

A STUDY ON UPS AND DOWNS OF EMPLOYEE SALARY UNDER MINIMUM WAGES ACT 1948

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Abstract—*The purpose of the Minimum Wages Act was to protect workers from exploitation, raise living conditions, and give them fair remuneration. However, there are benefits and drawbacks to the act. This study examines in detail how minimum wages impact workers' pay, financial security, and general job security. While the law promotes fair wages and reduces poverty, it has also brought forth problems including increased unemployment, inflation, and income inequality. In order to provide an educated debate about the contributions of minimum wages to labor market forces, this study critically examines the determinants mentioned above.*

INTRODUCTION

A major piece of legislation, the Minimum Wages Act, guarantees that workers get a fair pay that covers the necessities of life. The Act establishes a minimum wage that companies are required to pay their workers. The Act has economic ramifications that affect enterprises, job levels, and overall market dynamics, notwithstanding its protection of low-income individuals. Employers, employees, and the economy as a whole may experience both positive and negative consequences from the implementation of minimum wages. This regulation has economic ramifications that impact companies, employment rates, and general market dynamics, even if it aids in protecting low-income individuals. Employers, employees, and the economy as a whole may all experience both advantages and disadvantages from the implementation of minimum wages.

Laws governing minimum wages fluctuate between nations and sectors, reflecting disparities in labor practices and economic circumstances. Some countries enforce industry-specific or region-specific minimum wages, while others maintain a uniform minimum wage. Although the goal of enforcing these salaries is to give workers financial stability, firms may face operational difficulties as a result. When discussing pay policy, striking a balance between economic viability and employee welfare is crucial.

REVIEW OF LITERATURE

1990s: The Re-emergence of Minimum Wage Debates

Card and Krueger's Pioneering Study (1994): Important research by David Card and Alan B. Krueger compared the impact of raising the minimum wage in New Jersey to Pennsylvania, where it stayed the same, in order to determine how it affected employment in fast-food restaurants.

Neumark and Wascher (1995)

criticized Card and Krueger's approach, claiming that there was a detrimental employment effect from utilizing payroll information.

said that raising the minimum wage may make it harder for low-skilled workers to find jobs.

2000s: Expanding the Scope of Research

Stanley and Doucouliagos (2009): conducted a meta-analysis on sixty-four papers.

It was discovered that the adverse impacts on employment were not statistically significant and were often insignificant. emphasized the tendency of publications to favor statistically significant negative outcomes.

The Minimum Wage and the Reduction of Poverty

Gindling and Terrell (2007): examined the impact of minimum wages in emerging nations.

It was discovered that while the minimum wage raised formal sector workers' incomes, it had no effect on the rate of poverty.

Lee and Saez (2012): examined the effectiveness of minimum wage laws in assisting low-income households. concluded that other measures, such as tax credits, should be implemented in addition to minimum wages since they are insufficient to combat poverty on their own.

2010s: Regional Studies and Policy Innovations

State-Level Analyses

Dube, Lester, and Reich (2010): compared adjoining counties with varying minimum salaries across state lines. There were no discernible job losses as a result of raising the minimum wage. Suggested that results are greatly influenced by local economic realities.

Allegretto et al. (2011): Supported findings that minimum wage increases do not lead to significant employment declines.

Technological Change and Automation

Lordan and Neumark (2018): examined the connection between automation and raising the minimum wage. Claimed that increasing the minimum wage may encourage businesses to automate tasks, which might lead to a decline in employment in manual labor-intensive jobs.

Cengiz et al. (2019): examined the effects on the whole pay distribution. It was discovered that there is minimal net impact on overall employment since job losses at the bottom are balanced by gains further up.

Harasztosi and Lindner (2019): studied the situation in Hungary. Increases in the minimum wage were shown to result in notable salary increases without appreciable job losses, but they also raised the cost of things made using low-paid workers.

There is a complicated link between minimum wage laws and employee compensation, according to research from the 1990s to the present. Although raising the minimum wage often boosts low-wage workers' incomes and can lessen pay disparity, the effects on employment, pricing, and the fight against poverty vary and depend on the situation.

Results are significantly shaped by a number of factors, including industry characteristics, enforcement strategies, economic conditions, and the existence of complementing policies. When creating minimum wage laws, policymakers must take this complex evidence into account in order to optimize positive impacts and avoid negative ones.

THE UPS: ENHANCING EARNINGS AND REDUCING INEQUALITY

The direct boost in low-wage workers' incomes is one of the Minimum Wages Act's most immediate consequences. The Act increases the income of workers who were previously paid less, increasing their purchasing power by formally establishing a pay floor. Research has indicated that a rise in income has the potential to lower poverty and economic disparity. In the past, for example, modest increases in the minimum wage have resulted in notable earnings growth for the lowest percentile of workers without causing a major loss of jobs, according to research published in the Journal of Economic Perspectives.

Additionally, raising the minimum wage might encourage spending by consumers. Workers with low incomes are more inclined to spend their extra money on products and services, which might increase demand in the market. Some of the employment worries related to salary increases may be mitigated by the possibility for job growth brought about by this higher spending. As an illustration, consider the 2016 minimum wage hike in the UK, which was followed by an increase in consumer spending that fueled economic expansion.

THE DOWNS: EMPLOYMENT CHALLENGES AND BUSINESS STRAIN

On the other hand, others contend that raising the minimum wage may have unforeseen negative impacts on employment. According to traditional economic theory, wages that are set above the level of equilibrium may lead to a surplus of labor supply, which is basically unemployment. Employers may respond to rising wage expenses by postponing hiring, decreasing staff, or lowering hours. Significant increases in the minimum wage may result in fewer job prospects for low-

skilled workers, especially in the retail and hospitality industries, according to research published in the Quarterly Journal of Economics.

Mandatory wage increases may have a disproportionately negative impact on small enterprises, which frequently have narrow profit margins. Their finances may be strained by the rising labor expenses, which might result in company closures or a move toward automation. For example, several small company owners reported lower profitability following Seattle's 2015 minimum wage rise, which prompted them to raise prices or automate some jobs in order to cover the additional expenses.

Concerns have also been raised regarding the "ripple effect" on organizational salary structures. In order to preserve wage disparities, workers who make slightly more than the minimum wage may seek more pay if the minimum wage is raised. This influence can further affect corporate spending by driving up labor costs beyond the initial set of minimum wage individuals.

BALANCING THE SCALES: CONTEXTUAL FACTORS AND POLICY CONSIDERATIONS

The Minimum Wages Act's effects are not consistent and can change depending on a number of contextual circumstances, such as the sector, the status of the economy, and regional variations in cost of living. The degree to which employment levels are impacted depends critically on the elasticity of labor demand. Employers may accept increased pay in areas with inelastic labor demand without imposing large layoffs. On the other hand, the detrimental impacts on employment can be more noticeable in highly competitive industries with elastic labor demand. In order to minimize the drawbacks and maximize the advantages of the Minimum Wages Act, policy design is essential. Businesses can make adjustments over time when pay increases are implemented gradually. A more balanced strategy can also be achieved by regionally adjusting minimum salaries to reflect differences in living expenses. To lessen any possible negative effects on employment, economists advise combining minimum wage laws with tax credits or subsidies for low-income workers.

STATEMENT OF THE PROBLEM

Although the goal of minimum wage enforcement is to give workers financial stability, there are social and economic drawbacks as well. While some contend that more pay enhances living standards, others think it raises operating expenses for companies, which results in automation and job losses. The purpose of this study is to evaluate how the Minimum Wages Act affects employee pay while pointing out both its advantages and disadvantages.

Understanding the true impact of minimum wages requires examining numerous variables, including job security, economic development, and inflation. Businesses may find it difficult to maintain employment levels if salaries are set too high. On the other hand, workers may not be able to pay for essentials if earnings are too low, which would raise the poverty rate. The study will examine these issues and assess how well the Minimum Wages Act are working.

OBJECTIVES OF THE STUDY

The research is to examine the advantages, difficulties, and general efficacy of the Minimum Wages Act as it relates to employee compensation. Among the particular goals are:

- To investigate how the Minimum Wages Act helps to guarantee that workers receive fair compensation.
- To examine changes in wages in sectors where minimum wage laws are in effect.
- To assess the difficulties companies and workers have while implementing wages.
- To research how changes in the economy and inflation affect minimum wages.
- To evaluate financial stability and worker happiness in light of minimum wage regulations.
- To investigate minimum wage legalenforcement and compliance concerns.
- To make policy proposals for enhancing pay scales and maintaining financial stability.

SCOPE OF THE STUDY

This study focuses on the economic, social, and industrial implications of the Minimum Wages Act

RESEARCH METHODOLOGY

The study follows a **descriptive research design**, aiming to analyses the impact, benefits, and challenges of the Minimum Wages Act on employee salaries.

Sampling Method

- **Sampling Technique:** Stratified Random Sampling
- **Sample Size:** 150 respondents, including employees from different sectors (organized and unorganized), policymakers, and HR professionals.

Data Analysis Techniques

- **Quantitative Analysis:** Descriptive statistics (mean, median, percentage) for salary trends.
- **Qualitative Analysis:** Thematic analysis of interviews and case studies.
- **Comparative Analysis:** Evaluation of wage trends before and after the implementation of the Minimum Wages Act.

Research Tools

- Microsoft Excel/SPSS for data analysis
- Graphical representation (bar charts, pie charts, and trend lines)

DATA ANALYSIS AND INTERPRETATION

What is a major advantage of minimum wages?

Advantage of Minimum Wages	Number of Responses	Percentage (%)
Security	60	40%
Reduction of Poverty	40	26.67%
Fair Compensation	25	16.67%
Reduced Income Inequality	15	10%
Stimulates Economic Growth	10	6.66%
Total	150	100%

Interpretation: The pie chart effectively illustrates that **"Security"** is perceived as the major advantage of minimum wages among the sample respondents, constituting 40% of the responses.

What is an alternative to minimum wages for worker welfare?

Alternative	Number of Responses	Percentage (%)
Incentives	50	33.33%
Profit-Sharing Programs	30	20%
Employee Stock Ownership Plans	25	16.67%
Earned Income Tax Credit (EITC)	20	13.33%
Training and Skill Development	15	10%
Improved Working Conditions	10	6.67%
Total	150	100%

Interpretation: This bar graph shows that, based on our sample data, incentives are a highly preferred substitute for minimum salaries when it comes to advancing worker wellbeing. It represents a movement toward shared prosperity programs and performance-based pay.

Do all states in India have the same minimum wage?

Response	Number of Responses	Percentage (%)
No	120	80%
Yes	30	20%
Total	150	100%

Interpretation: The bar chart effectively showcases that the majority of respondents are aware that minimum wages vary by state in India. This reflects a general understanding of the country's wage structure and labor laws.

FINDINGS

Although minimum salaries help workers in the short run, research suggests that they might pose long-term problems for economies and enterprises. Effective minimum wage management ensures worker welfare and corporate viability in nations with robust labor laws and stable economies. However, wage increases may result in job losses and more automation in economies with high unemployment rates. To guarantee that wage regulations benefit both companies and employees, a balanced approach is required.

SUGGESTIONS

- Examine the potential for varying minimum wage levels for particular sectors, geographical areas, or even company sizes. This handles the different economic realities across industries and permits flexibility.
- Take into account linking changes to the minimum wage to particular economic metrics, including productivity growth or inflation rates. This lessens the possibility of arbitrary or politically influenced modifications by fostering a more objective and data-driven approach.
- Examine experimental initiatives in particular areas or industries prior to enacting major changes throughout the country. This makes it possible to test and assess the possible effects in the actual world before implementing them more widely.
- Building trust and promoting a more cooperative work environment may be achieved by candid and open communication with staff members on the potential and difficulties associated with minimum wage adjustments.

CONCLUSION

One important tool that shapes workers' financial well-being is the Minimum Wages Act. Its potential to increase the incomes of the lowest-paid workers has great potential to combat poverty and boost the economy. The possible drawbacks, however, such job losses and financial hardship on companies, emphasize the necessity of giving policy implementation considerable thought. A sophisticated strategy that considers industry traits, geographical considerations, and economic situations can assist in developing minimum wage laws that optimize positive outcomes while reducing negative ones.

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