AITUC Karnataka State Committee

No.6, Sirur park Road, Seshadripuram, Bangalore – 560020.
Email : aituc_ksc@yahoo.com

To,
Shri Siddaramaiah, Member,
Congress Working Committee.

Date: 13 August 2026

Subject: Urgent Request to Implement the Minimum Wages Revision (Notification dated 22nd May 2026)

Respected Sir,

We write to you with an urgent appeal to ensure the immediate implementation of the minimum wages revision, as mandated by the final notification issued by the Karnataka Labour Department on 22nd May 2026. There have been relentless attempts by the employers' lobby to pressure the government into withdrawing this notification. Further aggravating the situation, the Finance Department of the Government has raised concerns and directed several government departments to temporarily halt the wage revision for contractual and outsourced workers of the government. We wish to strongly assert that this action by the Finance Department is illegal. Regrettably, this illegal halt by the government has emboldened employers in the private sector to also deny the revised minimum wages to their workforce. We understand that the issue will be discussed in the Cabinet meeting as well. We request your intervention to direct the government to implement the revised minimum wages immediately. The attached Annexure provides a detailed rebuttal to the criticisms raised against this revision. The key arguments are summarized below:

- **Legal Validity**: The revision is entirely lawful, utilizing the Repeal and Savings Section 69 of the Code on Wages, 2019. Revising minimum wages every 5 years is a statutory mandate.
- **Scientific & Reasonable Quantum**: The revision (around 42%) is based on scientific, need-based criteria defined by the 15th Indian Labour Conference norms, which have been upheld by the Supreme Court. The financial capacity of the employer to pay is legally irrelevant when fixing statutory minimum wages.
- **Positive Impact on Investment**: Contrary to fears of capital flight, empirical data from 2016-2026 shows a robust, positive correlation between aggressive minimum wage growth and higher Foreign Direct Investment (FDI) and domestic private capital inflows in Karnataka.
- **Minimal Fiscal Burden**: The Finance Department estimated a ₹1,500 crore burden for 1,06,253 formal government personnel. However, the mandatory wage hike for the estimated 20 Lakh private contract workers across Karnataka will expand the GST base. This organically returns ₹1,296 crores to the state as SGST, leaving a negligible net fiscal burden of just ₹204 crores.

Babu Mathew
President

Vijay Bhaskar DA
General Secretary

ANNEXURE A

RESPONSE TO CRITICISM OF REVISION OF MINIMUM WAGES

1. Minimum Wages Act,1948 is repealed, therefore cannot be invoked.

Minimum wages for scheduled employments were to be revised in the year 2022 in view of the statutory mandate per section 3(b) of the Minimum Wages Act, 1948 that minimum wages would be revised at intervals not exceeding 5 years. As such it is the vested right of the workers that the wages ought to be revised from the year 2022 itself. There are 39 scheduled employments for whom the minimum wages have not been revised for over 8 years. It is mandatory to revise the wages atleast once every 5 years and failure to do so amounts to forced labour ***(Association of Planters of Kerala v. State, ILR 1996 (3) Kerala 451)***

The Government of Karnataka has used the Repeal and Savings Section 69 of the Code on Wages, 2019 and Section 6 of the General Clauses, Act to revise the minimum wages under the repealed act of Minimum Wages Act,1948. The Code on Wages,2019 was notified on 22.11.2025. The Central Government has also relied on the same Repeal & Savings section in their revision of Variable Dearness Allowance (VDA). For instance, the Central Government has issued a notification dated 30th March 2026 (after the notification of Code on Wages and the repeal of Minimum Wages Act) under the repealed Minimum Wages Act to revise the rates of VDA relying on Sec.69(2) of Code on wages, in exactly the same manner as the Minimum Wages notification dated 22nd May 2026.

2. Quantum of revision is high, will impact MSMEs

Scientific and legal norms followed

The Labour department carried out an extensive study of the prices of food, clothing and housing across 16 centers in Karnataka in three different localities (Open market, Labour colony and Jantha Bazaar). The rates of minimum wages have been arrived at on the basis of the norms unanimously agreed between the employers, employees and the Government in the 15th Indian Labour Conference (ILC) in 1956. The said norms have been upheld by the Supreme Court in numerous cases ***(Workmen v. Management of Reptakos, AIR 1992 SC 504)*** as well. The rates have not been set on an arbitrary basis, but on a scientific need basis of food, clothing, housing, children's education, medical expenses, fuel, lighting.

Revision is in line with previous trends and not excessive

Karnataka has always been a pioneer state in the revision of minimum wages. The question of lower wages in neighboring states is irrelevant as upheld by the Division bench of the Karnataka High Court. For instance, even during the previous revision in 2017-18 under the Congress Government, the revision was in range of 71% to 91% and even then, the wages in Karnataka were higher than the neighboring states. Therefore, it is to the credit of the Karnataka Government that we set the path for other states to follow. In comparison the revision in 2026 is only around 42% increase over the existing wages and not 60% as portrayed.

Automobile Engineering - Zone 1				
	Highly skilled	**Skilled**	**Semi-Skilled**	**Unskilled**
2016-17	6871.8	6740.6	6640.8	6294.3
2017-18	13141.6	12127.6	11763.6	10775.6
Percentage increase	**91.24**	**79.92**	**77.14**	**71.20**
Note : the previous revision took place in year 2017-18				

Quantum of revision cannot be predetermined

The quantum of revision of minimum wages cannot be predetermined and the Government must ensure that the applicable legal and scientific norms are applied during the revision of wages. Factors such as capacity of the industry to pay or lower wages in neighbouring states are irrelevant factors in the process of revision.

The Supreme Court established that **the financial capacity of the employer to pay is completely irrelevant** when the State is fixing a statutory minimum wage. A minimum wage must not only provide for the bare physical sustenance of the worker and their family but also preserve their efficiency as a worker (e.g., providing for basic education and medical requirements). The court firmly ruled that if an employer or industry cannot afford to pay the prescribed statutory minimum wage to its employees, it has no fundamental right to carry on its business. (*U. Unichoyi v. State of Kerala, AIR 1962 SC 12 (Para 17)).*

The Full Bench of the Kerala High Court held that **the concept of a minimum wage is dynamic and evolutionary, not static**. As the cost of living and the general standard of living increase in a developing economy, the threshold for what constitutes a "minimum wage" must also progressively increase. Therefore, the Government is perfectly justified in revising minimum wages upwards, and employers cannot successfully argue that the new rates are invalid simply because they exceed older wage board settlements that were previously categorized as "fair wages". What was a fair wage years ago can become the bare minimum wage of today. *(Malayalam Plantations Ltd. v. State of Kerala, LAWS (KER) 1974-9-14 (Para 19))*

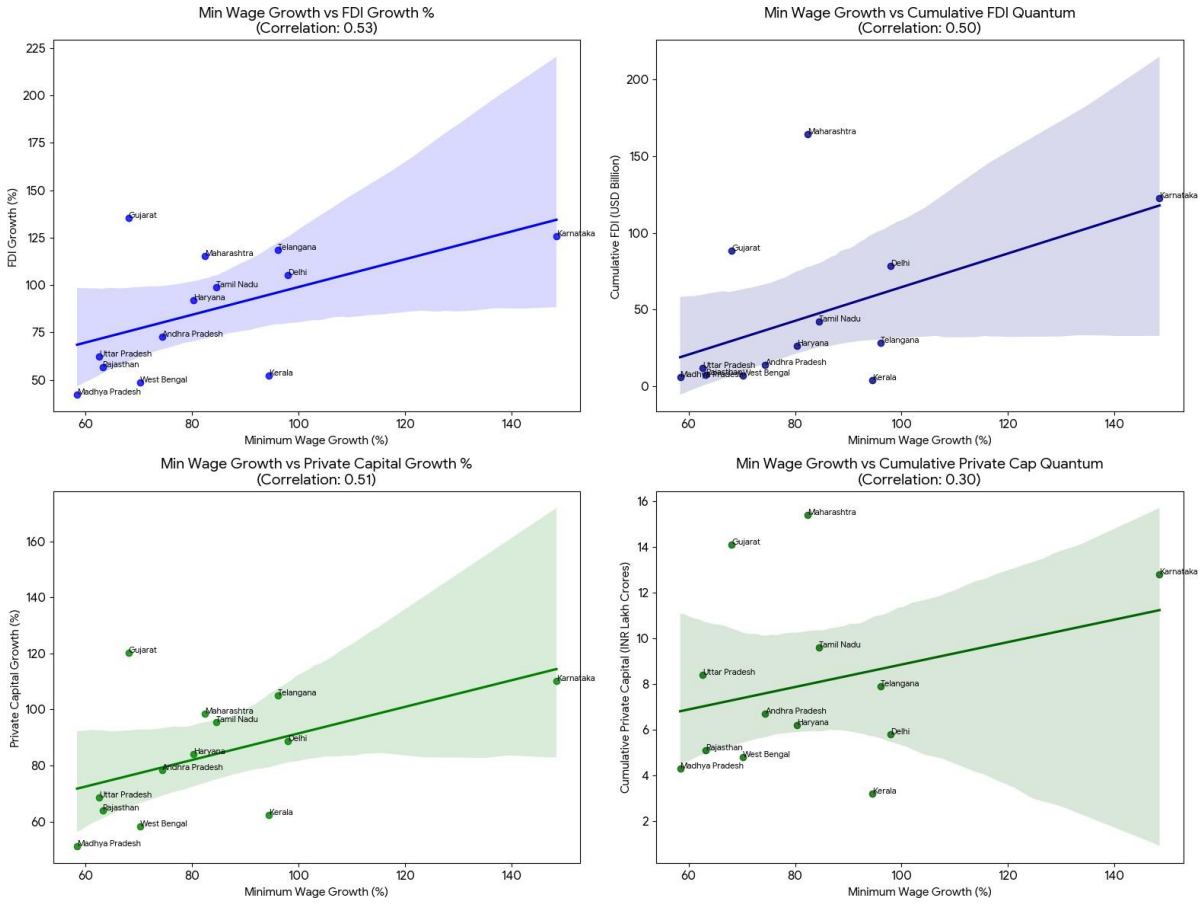
3. Investment in to Karnataka will decrease due to high minimum wages (and lower wages in neighbouring states)

In 1994, economists David Card and the late Alan Krueger published a ground-breaking study on the employment effects of minimum wages. This empirical work fundamentally challenged conventional economic theory and was central to David Card being awarded the 2021 Nobel Memorial Prize in Economic Sciences. Prior to this study, the standard economic consensus dictated that raising the minimum wage would automatically lead to job losses, as employers would theoretically hire fewer workers to offset the increased labour costs. Card and Krueger tested this assumption and found **no evidence that the minimum wage increase reduced employment**. In fact, their data showed that employment at fast-food restaurants in the state that raised its minimum wage expanded slightly relative to the state where the wage remained flat. Furthermore, they observed that employers passed the increased labour costs onto consumers through slightly higher prices for meals, rather than by cutting staff hours or reducing employee benefits.

Apart from the above general principle, we analyse the data of increase in minimum wages vs investment for the period 2016-26 across different states. The results confirm the above findings that the increase in minimum wages are strongly positively co-related to higher investment from both FDI and Domestic private capital investment.

The analysis of the 2016-2026 period yields a strong conclusion: **there is a resilient, positive correlation between the aggressive upward revision of minimum wages and the robust inflow of both Foreign Direct Investment (FDI) and domestic private capital.** Contrary to orthodox economic theory—which suggests high wage floors trigger capital flight—the data shows that India's macroeconomic engines (Karnataka, Maharashtra, Delhi) lead the nation in both wage growth and capital acquisition.

State	Min Wage Growth (%)	FDI Growth (%)	Cum. FDI ($B)	Pvt Cap Growth (%)	Cum. Pvt Cap (₹ Lakh Cr)
Karnataka	148.5	125.6	122.5	110.2	12.8
Maharashtra	82.4	115.2	164.2	98.5	15.4
Gujarat	68.1	135.4	88.4	120.3	14.1
Tamil Nadu	84.5	98.7	42.1	95.4	9.6
Delhi	98.0	105.3	78.6	88.6	5.8
Haryana	80.3	92.1	26.4	84.2	6.2
Uttar Pradesh	62.6	62.4	11.8	68.5	8.4
Telangana	96.1	118.5	28.5	105.1	7.9
Andhra Pradesh	74.4	72.8	14.2	78.4	6.7
West Bengal	70.2	48.6	6.8	58.2	4.8
Kerala	94.5	52.3	4.1	62.4	3.2
Madhya Pradesh	58.4	42.1	5.9	51.3	4.3
Rajasthan	63.2	56.7	7.3	64.1	5.1



This proves that modern corporate capital prioritizes comprehensive ecosystem value—such as world-class technological infrastructure, highly skilled talent pools, and deep localized supply chains—over purely cheap, unskilled labor. Ultimately, elevating wage standards does not deter top-tier investment; rather, it often reflects a maturing, high-capacity industrial economy that fuels localized consumption and sustainable domestic growth.

References

1. Department for Promotion of Industry and Internal Trade (DPIIT): Gross state-wise FDI equity inflows (2016-2026).
   URL: https://dpiit.gov.in/publications/fdi-statistics
2. Reserve Bank of India (RBI): DBIE corporate investment data profiles.
   URL: https://data.rbi.org.in/DBIE/
3. Ministry of Labour & Employment: State-wise scheduled minimum wage notifications.
   URL: https://clc.gov.in/clc/node/673

1. The financial implication for Government contract and outsourced workers is estimated to exceed 1,500 crores (a total of 1,06,253 outsourced personnel).

The Finance Department estimated a gross additional budgetary requirement of ₹1,500 crores to cover the wage increases for 1,06,253 formal government personnel. However, minimum wage mandates organically ripple across the entire state economy, legally binding private employers to adjust their wage structures. Because the supply of contract labor is structured through third-party manpower agencies, these transactions attract an 18% Goods and Services Tax (GST), of which 9% directly accrues to the State Government as State GST (SGST). This comprehensive analysis recalculates the true volume of contract workers across all sectors in Karnataka—accounting for factories, security services, housekeeping, retail, and corporate offices—and evaluates the actual amount of SGST revenue that will be ploughed back into the state exchequer.

- **Factories and Manufacturing:** Karnataka houses approximately 1,700,000 (17 Lakh) factory workers. Data from the Annual Survey of Industries (ASI) and labor union assessments indicate that contract labor now constitutes roughly 45% to 50% of the active floor workforce in major industrial hubs. This contributes an estimated 8,00,000 contract workers.
- **Private Security and Facility Management:** The dense concentration of IT corridors, commercial complexes, tech parks, hospitals, and residential townships across Bengaluru and Tier-2 cities drives a massive demand for outsourced manpower. Private security guards and corporate housekeeping/maintenance staff represent a highly active, 100% outsourced segment, accounting for an estimated 6,00,000 workers statewide.
- **Retail, Malls, Logistics, and Corporate Offices:** Organized retail chains, shopping malls, warehousing networks, e-commerce fulfillment centers, and corporate office administrative back-ends heavily utilize contract arrangements for logistics, shelf-stocking, front-desk operations, and delivery services, contributing a further 6,00,000 workers.
- **Public Sector Benchmarking:** As a reference point, a recent Karnataka State Cabinet sub-committee identified approximately 3,80,000 (3.8 Lakh) contract and outsourced workers operating directly within public departments, boards, and state undertakings. Given the vast scale of the private market, a combined workforce is safely anchored here.

Aggregating these sectors establishes a realistic, empirically grounded baseline of 2,00,000 (20 Lakh or 2 Million) contract workers within the formal, tax-paying private and commercial ecosystem of Karnataka.

The macroeconomic model utilizes the following standard parameters based on the requested revision scale:

- **Realistic Total Contract Workforce:** 2,00,000 (20 Lakh workers)
- **Average Mandated Wage Hike:** ₹6,000 per worker per month
- **Total GST Rate on Manpower Supply Services:** 18% (levied on the gross service billing)
- **State Share (SGST Accrual):** 9% (half of the total 18% levy)

Macroeconomic Metric	Financial Value / Calculation
Total Monthly Private Wage Infusion	2,000,000 workers × ₹6,000 = ₹1,200 Crores / month
Total Annual Incremental Wage Value	₹1,200 Crores × 12 months = ₹14,400 Crores / year
Gross Annual GST Pool Generated (18%)	18% of ₹14,400 Crores = ₹2,592 Crores
Annual SGST Ploughed Back to State (9%)	9% of ₹14,400 Crores = ₹1,296 Crores

The net budgetary equation balances out as follows:

- **Gross Additional Budgetary Requirement:** ₹1,500.0 Crores
- **SGST Automatically Recovered via Private Sector Supply:** ₹1,296.0 Crores
- **Net Fiscal Burden on the State Exchequer:** ₹204.0 Crores

By capturing the full breadth of Karnataka's actual contract worker landscape—most notably the factory, security, and facility management forces—the analysis demonstrates that a massive 86.4% of the government's ₹1,500 crore internal payroll increase is effectively covered and offset by the parallel expansion of the private sector's GST base. This leaves a highly manageable net burden of just ₹204 crores on the state treasury, proving that minimum wage corrections function as a strong economic stabilizer and a net neutral fiscal event for the state.