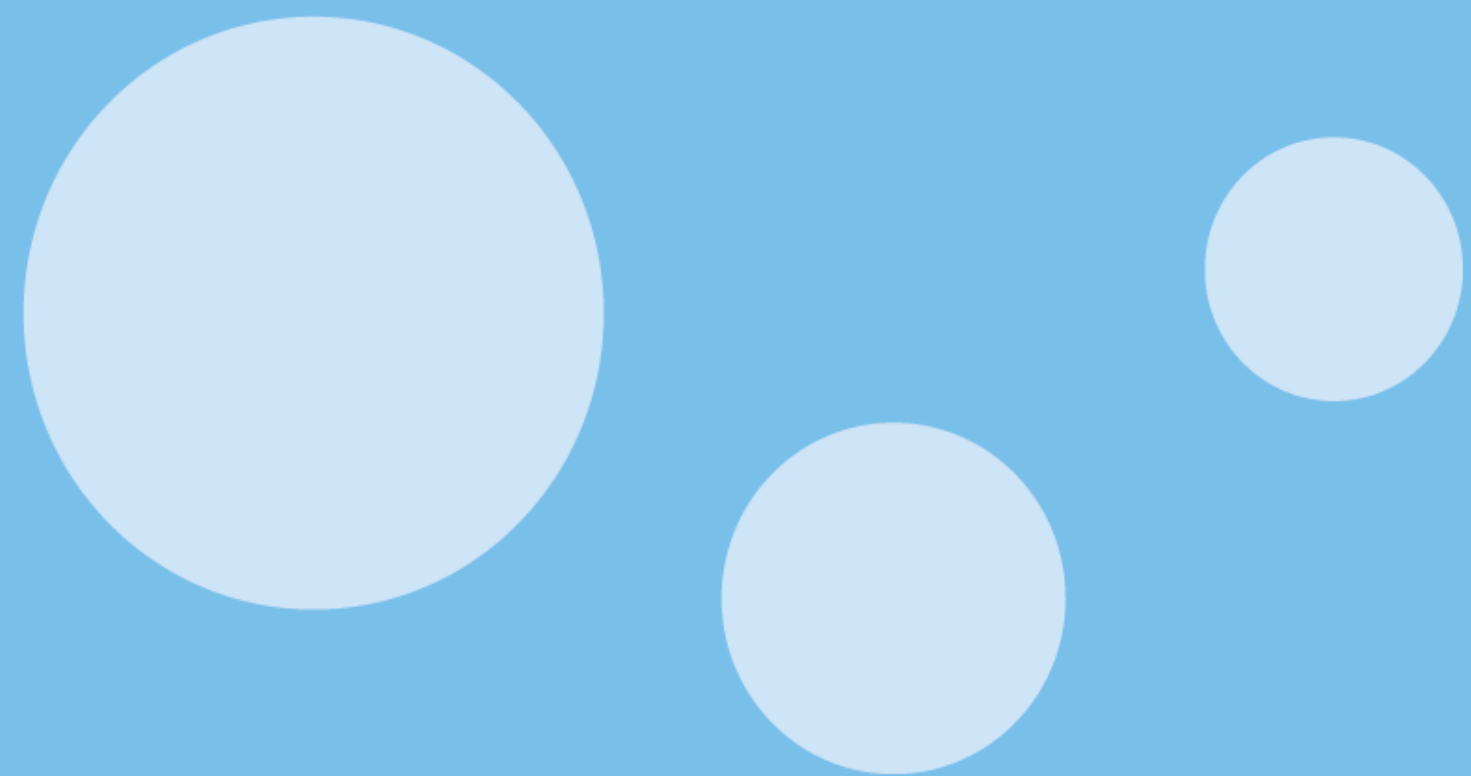


Minimum Wage Comparison: Asian Countries

Official Representation of Minimum Wages

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WageIndicator.org

About Paycheck India

Paycheck India (www.paycheck.in) is a research initiative at the Indian Institute of Management Ahmedabad (www.iimahd.ernet.in); supported by the WageIndicator Foundation and the University of Amsterdam. The project aims to bring in labour market transparency by studying the salary structure in India across industries and occupations and publishing the findings.

About WageIndicator Foundation

The WageIndicator concept is owned by the WageIndicator Foundation. The Foundation is a non-profit organization. Its Supervisory Board is chaired by the University of Amsterdam/Amsterdam Institute of Advanced labour Studies; members are the Dutch Confederation of Trade Unions (FNV) and the Dutch Monster career site. Start: September 2003. The WageIndicator operates globally through a network of associated, yet independent regional and national partner organisations like universities, media houses, trade unions and employers' organisations, as well as individual (legal, internet, media) specialists, with whom the WageIndicator engages in long lasting relationships. The WageIndicator Foundation has offices in Amsterdam (HQ), Ahmedabad, Bratislava, Buenos Aires, Cape Town, Maputo, and Minsk (regional). Wage Indicator websites are operated in 65 countries (earloy 2012). In 40 of those by then the WageIndicator website already had a so called 3 pillar structure. Those sites – and ideally all will feature this structure – function as online up to date national libraries on Wages, Labour Law and Career. In 20 countries the Wage Indicator websites are supported with offline activities like paper surveys, fact finding debates and media campaigns. The independent WageIndicator Foundation aims for transparency of the labour market by sharing and comparing wage and labour conditions data. This report is made by the Indian Regional Office of the WageIndicator Foundation and the Indian Institute of Management Ahmedabad.

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Executive summary

For countries which have a minimum wage, the minimum wage fixing system differs according to objectives and criteria, machinery and procedures, coverage, and subsequent adjustment as well as the operation and enforcement of rules established. In many countries, minimum wages are set by a tripartite committee or commission comprised of representatives from workers, employers, and the government, while in others they are set by executive decree or legislative actions.

This report is part I of a series of 4 reports which will cover various aspects of minimum wage in Asian countries like Official Representation of Minimum Wages, Minimum Wage Fixation, Legal Compliance and Minimum Wage Rate Comparison. For the minimum wage representation in Asian countries, we have considered only those which are under the WageIndicator project¹. These are:

- Cambodia
- China
- India
- Indonesia
- Pakistan
- Sri Lanka
- Vietnam

¹ Please refer to [WageIndicator Website](#)

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1 Introduction

1.1 Background

Earnings from work are the chief source of income for most adults and youths² and in fact, most of the times it is the only source of income for the poor and vulnerable. The earnings influence the quality of life of workers and their families. The earnings are called wages, which is a "*monetary remuneration computed on hourly, daily, weekly or piece-work basis*"³. In the organized sector there exists a formal contract between the employer and the employee regarding payment of wages. But in the unorganized sector this contract is rather casual and at times even the payment of wages cannot be ensured. In both cases, there is a strong case to define the lowest wage rate, so that the wage earner and family can enjoy a minimum standard of living. Thus the need for government intervention arises for the setting of minimum wage rates and ensuring that the worker receives it.

Statutory minimum wage regulations are applied in almost 90 percent of the countries that have signed up for International Labour Organization (ILO) membership. These countries have ratified one or both Conventions of the ILO on minimum wage fixing⁴ and many other countries have established minimum wage fixing procedures, even though they have not ratified the relevant Conventions⁵. This implies that there is international agreement on the importance of this instrument of labour market intervention⁶.

² "Adolescent/youth" means a person who has completed his fourteenth year of age but has not completed his eighteenth year; and "adult" means a person who has completed his eighteenth year of age, retrieved from [Minimum Wages Act](#), 1948, India on 15th June, 2012.

³ Retrieved from [Business Dictionary](#) on 11th June, 2012

⁴ Eyraud, E; Saget, C. *The fundamentals of minimum wage fixing*, Geneva, International Labour Office, 2005, ISBN 92-2-117014-4

⁵ Available at [ILO Conventions](#)

⁶ Damian Grimshaw and Jill Rubery, Minimum Wage Systems and Changing Industrial Relations in Europe: Comparative Report, October 2010, Prepared for the EC research project, 'Minimum wage systems and changing industrial relations in Europe' VS/2009/0159. European Work and Employment, Research Centre (EWERC) University of Manchester, UK

1.2 Definition – Minimum Wage

The International Labour Organization defines minimum wage as *"the minimum sum payable to a worker for work performed or services rendered, within a given period, whether calculated on the basis of time or output, which may not be reduced either by individual or collective agreement, which is guaranteed by law and which may be fixed in such a way as to cover the minimum needs of the worker and his or her family, in the light of national economic and social conditions"*⁷.

The above definition implies that the minimum wage covers only payments for the time worked or for piece rates. It does not include bonuses or other benefits (in cash or in kind) payable directly or indirectly by the employer to the worker for work done. Thus, we see that the notion of a minimum wage links two concepts:

- a wage—remuneration for work done or services provided; and
- a minimum—a level which may not be undercut and whose application is guaranteed.

In addition, the concept of a minimum wage is linked to work and distinct from the broader notion of social protection. This broader notion concerns a level of income necessary to achieve minimum living conditions regardless of whether one is employed (e.g., income support in situations arising out of unemployment, underemployment, or poverty).

1.3 Impact of a Minimum Wage Legislation

The labour market is affected by the institution of minimum wages, including legislation. The impact of such legislation has been debated since the inception of minimum wage⁸. Some of the dimensions that affect labour are employment, hours of work, earnings, wage inequality, income distribution, labour force participation, unemployment, fringe benefits and working conditions, training,

⁷ Defined by [International Labour Organization](#), retrieved on 25th March, 2012.

⁸ Effects of minimum wages and Labour Market Dynamics will be explained in subsequent paper in the series of reports and will be available on [Paycheck India Website](#).

spill over effects on other wages, and aggregate wages. The expected effects can be understood by using basic principles of economics⁹.

1.4 Objectives of the Minimum Wage

As a policy tool, setting of minimum wage is called upon to serve a variety of interrelated objectives. The stated objectives of minimum wage may differ from country to country, but they all more or less try to achieve the guidelines given by the ILO for establishing a minimum wage.

Objectives given by the ILO for establishing a minimum wage¹⁰:

- to provide protection for a small number of low-wage workers who are considered to be in an especially vulnerable position in the labour market
- to ensure payment of fair wages
- to provide a basic floor for the wage structure and reduce poverty by providing all, or almost all, workers with a safety net as protection against unduly low wages
- to serve as an instrument of macroeconomic policy for achieving broad national goals such as economic stability and growth, and improve the distribution of income.

9 Morley Gunderson, Minimum Wages in Canada: Theory, Evidence and Policy, December, 2005, Prepared for the Federal Labour Standards Review Commission

10 Gerald Starr, Minimum Wage Fixing: An International Review of Practices and Problems (Geneva: International Labour Office, 1981; second printing with corrections, 1993), pp. 17-18.

2 A Brief Overview of Minimum Wages in Asian Countries

2.1 Overview

There are immense differences between countries in terms of the number of minimum wage rates set for different regions and/or different occupations, age, qualifications, etc. within the same country. Some countries have only one national minimum wage rate, whereas others have multiple minimum wage rates depending on regions, occupations, qualifications, etc. An extreme example is India where more than 1200 minimum wage rates exist¹¹. The Indian system is even more complicated as - in addition to national minimum wage rates - states can set regional minimum wages following a recommendation from a tripartite body in the regions where wage bargaining has a very low coverage. In some countries minimum wage rates are set through collective bargaining in sectors which are strongly unionised¹².

Another aspect that cannot be ignored is minimum wage coverage, or who is covered by the minimum wage and if there are any sectors/groups excluded from protection by the minimum wage umbrella.

For the comparative analysis of official minimum wage representation¹³ (i.e., number of minimum wage rates, minimum wage coverage and sectors/groups excluded) in Asian countries, this report considers only those countries which are under the WageIndicator project¹⁴. These are:

- Cambodia
- China
- India
- Indonesia
- Pakistan
- Sri Lanka
- Vietnam

¹¹ Please refer to [Paycheck India Website](#)

¹² Principles of minimum wage policy: economics, institutions and recommendations /Hansjörg Herr and Milka Kazandziska; International Labour Office. - Geneva: ILO, 2011 31 p. (Global Labour University working papers; No.11)

¹³ See Section 3.2

¹⁴ Please refer to [WageIndicator Website](#)

These countries differ in size, both in terms of geography and population, culture and social aspects. India, Indonesia, Pakistan and Sri Lanka have separate minimum wage legislation. Cambodia, China and Vietnam do not, but they make do with provisions, in the Ministry of Labour and Social Security and the Labour Code respectively, to ensure that workers receive a minimum wage. Except Cambodia, all countries have multiple minimum wage rates depending on various criteria which are discussed in the next section. Some countries have also prescribed minimum wages for different population groups (youth, disabled etc.) to take care of their specific needs.

3 Minimum Wage Representation

3.1 Minimum Wage Representation

A wage is the amount paid by an employer to a worker by virtue of an employment agreement for work done (or to be done) or services provided (or to be provided). A worker's wage or pay is for work performed or services provided during some specified period of time (e.g., hour, day, month, or year), such as straight-time hourly wage or an annual salary. A worker's earnings usually reflect pay for time worked as well as for time not worked (e.g., paid leave or holidays).

Rates of pay may vary by region and occupation or industry, as well as by age, race or ethnicity, experience, skill level, and union status. Other factors affecting pay rates are the nature of the employment relationship and whether a worker is employed on a permanent or temporary, full-time or part-time basis. Sometimes, for the same occupation there exist different minimum wages within the same country across regions. A classic example of this is the Indian Minimum Wage System¹⁵. But this fixation of different minimum wage rates in different regions for different categories of workers in different industries may make the structure of minimum wage very complex¹⁶.

The countries have their own, special mechanisms to institutionalize minimum wages. Some countries have separate minimum wage legislation¹⁷, in some cases there are minimum wage provisions¹⁸ as part of broader legislations, whereas some countries pass ordinances¹⁹. There are also some countries which do not have minimum wage legislation, but have minimum wage provisions laid down in the labour code²⁰. Interestingly, none of the countries covered by this

¹⁵ Available at [Paycheck India Website](#)

¹⁶ Subesh K. Das, Fixation and Enforcement of Minimum Wages, The Indian Journal of Labour Economics, Vol.41, No.2, 1998.

¹⁷ Legislation: the act of making or enacting laws, retrieved June 11, 2012, from [Dictionary.com website](#)

¹⁸ Provision: a clause in a legal instrument, a law, etc., providing for a particular matter; stipulation; provision, retrieved June 11, 2012, from [Dictionary.com website](#)

¹⁹ Ordinance: an authoritative rule or law; a decree or command, retrieved June 11, 2012, from [Dictionary.com website](#)

²⁰ Labour Code: a systematically arranged collection or compendium of laws, rules, or regulations, retrieved June 11, 2012, from [Dictionary.com website](#)

study does without a formal minimum wage: they all pay attention to it, one way or the other.

Yet countries differ in the levels of applicability of minimum wage rates. Some countries have a single minimum wage rate, whereas others have multiple minimum wage rates. At one extreme there can be a national minimum wage applicable throughout the country, and at the other extreme there can be different rates for each town or village even. In fixing minimum wages, a compromise is made between these extremes, to accommodate major differences in the cost of living across regions.

3.2 Minimum Wage Representation in Asian Countries: Categorization

For the 7 countries considered in this report, Cambodia, China, India, Indonesia, Pakistan, Sri Lanka and Vietnam, it can be seen that most of these have more than one minimum wage rate prevailing. The levels at which minimum wage rates are determined can be national, regional, occupational, industry, sector or sometimes specific categories like skill level or district level are also observed. Table 3.1 gives the official minimum wage representation per country.

Table 3.1 Minimum Wage Representation across Asian Countries

Country	Separate Legislation for Minimum Wage	Number of Minimum Wage Rates		Levels at which Minimum Wages are Determined					
		Single	Multiple	National	Regional	Occupational	Industry	Sectoral	Other
Cambodia ²¹		✓				✓			
China ²²			✓					✓	
India ²³	✓		✓	✓	✓	✓		✓	Skill
Indonesia ²⁴	✓		✓		✓	✓			
Pakistan ²⁵	✓		✓	✓	✓	✓		✓	Skill
Sri Lanka ²⁶	✓		✓			✓	✓	✓	
Vietnam ²⁷			✓		✓		✓	✓	

Source: WageIndicator Database²⁸

It can be seen from the table 3.1 that each country has its unique representation of minimum wage and features specific combinations of level at which the minimum wage is set (except for India and Pakistan). It is thus essential to look into each country case individually.

Cambodia:

In Cambodia there is no separate minimum wage legislation. All the labour laws are regulated by the Labour Code of 1997²⁹. But in practice, minimum wage

²¹ Retrieved from [Cambodia Minimum Wages](#) on 5th June, 2012

²² Retrieved from [China Minimum Wages](#) on 5th June, 2012

²³ Retrieved from [India Minimum Wages](#) on 5th June, 2012

²⁴ Retrieved from [Indonesia Minimum Wages](#) on 5th June, 2012

²⁵ Retrieved from [Pakistan Minimum Wages](#) on 5th June, 2012

²⁶ Retrieved from [Sri Lanka Minimum Wages](#) on 5th June, 2012

²⁷ Retrieved from [Vietnam Minimum Wages](#) on 5th June, 2012

²⁸ Available at [WageIndicator Website](#)

exists in the garment sector at the occupational level only, i.e., apprentice, probationary and regular³⁰. All the workers in other sectors are paid based on the sympathy (or the whim) of respective employers. The main reason for this is the absence of Prakas (ministerial orders) on nationwide Minimum Wage.

China:

In China there is no separate minimum wage legislation. But there is a Provision³¹ for Minimum Wage, promulgated by the Ministry of Labour and Social Security³². There are several minimum wage rates. The Provision for Minimum Wage³³ states that minimum wage rates exist for each province/region. Different provinces/regions have various levels of minimum wage rates. There are also rates for autonomous regions and municipalities even. Moreover there are sectoral minimum wage rates, but there is no provision for a national minimum wage rate.

India:

India has separate minimum wage legislation. The Minimum Wages Act of 1948 provides for fixing minimum rates of wages in certain employments and it extends to the whole of India. There exist several minimum wages in India. Individual States as well as the Central Government have the power to determine the minimum wage rates³⁴. The minimum wage rates can also be fixed for different skills and occupations³⁵. In India minimum wages are declared at national (central), state, regional, sectoral and occupational or skill level. This makes the entire system very complex.

²⁹ Available at [Cambodia Labour Code, 1997](#), under chapter VI, section 1(B), articles 104 - 109 deals with minimum wage regulations.

³⁰ [Minimum Wage Rate in Cambodia](#) retrieved on 5th June, 2012.

³¹ Provision is not equal to Legislation

³² Promulgated on January 20th, 2004 and enforced on March 1st, 2004.

³³ [China Provisions of Minimum Wage](#), as per Articles 5 and 7 of the Provisions on minimum wages, 2004. Retrieved on 5th June, 2012

³⁴ [India, Minimum Wages Act, 1947](#), as per Section 2 of the Act and Section 27, 28, retrieved on 5th June, 2012.

³⁵ [India, Minimum Wages Act, 1947](#), Section 3 (3) of the Act, retrieved on 5th June, 2012.

Indonesia:

In Indonesia, there is a separate legislation for minimum wage³⁶. But the specialized regulation for minimum wage implementation has not been launched yet, according to which minimum wage can be determined both at province and district level³⁷. This implies that there exists more than one minimum wage rate in the country. At the province level there might be both the Minimum Wage Province (MWP) and Minimum Wage Sectoral Province (MWSP). While at the district/city level there might be Minimum Wage District or City (MWD/City) and Minimum Wage Sectoral District/City (MWSD/City). However, in principle, only one of these minimum wages applies to workers, depending on the district and sector where they work. Thus, in Indonesia minimum wage is determined at province level, district level and occupational level. Each region is given the power to frame their own minimum wages at provincial level and district /city level³⁸.

Pakistan:

The minimum wage system is complicated in the case of Pakistan. There exists the Minimum Wages Ordinance 1961³⁹, next to the West Pakistan Minimum Wages for Unskilled Workers Ordinance 1969⁴⁰. Minimum Wages Rules, 1962, have also been promulgated in accordance with the Ordinance of 1961. There exists a national minimum wage, but as the Punjab government website states, Punjab province also fixes minimum wage rates that differ between industries and skills.

In view of the Labour Policy 2010⁴¹ and Supreme Court Orders, all the provincial governments (i.e. Punjab, Sindh, Khyber Pakhtunkhwa and Baluchistan) have fixed minimum wage rates for different (skilled and semi-skilled) workers and have notified these. Punjab and Baluchistan have notified minimum wage rates for 51 and 30 different industries respectively. Similarly, the Khyber

³⁶ [Indonesia Minimum Wage Act](#): As stipulated under Act 13 Year 2003 concerning empowerment articles No 88, 89 and 90, retrieved on 6th June, 2012.

³⁷ [Indonesia Minimum Wage Act](#): Ministerial Decree No. 236/2000 concerning Minimum Wage, retrieved on 6th June, 2012.

³⁸ [Indonesia Minimum Wage Act](#): According to Article 89 of the Act retrieved on 6th June, 2012

³⁹ [Minimum Wage Ordinance, 1969](#), Pakistan retrieved on 6th June, 2012.

⁴⁰ [The West Pakistan Minimum Wages for Unskilled Workers Ordinance, 1969](#), retrieved on 6th June, 2012.

⁴¹ [Pakistan Government, Labour Policy 2010](#), retrieved on 6th June, 2012

Pakhtunkhwa government has also issued wage rates for all industries. These notifications however don't apply to the Federally Administered Tribal Areas (FATA).

Sri Lanka:

In Sri Lanka there is a Wage Boards Ordinance which regulates minimum wages in the country⁴². There exists more than one minimum wage rate based on occupation, sector or for specific categories of workers like trainees/apprenticeship or piece-rate workers. According to section 8 of the Wages Board⁴³, the Minister may publish a Gazette and establish a Wage Board for any trade, or any function or process in such trade. This mandates the Government to increase the scope of minimum wage in the country.

Vietnam:

There is no separate legislation on minimum wages in Vietnam. Rather there is a general Labour Code 1994 (amended 2002), which also regulates minimum wage. There exist several minimum wage rates in Vietnam⁴⁴. The government determines a general minimum wage rate, a minimum wage for each region and a minimum wage for each industry. Vietnam has different minimum wages for different types of enterprises - domestic and foreign owned. Vietnam also has a common minimum wage level which applies to state employees, armed personnel, public organizations etc., but these are not regulated by the Labour Code.

⁴² [Sri Lanka Wage Board Ordinance](#), No. 27 of 1941 of 19 September, 1941, as amended up to Act No. 36 of 1982 which regulates minimum wages in the country, retrieved on 6th June, 2012.

⁴³ [Establishment of Wages Board](#), retrieved on 15th June, 2012.

⁴⁴ [Vietnam Labour Code, 1994](#), Article 56 (Chapter VI - Wages) of Labour Code. (Para 2), retrieved on 6th June, 2012

4 The Extent and Reality of Minimum Wages in Asian Countries

4.1 A Reality Check

Though each country has some form of minimum wage enforced either through legislation or provisions, they differ in terms of the extent promulgated. And then again, the reality may be different in each country – how effective is enforcement? The minimum wage law is a promise, yet implementation may be less than perfect. Therefore, it is necessary to compare the extent of the labour market that falls under the umbrella of official minimum wage protection with reality. This comparison will provide a better picture of national situations.

Table 4.1 Extent of Minimum Wages in Asian Countries

Country	Extent	Reality
Cambodia	All enterprises and establishments whether they are of a professional, charitable or educational nature are covered.	Minimum wage rates have in fact only been set for workers in the textile, garment and shoe-sewing sector.
China	Covers enterprises, private non-enterprise entities, individual industrial and commercial households with employees (the employing entities), and the labourers who have formed a labour relationship with them.	Applies to enterprises, private non-enterprise entities, individual industrial and commercial households with employees and the labourers who have formed a labour relationship with them.
India	The Minimum Wage Act applies throughout India. The schedule to the Act sets forth the occupations for which the appropriate government may set minimum wage rates.	However, the appropriate government need only set minimum wage rates for scheduled employments in which there are more than 1,000 employees engaged in the whole of the province.

Indonesia	Intends to apply only to workers/labourers with less than a year's service, and that wages for workers with more than a year's service be discussed bipartitely between workers/labourers or their union and the relevant company management.	Reality coincides with the extent of minimum wage.
Pakistan	Applies to industrial undertakings across a province by category of worker (namely juvenile or unskilled) or by industry.	Applies to unskilled workers engaged in commercial and industrial establishments wherein 50 or more persons are employed or were employed on any day during the preceding 12 months.
Sri Lanka	Applies to all workers who are employed to perform any work in any trade.	Currently, minimum rates of wages apply to over 35 trades.
Vietnam	Applies to all employees and employers in all sectors of the economy and in all forms of ownership.	Applies to all employees, defined as a person of at least 15 years of age who is able to work and has entered into a labour contract, in any sector of the economy and in any form of ownership.

Source: *ILO Minimum Wage Fixing Database*⁴⁵, 2012 and *WageIndicator Database*⁴⁶, 2012.

From the above comparison it is evident that though all countries considered have some form of minimum wage, its applicability across the labour market is not complete. There are some loopholes in the system of each country, whereby the labourer is not guaranteed a minimum wage.

⁴⁵ Available at [ILO Minimum Wage Fixing Database](#), retrieved on 6th June, 2012

⁴⁶ Available at [WageIndicator Database](#), retrieved on 6th June, 2012

5 Occupational Groups Excluded from Minimum Wage Protection

5.1 Excluded Occupational Groups

While the intent of most minimum wage legislation is to protect low wage workers and to provide a general wage floor for employed workers, there may be groups of workers, professions, occupations, or certain activities which are excluded. Exclusions are often based on the type and size of the enterprise, while reduced minimum wage rates may apply to certain workers such as youth or trainees.

Table 5.1 Occupational Groups Excluded from Minimum Wage Protection

Country	Workers	Occupations	Sectors	Other Provisions
Cambodia	Judges and workers holding a permanent position in the public sector.	Domestic workers.	Members of the police, army, military police forces, and air and maritime transportation personnel (governed by a separate statute).	
India	Disabled persons & family members (wages payable by an employer to a member of his or her family who is living with and dependent on him or her).	Minimum wage rates can be established for any scheduled occupation.	Minimum wage rates can be established for any scheduled sector.	

Indonesia	Only entrepreneurs are prohibited from paying less than the minimum wage.			The legislation provides for exceptions to be made for companies who are not in a position to pay minimum wage.
Pakistan	Persons employed by the federal or provincial government, agricultural workers, and workers in coal mines. ⁴⁷ In case of unskilled workers persons in the service of Pakistan as defined by Article 260 of the Constitution, skilled workers, apprentices.		The defence service, civil armed forces, postal, telegraph and telephone services, ports, railways, fire-fighting services, electricity, gas, water-supply, public conservancy and hospitals, those engaged in public utility service.	
Vietnam	Members of cooperatives operating under the Cooperative Law.	People belonging to political organizations or socio-political organizations operating under the regulations of such organizations.	Workers covered by the Public Employees Ordinance.	Officers, non-commissioned officers, soldiers, professional army men and non-contractual employees in the armed forces.

Source: *ILO Minimum Wage Fixing Database*⁴⁸, 2012 and *WageIndicator Database*⁴⁹, 2012.

Note: There are no excluded categories in China and Sri Lanka

⁴⁷ Minimum Wages may be fixed under the Coal Mines (Fixation of Rates of Wages) Ordinance 1960

⁴⁸ Available at [ILO Minimum Wage Fixing Database](#), retrieved on 6th June, 2012

⁴⁹ Available at [WageIndicator Database](#), retrieved on 6th June, 2012

6 Minimum Wages for Specific Labour Groups

6.1 Specific Minimum Wages

The minimum wage legislation or provisions aim to provide all workers who enter the labour market with a legal minimum wage for their labour that is sufficient for subsistence. In some countries, there are special provisions or acts promulgated in order to protect the interests of certain types of labour, since they might not be working in the organised sector or may be excluded because of the discriminatory nature of the labour market, or because sometimes employers have a taste for discrimination⁵⁰. Table 6.1 presents the country-specific patterns in this regard.

Table 6.1 Minimum Wage Levels for Specific Labour Groups

Country	Domestic	Trainees	Youth	Disabled	Contractors	Piece-rate Workers	Other Categories
Cambodia						✓	
China							
India		✓	✓.			✓	
Indonesia					✓	✓	✓
Pakistan		✓	✓			✓	
Sri Lanka		✓		✓		✓	
Vietnam		✓					✓

Source: ILO Minimum Wage Fixing Database⁵¹, 2012 and WageIndicator Database⁵², 2012.

Cambodian Labour Code states that piece-rate workers must be paid a wage rate calculated in a manner that permits the worker of mediocre ability, working normally and for the same amount of time, to earn a wage at least equal to the guaranteed minimum wage as determined for a worker.⁵³ The Chinese Ministry of Labour and Social Security does not make any special Provision for specific

⁵⁰ Labour Market Theory of Discrimination by Gary Becker (1957, 1971, 2nd ed.).

⁵¹ Available at [ILO Minimum Wage Fixing Database](#), retrieved on 6th June, 2012

⁵² Available at [WageIndicator Database](#), retrieved on 6th June, 2012

⁵³ [ILO Minimum Wage Fixing Database](#) retrieved on 18th June, 2012

labour groups. Indian Minimum Wage Legislation states the specific minimum wage rates may be established for apprentices/trainees, youth,⁵⁴ and piece-rate workers. The Indonesian Legislation states specific minimum wage rates for contractors⁵⁵, piece-rate workers⁵⁶ and other categories⁵⁷. The Pakistan Minimum Wage Ordinance provides for specific minimum wage for trainees/apprentices⁵⁸, youth⁵⁹ and piece-rate workers⁶⁰. The Sri Lankan Wages Board Ordinance provides specific minimum wage for trainees⁶¹, disabled⁶² and piece-rate workers⁶³. The Vietnam Labour Code provides specific minimum wage for employees on probation⁶⁴, trainees/apprentices⁶⁵ and workers who have received some vocational training⁶⁶.

⁵⁴ Youth: adolescents - persons who have completed their 14th year of age, but not completed their 18th year of age.

⁵⁵ The legislation sets forth the method of calculating minimum wage rates for freelancing daily workers (who are working for one month or more) in accordance with the number of days the workers are present.

⁵⁶ Piece-rate workers are covered by the minimum wage if working for one month or more.

⁵⁷ Workers who are on a period of probation are also entitled to receive the relevant minimum wage.

⁵⁸ The Apprenticeship Rules 1966 provide that apprentices receive a guaranteed minimum wage rate. This rate begins at 50% of a regular worker's wage for the first year of the apprenticeship and increases each year. After 3 years of apprenticeship, the apprentice is entitled to the same minimum wage rate as a regular worker.

⁵⁹ Under the 1961 Ordinance, Provincial Minimum Wages Boards may recommend specific minimum wage rates for juvenile workers.

⁶⁰ When making recommendations to the Provincial Government, Provincial Minimum Wages Boards may specify minimum wage rates for piece work and minimum time rates for piece-rate workers.

⁶¹ A Wages Board may determine the conditions subject to which any workers may be employed in that trade as apprentices or learners.

⁶² Permits may be granted by the Commissioner of Labour exempting the employment of a person with an infirmity or physical injury from minimum rates of wages which are otherwise applicable to that employment. The exemption may be subject to such conditions as may be prescribed. Such permits may be revoked by the Commissioner after giving notice in the prescribed manner to the employer of the worker.

⁶³ A Wages Board may determine a minimum rate of wages for piece work (a 'general minimum piece-rate') and a minimum time-rate to apply in the case of workers employed in piece-work for the purpose of securing to such workers a minimum rate of remuneration on a time-work basis (a 'guaranteed time-rate'). Where no general minimum piece rate has been set for a trade to which a general minimum time rate applies (i.e. the minimum rate for time work set by a Wages Board decision), an employer must ensure that any piece-workers are paid a piece-rate that yields at least the same remuneration as the general minimum time-rate.

⁶⁴ Employees on a trial period must receive at least 70% of the applicable wage rate for the relevant rank of the job.

⁶⁵ Apprentices and trainees who manufacture a product must receive at least 70% of the applicable wage rate for an employee performing the same job.

⁶⁶ The lowest regional wage level paid to workers who have received vocational training must be at least 7% higher than the region-based minimum wage levels.

7 Discussion: Patterns of Official Minimum Wage Representation

7.1 Patterns of Official Minimum Wage Representation

Each Asian country covered in this report has come up over a period of time with unique schemes for minimum wage representation. We could observe that in all countries minimum wages systems have been institutionalised in one way or the other. A pressing requirement faced by all countries would have been to give formal (or official) status to the institution of minimum wages, and make it legally tenable. Representation of minimum wages for easy implementation and understanding would be the next challenge.

Countries like India, Indonesia, Pakistan and Sri Lanka have a separate legislation for minimum wage⁶⁷. In Cambodia and Vietnam all labour laws are regulated by the Labour Code, 1997 and minimum wages are included as part of the Code. In China, while there is no separate minimum wage legislation provisions are made for minimum wages, officially promulgated by the Ministry of Labour and Social Security, which gives the system legal standing.

Only Cambodia has a single minimum wage rate, whereas all other countries, i.e., China, India, Indonesia, Pakistan, Sri Lanka and Vietnam have multiple minimum wage rates.

Depending on the conditions in the respective country, one or more minimum wages exist. Different variables like geography, skills, occupation levels etc. are used to determine representation. Use of multiple criteria helps to decentralise the institution and make it relevant to specific target groups. However, proliferation of such criteria may lead to administrative and implementation difficulties.

Cambodia⁶⁸, India and Pakistan are the countries that have a national minimum wage rate. In India and Pakistan minimum wage rates are determined at the regional level, generally states or provinces. Similar determination is followed by

⁶⁷ Please refer to table 3.1.

⁶⁸ The national minimum wage rate is the only minimum wage rate prevailing in Cambodia. It is applicable only to the garment industry.

Indonesia and Vietnam. In addition to the geographic criterion, some countries like India, Indonesia, Pakistan and Sri Lanka also determine minimum wage rates at the occupation level. Only Sri Lanka and Vietnam determine minimum wage rates at industry level. All countries, except Cambodia and Indonesia, determine minimum wage rates at the sector level too. India and Pakistan also determine their minimum wage rates according to skills required for employment.

The analysis shows that each country has some form of official and legal minimum wage rate in force at a given point. But the applicability of the rate is not uniform for all labour groups within the country, nor within the sectors or types of industry. This means that still there are sections of the working population excluded.

In Cambodia minimum wage is applicable only to the garment and shoe-sewing sector. In the case of India, individual States as well as the Central Government have the power to determine the minimum wage rates. But the appropriate government needs to only set minimum wage rates for scheduled employments in which there are more than 1,000 employees engaged in activity (i.e. state or a zone which comprises of cluster of revenue districts)⁶⁹. In Pakistan minimum wage is applicable to those commercial or industrial establishments wherein 50 or more persons are employed or were employed on any day during the preceding 12 months. In Sri Lanka minimum wage rates apply to over 35 trades only. It seems like there is universal applicability of minimum wage in Indonesia and Vietnam, but the extent of legal compliance is a different matter.

In all countries (except China), there are some types of labour (occupations, special groups) which are excluded from the umbrella of minimum wage protection⁷⁰. In Cambodia, besides public servants, domestic workers are excluded from minimum wage protection. This leaves the most vulnerable section of society unprotected. In India disabled persons are not covered under minimum wage protection. In Indonesia the entrepreneurial class is prohibited from paying less than the minimum wage. But there exist a loophole, i.e. if a

⁶⁹ Please refer to table 4.1

⁷⁰ Please refer to table 5.1.

private company is not in a position to pay minimum wage, it is exempted by law from paying the minimum wage. This could leave employees at the mercy of entrepreneurs. In Pakistan public servants and unskilled workers are excluded from minimum wage protection. And in Vietnam too, like in Cambodia and Pakistan, public servants are excluded from minimum wage protection.

China does not have special minimum wage provisions for any specific categories of labour. India and Pakistan are the only countries included in this study with special minimum wage provisions and laws for specific groups like domestic workers, trainees, youth and piece-rate workers. Cambodia has specific minimum wage rates only for piece-rate workers. Indonesia has special minimum wage rates for contract labour, piece-rate workers and for workers on probation. Sri Lanka is the only country which has considered separate minimum wage rate for disabled workers. It also has special minimum wage provisions for domestic trainees and piece-rate workers. Vietnam has specific minimum wage rates for wage for employees on probation, trainees/apprentices and workers who have received some vocational training.

8 Conclusion

It is observed that all the Asian countries in this study have some form of minimum wage legislation or provisions in place. Most countries have multiple minimum wage rates (except Cambodia which has only one national wage). Multiple minimum wage rates can be determined on regional, occupational, industry, sector and/or other basis like skill, etc.

The patterns followed by countries in determining minimum wage rates have their advantages and disadvantages. For example in India, for the same occupation there exists different minimum wages in different parts of the country⁷¹. This is mainly done in order to accommodate major differences in the cost of living across regions. The bargaining power of trade unions in the respective areas also influences the wage rates. The approach of different minimum wage rates in different regions for different categories of workers in different industries, makes the structure of minimum wage very complex and can lead to difficulty in administration as well as compliance⁷². On the other hand a single system of minimum may not be economically and socially sustainable in large countries with a great variety of characteristics and needs.

We also see that, except China, all countries exclude some type of labour, most common being public service. Again, except China, all countries have provisions or acts to protect certain types of labour, most common being piece-rate work.

While Asian countries have progressed much in terms of having in place a minimum wage framework that has legal backing, the same cannot be said about the effectiveness of the institution. The effectiveness of minimum wage legislation or provisions depends on minimum wage fixation machinery and ensuring compliance with the law.

⁷¹ Available at [Paycheck India Website](#)

⁷² Subesh K. Das, Fixation and Enforcement of Minimum Wages, The Indian Journal of Labour Economics, Vol.41, No.2, 1998.

Annexure I - Web Links

Page No.	Foot Note No.	Description	Web Link
-	1	Please refer to WageIndicator Website	http://www.wageindicator.org/main/minimum-wages
1	2	"Adolescent/youth" means a person who has completed his fourteenth year of age but has not completed his eighteenth year; and "adult" means a person who has completed his eighteenth year of age, retrieved from Minimum Wages Act, 1948, India on 15 th June, 2012.	http://pblabour.gov.in/pdf/acts_rules/minimum_wages_act_1948.pdf
1	3	Retrieved from Business Dictionary on 11th June, 2012	http://www.businessdictionary.com/definition/wage.html
1	5	Available at ILO Conventions	http://www.ilo.org/public/english/support/lib/resource/subject/salary.htm#database
2	7	Defined by International Labour Organization , retrieved on 25 th March, 2012	http://www.ilo.org/public/english/support/lib/resource/subject/salary.htm
2	8	Effects of minimum wages and Labour Market Dynamics will be explained in a subsequent paper in the series of reports and will be available on Paycheck India .	www.paycheck.in
4	11	Please refer to Paycheck India	http://www.paycheck.in/main/salary/officialminimumwages
4	14	Please refer to WageIndicator	http://www.wageindicator.org/main/minimum-wages

6	15	Available at Paycheck India	http://www.paycheck.in/main/salary/officialminimumwages
6	17	Legislation: the act of making or enacting laws, retrieved June 11, 2012, from Dictionary.com website	http://dictionary.reference.com/browse/legislation
6	18	Provision: a clause in a legal instrument, a law, etc., providing for a particular matter; stipulation; provision, retrieved June 11, 2012, from Dictionary.com	http://dictionary.reference.com/browse/provision
6	19	Ordinance: an authoritative rule or law; a decree or command, retrieved June 11, 2012, from Dictionary.com	http://dictionary.reference.com/browse/ordinance
7	20	Labour Code: a systematically arranged collection or compendium of laws, rules, or regulations, retrieved June 11, 2012, from Dictionary.com	http://dictionary.reference.com/browse/code
8	21	Retrieved from Cambodia Minimum Wages on 5th June, 2012	http://www.wageindicator.org/main/minimum-wages/cambodia/cambodia-minimum-wage-faqs
8	22	Retrieved from China Minimum Wages on 5th June, 2012	http://www.wageindicator.org/main/minimum-wages/china-custom/faqs
8	23	Retrieved from India Minimum Wages on 5th June, 2012	http://www.wageindicator.org/main/minimum-wages/india/minimum-wages-faq
8	24	Retrieved from Indonesia	http://www.wageindicator.org/

		Minimum Wages on 5th June, 2012	main/minimum-wages/indonesia/faqs-minimum-wages-in-indonesia
8	25	Retrieved from Pakistan Minimum Wages on 5th June, 2012	http://www.wageindicator.org/main/minimum-wages/pakistan
8	26	Retrieved from Sri Lanka Minimum Wages on 5th June, 2012	http://www.wageindicator.org/main/minimum-wages/sri-lanka/faq-minimum-wages-in-sri-lanka-1/faq-minimum-wages-in-sri-lanka
8	27	Retrieved from Vietnam Minimum Wages on 5th June, 2012	http://www.wageindicator.org/main/minimum-wages/vietnam/faqs-minimum-wages-in-vietnam
8	28	Available at WageIndicator Website	http://www.wageindicator.org/
8	29	Available at Cambodia Labour Code, 1997 , under chapter VI, section 1(B), articles 104 - 109 deals with minimum wage regulations.	http://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---ilo_aids/documents/legaldocument/wcms_150856.pdf
9	30	Minimum Wage Rate in Cambodia retrieved on 5 th June, 2012.	http://www.wageindicator.org/main/minimum-wages/cambodia/cambodia-minimum-wage-faqs
9	33	China Provisions of Minimum Wage , as per Articles 5 and 7 of the Provisions on minimum wages, 2004. Retrieved on 5 th June, 2012	http://in2.mofcom.gov.cn/aarticle/chinalaw/humanresource/200604/20060402015809.html
9	34	India, Minimum Wages Act, 1947 , as per Section 2 of the Act and Section 27, 28, retrieved	http://pblabour.gov.in/pdf/acts_rules/minimum_wages_act_1948.pdf

		on 5 th June, 2012.	
9	35	India, Minimum Wages Act, 1947 , Section 3 (3) of the Act, retrieved on 5 th June, 2012.	http://pblabour.gov.in/pdf/acts_rules/minimum_wages_act_1948.pdf
10	36	Indonesia Minimum Wage Act : As stipulated under Act 13 Year 2003 concerning empowerment articles No 88, 89 and 90, retrieved on 6 th June, 2012.	http://www.wageindicator.org/documents/publicationslist/publications-2011/INDONESIA.pdf
10	37	Indonesia Minimum Wage Act : Ministerial Decree No. 236/2000 concerning Minimum Wage, retrieved on 6 th June, 2012.	http://www.wageindicator.org/documents/publicationslist/publications-2011/INDONESIA.pdf
10	38	Indonesia Minimum Wage Act : According to Article 89 of the Act retrieved on 6 th June, 2012	http://www.wageindicator.org/documents/publicationslist/publications-2011/INDONESIA.pdf
10	39	Minimum Wage Ordinance, 1969 , Pakistan retrieved on 6 th June, 2012.	http://www.ilo.org/dyn/travail/docs/973/Minimum%20Wages%20(West%20Pakistan%20Amendment)%20Ordinance%201970.pdf
10	40	The West Pakistan Minimum Wages for Unskilled Workers Ordinance, 1969 , retrieved on 6 th June, 2012.	http://punjablaws.gov.pk/laws/234.html
10	41	Pakistan Government, Labour Policy 2010 , retrieved on 6 th June, 2012	http://www.eobi.gov.pk/announcement/labour+policy+2010.pdf
11	42	Sri Lanka Wage Board Ordinance , No. 27 of 1941 of 19 September, 1941, as amended up to Act No. 36 of 1982 which regulates minimum wages in the country, retrieved	http://www.lawnet.lk/section.php?file=http://www.lawnet.lk/docs/statutes/leg_enact_1981/indexes/1981Y7V165C.html

		on 6 th June, 2012.	
11	43	Establishment of Wages Board , retrieved on 15 th June, 2012.	http://www.lawnet.lk/sec_process.php?chapterid=1981Y7V165C&sectionno=8&title=%20WAGES%20BOARDS%20&path=4
11	44	Vietnam Labour Code, 1994 , Article 56 (Chapter VI - Wages) of Labour Code. (Para 2), retrieved on 6 th June, 2012	http://www.global-standards.com/Resources/VNLaborCode1994-2002.pdf
13	45	Available at ILO Minimum Wage Fixing Database , retrieved on 6 th June, 2012	http://www.ilo.org/dyn/travail/travmain.sectionReport1?p_lang=en&p_structure=1&p_sc_id=298&p_countries=KH&p_countries=CN&p_countries=IN&p_countries=ID&p_countries=PK&p_countries=LK&p_countries=VN
13	46	Available at WageIndicator Database , retrieved on 6 th June, 2012	http://www.wageindicator.org/main/minimum-wages
15	48	Available at ILO Minimum Wage Fixing Database , retrieved on 6 th June, 2012	http://www.ilo.org/dyn/travail/travmain.sectionReport1?p_lang=en&p_structure=1&p_sc_id=298&p_countries=KH&p_countries=CN&p_countries=IN&p_countries=ID&p_countries=PK&p_countries=LK&p_countries=VN
15	49	Available at WageIndicator Database , retrieved on 6 th June, 2012	http://www.wageindicator.org/main/minimum-wages
16	51	Available at ILO Minimum Wage Fixing Database , retrieved on 6 th	http://www.ilo.org/dyn/travail/travmain.sectionReport1?p_la

		June, 2012	ng=en&p_structure=1&p_sc_id=298&p_countries=KH&p_countries=CN&p_countries=IN&p_countries=ID&p_countries=PK&p_countries=LK&p_countries=VN
16	52	Available at WageIndicator Database , retrieved on 6 th June, 2012	http://www.wageindicator.org/main/minimum-wages
17	53	ILO Minimum Wage Fixing Database retrieved on 18 th June, 2012	http://www.ilo.org/dyn/travail/travmain.sectionReport1?p_lang=en&p_countries=KH&p_sc_id=1&p_year=2011&p_structure=1
23	71	Available at Paycheck India	http://www.paycheck.in/main/salary/officialminimumwages

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