the very purpose of an MW policy, confirmed by both Jones (1997) and ILO (2016). We also found that all the eight countries have prescribed a mechanism of penalties for non-compliance and provision for labor inspections, which are essential components for enforcement. The irony is despite this, implementation effectiveness differs, indicating that even with penalties and institution of labor inspectors, effective enforcement of MW policy/law remains a challenge (Rani et al., 2013; ILO, 2016).

In case of fixing of MWs by considering different components, Cambodia follows a balanced and evidence-based approach (as per ILO guidelines) by incorporating all the components, India and Vietnam, on the other hand, are adhering to ILO guidelines in rate of payment of MW, along with the schedule frequency of adjustment.

Country experiences reveal that eight countries have more or less similar experiences in terms of implementation of MW legislation and its enforcement from which a few key observations have emerged:

- *First*, tripartite social dialogue and collective bargaining for MW setting continue to be weak in Cambodia, India, Indonesia, Pakistan, and Sri Lanka. However, China sets MWs through decentralized collective bargaining.
- *Second*, though there are institutional and legal frameworks for the protection of fundamental rights of the workers, including the right to MW, weak enforcement mechanism in countries like Pakistan, Indonesia, Cambodia, India (to some extent), and Sri Lanka has hurt compliance. As a result, many workers do not get fundamental labor rights.
- *Third*, given the fact that the primary objective of MW policy in any country is to protect workers who are at the bottom of the wage distribution, it is crucial that MW policy covers both, formal and informal sectors without excluding those who work outside the

wage sector. India and China provide this protection, but coverage is limited in the case of Cambodia, Indonesia, Pakistan, and Sri Lanka.

- However, our findings tend to contradict these observations about the implementation of MW policy highlighted through 3-stage Paradox of the MW framework. Most studies⁷ on MW policy of low income and developing countries have explicitly focused on its impact on the labor market, especially in terms of employment and wages. Very few studies⁸ have addressed the implementation and enforcement aspect of MW policy in the context of Asian countries. Therefore, the main contribution of this paper will be to fill the gap in the existing academic and policy literature and add relevant insights to the ongoing debate on the implementation of MW policies.

The 3-stage Paradox of the MW Framework

MW policy plays a significant role in correcting disequilibrium in economic and labor markets by ensuring a MW level, yet its implementation and enforcement lack international benchmarks (ILO labor standards). Reviewing academic literature has revealed the gap (Rani et al., 2013; Varkkey, Korde, and Singh 2016; Bannasi,

2011). Although countries like Vietnam, Bangladesh and India have demonstrated that their policy framework model is suitable covering most of the criteria, which possibly could be replicated by others to improve/build a better MW framework; however, extant literature, popular media paint a different picture.

Country experiences analysis has shown that there exist not just one lacunae in MW policy and implementation, but they exist at multiple levels, as presented in Fig. 1. We have identified them as (a) expected level and gap; (b) espoused level and gap, and; (c) efficacy level and gap. The trickle-down effect of such gaps, starting from policymaking to implementation results in majority of workers getting excluded from MW coverage, i.e., high risk of not being paid right wages. Thus, it is essential to analyze each criterion independently and jointly to help governments identify the gaps in laws/policy, with the objective to improve implementation.

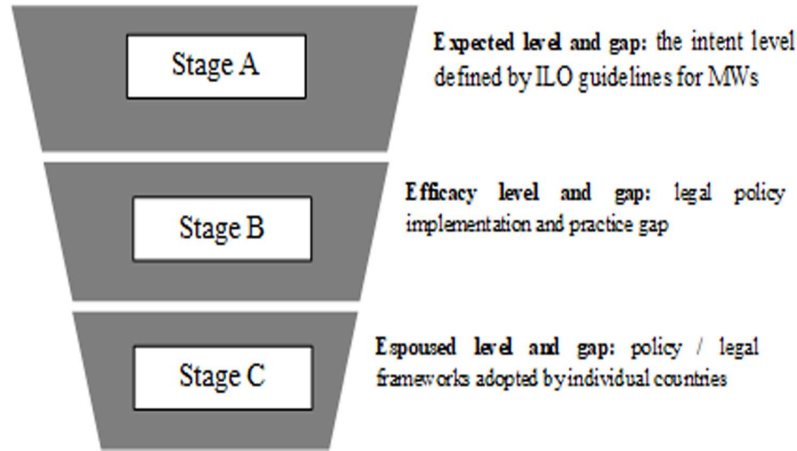
Conclusion

It is not only crucial for countries to have a MW policy, but they should also have practical implementation of the same. Herein, the 'State' often plays a crucial role in consultation with the other social partners like trade unions, employers' associations, and civil society. Further, the MW policy and approach by each country results in implementation gaps, which can possibly be explained by the proposed three-stage paradox. We are conscious about the fact that at the ground/field level, the implementation

⁷ See Montenegro & Pages (2003) for Chile; Bell (1997) for Colombia; Gindling & Terrell (2005 & 2007) for Costa Rica; Gindling & Terrell (2005) for Honduras.

⁸ See Varkkey and Korde (2012); Varkkey, Korde & Singh (2016) and Klaveren (2015).

Fig 1: Multi-level Gap Analysis in MW Policy



Source: Authors' own

effectiveness may be different. It is because the role, and on the ground impact of stakeholders like 'State' and 'other social partners' have not been factored in to the analysis. They have a significant role to play. A compelling case to note is MW implementation efforts in Delhi (National Capital of India), where the state government has taken initiatives to implement the MW policy effectively by involving social partners and also in the process increasing the coverage (Hafeez, 2018). This proves that an active intervention strategy by the state is necessary. Future studies could explore the field level implementation success and identify the gaps between policy, perceptions and actual implementation and also suggests more impactful methods to bridge the gaps.

An active intervention strategy by the state is necessary.

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Annexure 1 Description of Criteria

| Criteria | Description |
|-----------------------------------|---|
| Setting of MW | The methods adopted by countries to set MW. There are many methods to set MW, including the setting of MW unilaterally by the government, consultation with and participation of social partners and independent experts, bipartite or tripartite wage commissions, and wage boards (ILO 2016). |
| Coverage | It represents the beneficiaries of MW policy. In any country where MW is applicable, all workers, including women, youth, and migrants, irrespective of their contractual employment agreement, must be covered under the MW law (ILO, 2016). |
| Enforcement Mechanism | It represents compliance concerning MW policy (ILO, 2016). |
| Components for fixing MW | It represents different factors that should be taken into consideration by different authorities responsible for fixing MWs (ILO 2016). |
| Type and Rate of Payment of MW | It represents the rate of payment of MW for an hour, week or month of work or any other time (ILO 2016). |
| Scheduled frequency of adjustment | It represents the scheduled frequency for revising MW rates considering the cost of living and the country's other economic conditions. (ILO 2016). |

Source: Review of Literature