



ROLE OF MINIMUM WAGES ACT IN WORLD'S LARGEST SHIP BREAKING INDUSTRY

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ABSTRACT

KEYWORDS:
*Minimum wages,
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In India, various occupations are covered by the Central Government and the State Government for the implementation of Minimum wages Act. For the payment of Minimum wages, labours are divided into three categories as per their skill however all labours are covered under skilled or unskilled category. The issue related to minimum wage for unorganized workers are found in many industries. Out of which ship breaking industry is one. Alang, situated in Gujarat, on the West coast of India is the biggest ship-recycling site in the world. Two hundred end-of-life ships from all over the world are scrapped there every year. This industry is a great source of revenue for the State of Gujarat. It provides steel to the growing Indian economy and direct and indirect employment to around 40,000 people. The paper highlights the issues related to Minimum wage Act 1948 in Alang ship breaking Yard.

I. INTRODUCTION

Alang is a small coastal village as the district of Bhavnagar in Gujarat, dominated by a small population of fishermen and farmers. Presently, it has turned out to be one of the largest ship breaking yard not only in India but in the world. The yard stretches over 15 Km and actually covers two yards (Alang and Sosiya). The Alang ship breaking yards have the capacity to break VLCCs* and ULCCs** vessels, a facility not available to any other ship breaking countries in the world. Furthermore, unlike other countries where the ship breaking activities is capital intensive in India it is labour intensive. Being a labour surplus country labour is available in plenty and that too at competitive rate. Alang ship breaking yard provides large number of employment opportunities to number of skilled and unskilled labours. Moreover, there are many other activities and industries which are directly and indirectly dependent on Alang ship breaking yard, and the number of such workers directly and indirectly employed is estimated to be in between 1.5 to 1.6 lakhs (International Federation of Human Rights, 2000: 56). This also includes the downstream industries generated by the ship breaking industry such as re-rolling mills, foundries, oxygen plants, local scrap store, transportation companies and other small local businessmen and upstream activity such as brokers, service sectors etc. A survey conducted by the International Federation of Human Rights (FIDH) found that

100 re-rolling mills are functioning in the area and each generally employs between 80-120 and thus employing about 8,000-10,000 workers.

The existing site of Alang-Sosiya ship breaking yard (ASSBY) comprises of 183 plots of different sizes. The breakup of these plots is as given below. Table 1 which clearly indicates that more than half of the plots are of larger sizes which are used for breaking ships of higher Ldt, while the small size plots are used for breaking medium sized ships of lower Ldt. All these plots are developed by Gujarat Maritime Board which is also the owner.

**Table 1 Distribution of Plots of
Alang Ship Breaking Yard**

Plot Size	Number
120 × 50 Mt	10
80 × 45 Mt	24
50 × 45 Mt	56
30 × 45 Mt	93
Total	183

Source: Gujarat Maritime Board

Gujarat Maritime Board (GMB) is an autonomous institution which monitors all the ports of Gujarat and is responsible for the development of ship breaking yard at Alang. All the plots are owned by the GMB which lease out the plot to the ship breakers. The initial lease period is for ten

(Footnotes)

* Very Large Crude Carrier: Tanker of 160,000-320,000 Dead Weight Tonnage.

** Ultra Large Crude Carrier: Tanker of 320,000 Dead Weight Tonnage.

years which has to be renewed thereafter. Upto 1990's, the Gujarat Maritime Board played a direct role in the business as it used to buy the vessels from the world market and dispatch them to the ship breakers on first-come, first serve basis. However, with the opening of the markets in the post 1990's the ship breakers compete in the open international market to purchase ships.

On February 13th 1983, M. V. Kota Tenjong was the first ship to be beached at Alang. Thereafter, ship breaking at Alang has grown in number and reached world-class status. Table 2 gives the number of ships beached and average ship LDT. During 1982-83, 5 ships were broken and the average output was 24,716 Ldt. It was a small but a good beginning of ship breaking activity at Alang. In year 1983-84 and 1984-1985, the number of ships broken was 51 and 42 with an average output of 259,387 and 228,237 Ldt respectively. This

rise continued till 1987-88, however a sudden decline in the ship breaking activity was recorded in the year 1987-88, but thereafter the activities marked an upward swing. Upto 1991-1992, total number of ships broken were 601 and total output was 3,514,783 Ldt. From February 1982 to January 2005 Alang ship breaking yard processed 4,135 and total Ldt recovered was 29,875,654 million tons with an average 180 ships with 1,298,942 Ldt per year. The rise in the breaking activities is attributed to the cost advantage involved in the breaking large ships. Alang and Soshiya have become the destination of all type of ships viz, oil tankers, war ships, cruise ships etc that have surpassed their active economic life span. Presently it has become the largest yard for ship breaking activities placing India on the top of the world's list in terms of ship breaking activities.

Table: 2 Ships Broken at Alang Ship Breaking Yard

Year	No. of Vessels	Light Displacement Tonnages(Ldt) (Million Tones)	% of all Vessels	% of total tonnage
1982-83	5	24716	0.12	0.08
1983-84	51	259387	1.23	0.87
1984-85	42	228237	1.02	0.76
1985-86	84	516602	2.03	1.73
1986-87	61	395139	1.48	1.32
1987-88	38	244776	0.91	0.82
1988-89	48	253991	1.16	0.85
1989-90	82	451243	1.98	1.51
1990-91	86	577124	2.08	1.93
1991-92	104	563568	2.52	1.89
1992-93	137	942601	3.31	3.16
1993-94	175	1256077	4.23	4.20
1994-95	301	2173249	7.28	7.27
1995-96	183	1252809	4.43	4.19
1996-97	348	2635830	8.42	8.82
1997-98	347	2452019	8.39	8.21
1998-99	361	3037882	8.73	10.17
1999-2000	296	2752414	7.16	9.21
2000-01	295	1934825	7.13	6.48
2001-02	333	2727223	8.05	9.13
2002-03	300	2424522	7.26	8.12
2003-04	294	1986121	7.11	6.65
2004-05 up to Jan-05	164	785304	3.97	2.63
Total	4,135	29,875,659	100.00	100.00

Source: Gujarat Maritime Board.

The ship dismantling industry in Alang is in fierce competition with the ship-scraping sites in Bangladesh and Pakistan. The economic activity in Alang is dramatically decreasing. One of the reasons of the slowdown of the activity in Alang is that India imposes certifications which ensure that the oil tankers are free of gas residues before they are scrapped, while Bangladesh does not enforce such obligations. Therefore, oil tankers moved out of Indian yards. Furthermore, the return of the Clemenceau also had a negative impact on the activity of the scrapping industry in Alang. The main aim the paper is to highlight the workers engaged in Alang ship breaking industry are not getting their wages according to minimum wage.

II. PAYMENT AND WAGES

Various occupations are covered by the Central Government and the State Government for the implementation of Minimum wages Act. For the payment of Minimum wages, labours are divided into three categories as per their skill however all labours are covered under skilled or unskilled category. The minimum wages paid to the labour constitutes the basic wage and special allowance. The special allowances is linked with the cost of living index and revised twice in a year. Hence, minimum wages of labours are revised at an interval of every six months. But the wages of the labours are fixed either on the basis of time or piece rate. According to contractors that piece rate is not revised with the revision of the special allowance of minimum wages at the interval of six months. It is found that in many industries that contractors

do not pay wages according to the provision of Minimum Wages Act. Contractors seem to recognize only the basic wage component of minimum wages.

There are various studies conducted by researchers on the payments and wages to the labour in Indian industries. The researchers cover wide range of industries viz, Carpet weaving, Glassware, Beedi industry, Construction, Brassware wherein labour face exploitative conditions. These industries also cover length and breadth of India. Various studies on construction industry analysed the Minimum Wages legislation. The analysis of the Minimum Wages with respect to employment in the construction or building operation is on the basis of the recommendation of Labour Commissioner. The average wage rate prevailing in construction industry in most cases far below the Minimum Wages fixed under the Act (Subrahmanian, Veena and Parikh 1982: 137-141). In Alang ship breaking yard wage rates especially for unskilled workers are found to be below the Minimum wages as mentioned in the Minimum Wages Act. According to data available on minimum wages by Gujarat Government, the minimum wage fixed in April 2002 for skilled workers at Rs.89 and for unskilled workers at Rs.79 per day. The results of the survey suggest that wages at Alang ship breaking yard are higher than those earned by workers at their native place, but labours are receiving wages less than the prescribed minimum wages. Such wages cannot be considered "Fair Wages" as provided in article 7 of ICESCR. In Alang, the industry employs less number of local labours due to their high demand for wages or non availability at the prevailing wage rate. Infact, section 13 of the Inter-State Migrant Workmen Act, 1979 provides that the wage rates of the inter-state migrant workmen should be same as those applicable to such other workmen and also the inter-state migrant workmen should not be paid less than the wages fixed under the Minimum Wages Act.

Workers in Alang ship breaking yard have reported to be facing the problem of delay in payment of wages and that they have to wait for several days to weeks to receive wages. According to labour contractors this delay was due to the problem of finalization of accounts. When payment is delayed contractors pay 50% of the wages to workers and for remaining amount of wages workers have to wait for several weeks. Such practice violates section 5 of Payment of Wages Act 1936 which provides that payment of wages should be paid by the expiry of the seventh day after the last day of the wage period (i.e. month).

Workers in Alang do not receive any written contract of employment. The employers decide the wage of the workers

but the amount agreed at the beginning of the month can be modified by the employer due to various reasons known only to the employer. The large majority of workers interviewed by researcher found that they were not paid the original amount decided either by the owner or the labour contractors on various occasions. This practice appears to be extremely common in Alang ship breaking yard.

At Alang ship breaking yard many workers do not know even their wage rate because they never asked the muqadams or labour contractors due to fear of being fired from the job. Some workers reported to the researcher that they would not know their exact wage rate until they get the money in their hand. This practice violates the article 7 of the Payment of Wages Act, 1936 which states that there are no deductions from the wage except in very precise circumstances. Thus, such practices are contrary to article 21 of the Contract Labour Act which states that in case the contractor fails to make payment of wages within the prescribed time period or make short payment then the principal employer is responsible to make payment of wages in full or the unpaid balance.

In Alang ship breaking yard wages of the workers are paid on the basis of a daily rate but paid monthly. Each and every worker is handed with an attendance card at the start of the each month. Everyday Workers have to get the card filled with arrival and of departure details from the plot. The payment is either on the basis of task or piece rate. For instance, loaders whose work is to load and unload gas cylinders on the truck are paid between Rs.5 to 5.50 per cylinder. The wages ranges from Rs.60 to 70 a day for helpers and Rs.150 to 170 for experienced gas cutters. As compared to other labours, muqadams are paid approximately Rs 300 per day and pay slip is given to them but not to others.

Table 3 presents the average monthly incomes of the respondents in Alang ship breaking yard. Average present income of the respondents is Rs. 2888.88 which is three times higher than the average previous income of respondents (i.e. Rs 843.00). The previous income of the respondents in the present study refers to the income from the last occupation. In all the categories of workers wages earned are three times or higher than the previous income with the exception of skilled workers. Previous income of the workers is significantly lower than the workers present earning in Alang. To test this hypothesis the study uses paired t-test. The average present income is significantly higher than previous income of the workers and is significant at 1 percent critical level. In the subsequent section concentrate on the implementation of Minimum Wages Act, 1948 in Alang ship breaking Yard.

Table: 3 Nature of Work and Income of the Respondent per month

Nature of Work	Average Previous Income	Average Present income	Paired t-test
Manual	760.47	2866.51	24.487*
Semi-Skilled	730.41	2566.62	22.284*
Skilled	916.98	2853.11	23.105*
Highly Skilled	1066.18	3758.35	17.985*

t-test is significant at 1% level

III.INCOME AND MINIMUM WAGES ACT

Category of work of the respondents and the wages earned by them is presented in table 4. The income of the labour varies with the occupation and skill level of the workers. The range of wages at Alang among the respondents is Rs. 1500 to Rs. 6500. In general the skilled workers are receiving

higher wages than the unskilled workers. However not all the workers receive the same wage even within a category. The range of monthly wage for each category of worker is given in the table and the range is found to be high. This variation can be explained by the skill level and experience of individual labour to a great extent. It is also noticed that some labours are paid less than the minimum wages.

All occupations of the Alang workers are covered by the Gujarat State Government for the implementation of Minimum Wages Act. But it is observed that some of the categories, wage rates especially for unskilled workers and for few skilled workers are below the Minimum Wages as mentioned in the Minimum Wages Act. According to data available on minimum wages fixed by Gujarat Government, the minimum wages were fixed in April 2002. Minimum wages are fixed by the Gujarat for various categories of workers. The minimum wages for unskilled/manual worker is Rs. 79 per day and for skilled workers it is fixed at Rs. 89 per day. It is found that workers at Alang work for 26 days per month on an average (Case I). When the minimum wages are adjusted per month (with 26 working days) they are Rs. 2054 and Rs. 2314 for unskilled and skilled labour respectively. The work performed at Alang ship breaking yard can be classified into 17 categories. Some of these are skilled categories of work and others are unskilled categories. The wages paid to labours dependents not only on their skill, length of experience but also the category of work performed at Alang ship breaking yard. Out of the 17 categories 8 are skilled and the rest are unskilled categories. An attempt is made here to verify whether the payment to workers is based on minimum wages. Table 4 presents number of workers by category and their wages. The actual wages received are compared with minimum wages to verify whether labour is being exploited or not.

Out of 300 respondents only 18 have been working at Alang for less than 1 year. Another 38 percent of the respondents work for 6-10 years at Alang. This shows that most of the respondents have been working at Alang on a permanent basis. According to the rules the employer has to pay for all the days in a month to the permanent employees. Taking into account the minimum wages per day as declared

by the Government of Gujarat, the minimum monthly wages for skilled workers would be Rs. 2670 and for unskilled workers it would be Rs. 2370. Taking these limits as the criteria for minimum wages in a month it is found that 102 of the respondents receive less than minimum wages (table 4, case II). Out of 17 categories of work, Cutter on the ground is receiving less than minimum wages in both the case (i.e. 26 days and 30 days). On the one hand skilled workers work for 8.65 hours per day getting wages less than minimum wage. On the other hand unskilled workers works for more hours of work i.e. 10.31 hours per day also receive wages less than minimum wages. Table 4 shows that in both the cases workers receive less than minimum wages.

Figure 1 shows that skilled workers receive wages less than the minimum wages. By taking criteria of 26 days per month it is found that 27 respondents out of 50 receive wages less than minimum wage. When 30 days per month criteria is applied than 77 respondents out of 102 receive wages less than minimum wages. This shows that in first case 54 percent and in second case 75 percent of respondents receive wages less than minimum wages. Figure 1 also shows that in both the cases cutter (on the ground) receive wage less than minimum wages as compared to other categories skilled of workers. In case of unskilled figure 2 show that by taking criteria of 26 days per month 23 respondents out of 50 receives wages below less than minimum wages. Similarly in case of 30 days per month criteria, 25 respondents out of 102 receive wages less than minimum wage. It is found that on an average 30 percent unskilled workers receive less than minimum wages. Figure 2 also shows that in case I, helper and in case II Bageri receive wages less than minimum wages as compared to other categories of unskilled workers.

Table: 4 Category of work and Respondents wages received

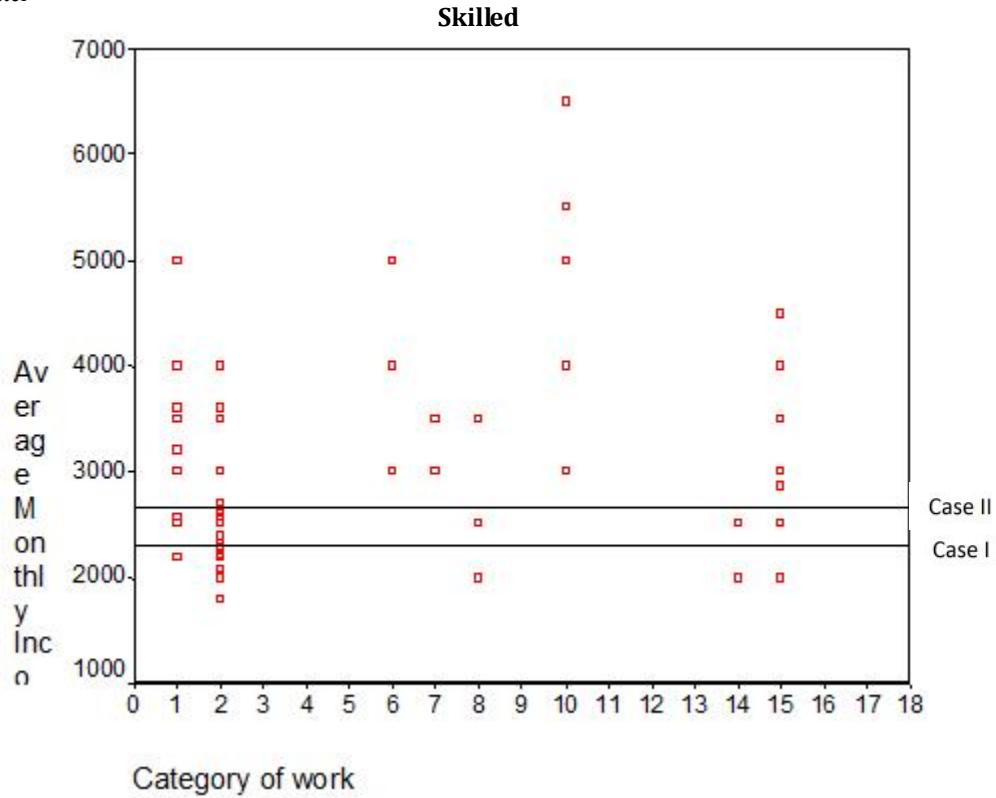
Category of Work	Present Occupation	Total Number of Workers	Less than Minimum Wages (in Average)		Total Average Wage	Range		Categories of Workers
			Case I	Case II		Minimum Reported	Maximum Reported	
2	Cutter (on the ground)	84	20	57	2782.28	2000	4000	Skilled
3	Jodiwala	40	8	--	4373.81	3000	5000	Unskilled
4	Bageri	14	1	3	2572.42	2000	3600	Unskilled
5	Malpani	9	--	11	2576.76	2000	3200	Unskilled
6	Muqadam	16	--	2	2956.25	2000	3500	Skilled
7	Mistry	2	--	--	3125.72	2500	4000	Skilled
8	Engine Opener	7	2	1	2920.00	2080	3500	Skilled
9	Oil Remover	3	1	7	3031.62	2000	4000	Unskilled
10	Crane Operator	7	--	8	2522.71	1500	3800	Skilled
11	Plate Washing	7	--	1	2633.33	1800	3000	Unskilled
12	Helper	23	9	--	5333.33	3000	6500	Unskilled
13	Loader	54	3	2	2250.00	2000	2500	Unskilled
14	Wireman	2	1	--	3250.00	3000	3500	Skilled
15	Fitter	11	2	4	2347.78	2100	2600	Skilled
16	Cable Cutting	1	--	1	2000.00	2000	2000	Unskilled
17	Watchman	1	1	--	2600.00	2600	2600	Unskilled
	Total	300	50	102	2888.89(300)	1500	6500	
	Skilled	148	27	77				
	Unskilled	152	23	25				

Source: Field Survey, May 2004

Figure 1 Skilled labours and their wages

Skilled Categories

1. Cutter (on the ship)
2. Cutter (on the ground)
6. Muqadam
7. Mistry
8. Engine Opener
10. Crane Operator
14. Wireman
15. Fitter

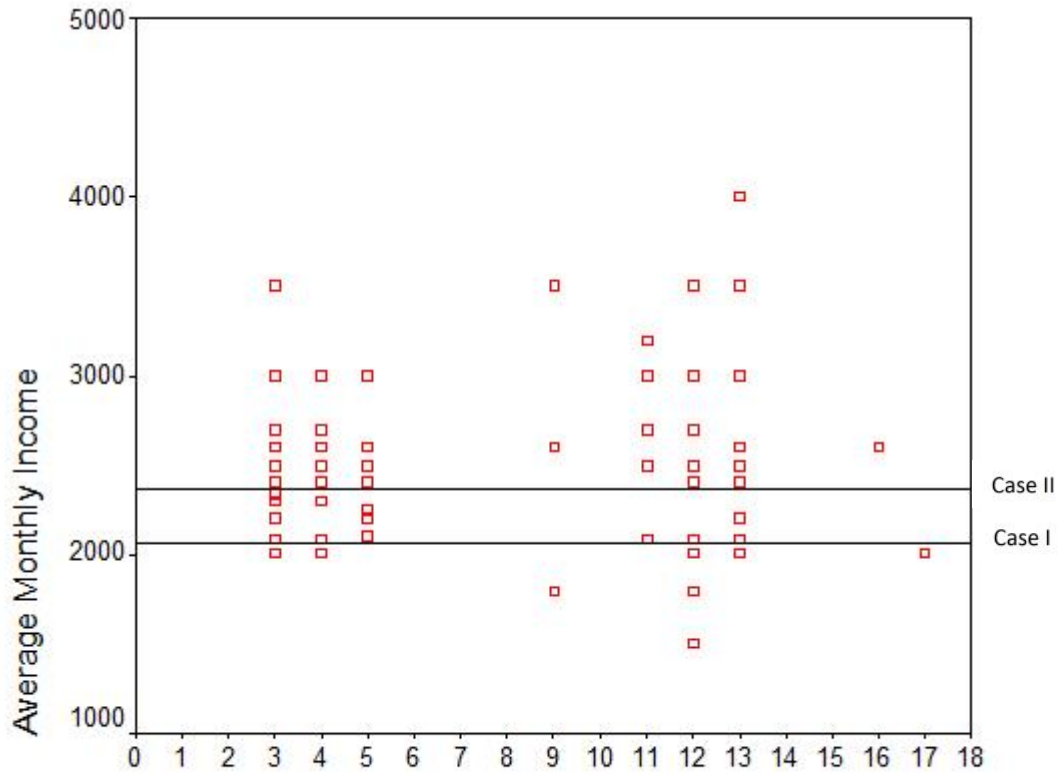


Case I. Minimum Wage criteria for 26 days in a month is Rs. 2314
 Case II. Minimum Wage criteria for 26 days in a month is Rs. 2670

Unskilled

Figure 2 Unskilled labours and their wages

- | | |
|-------------------|-------------------|
| 3. Jodiwala | 16. Cable Cutting |
| 4. Bageri | 17. Watchmen |
| 5. Malpani | |
| 9. Oil Remover | |
| 11. Plate Washing | |
| 12. Helper | |
| 13. Loader | |



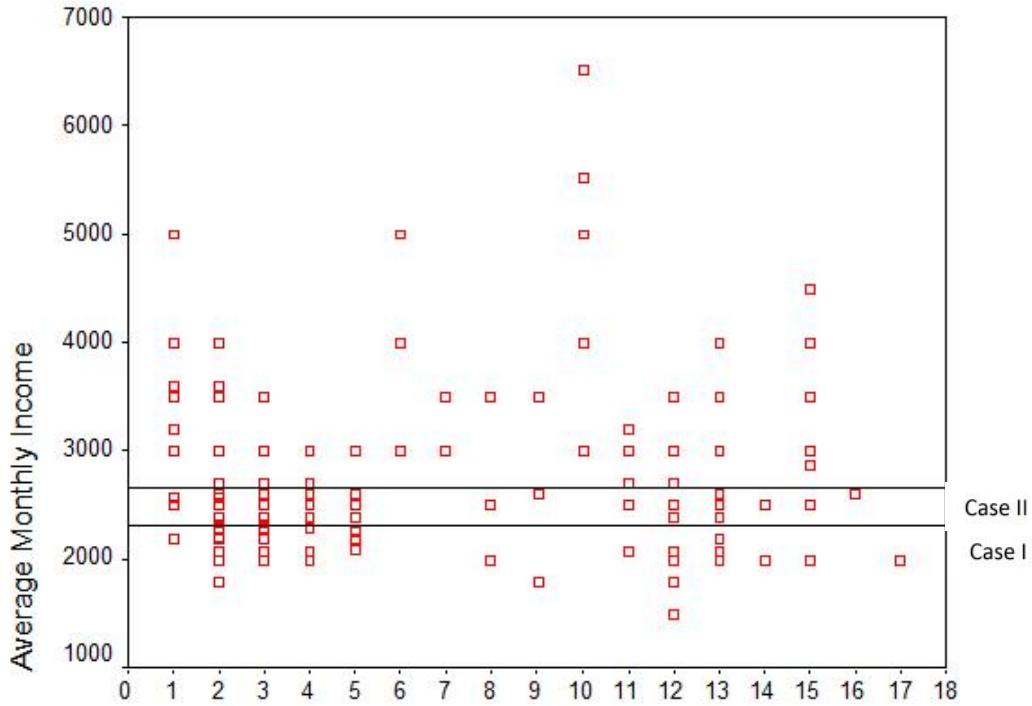
Category of work

Case I. Minimum Wage criteria for 26 days in a month is Rs. 2054

Case II. Minimum Wage criteria for 26 days in a month is Rs. 2370

Total Sample

Figure 3a Category of work and respondents receiving wages below minimum wages (26 days)

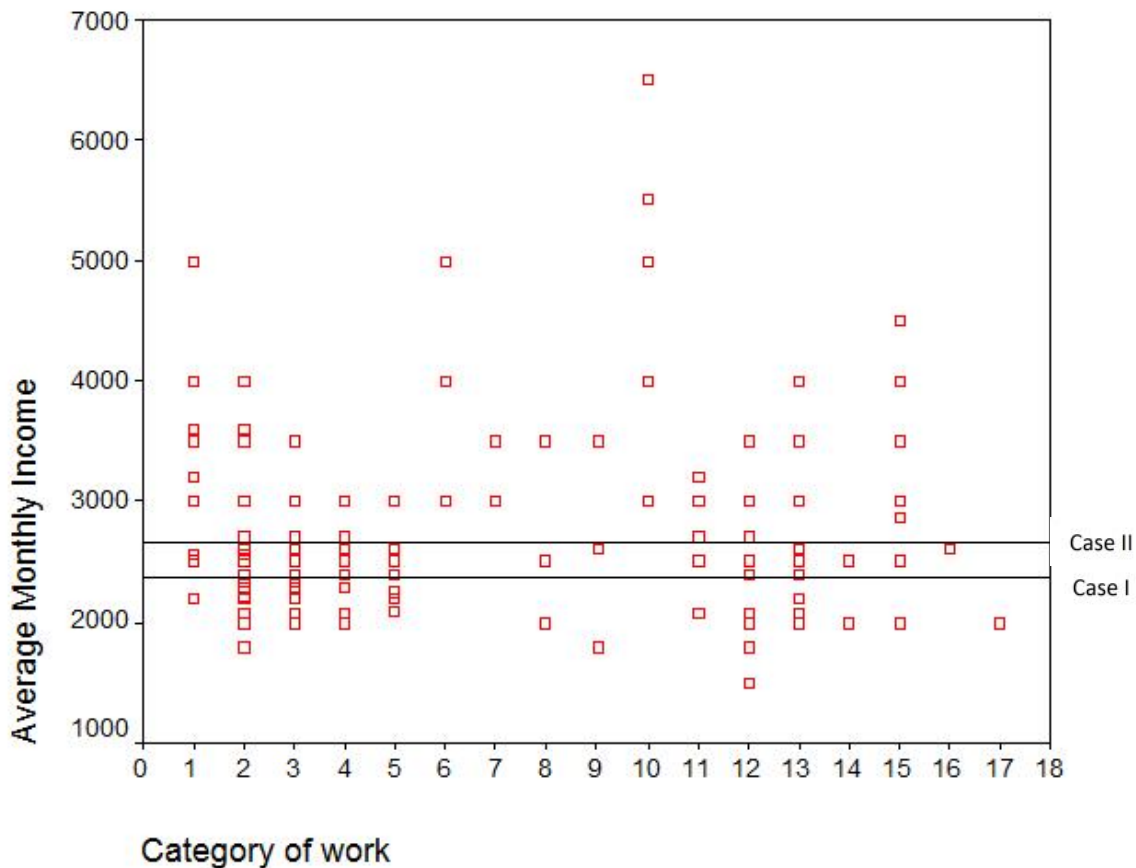


Category of work

Case I. Minimum Wage criteria for unskilled labour is Rs. 2054

Case II. Minimum Wage criteria for skilled labour is Rs. 2314

Figure 3b Category of work and respondents receiving wages below minimum wages (30 days)



Case I. Minimum Wage criteria for unskilled labour is Rs. 2370
 Case II. Minimum Wage criteria for skilled labour is Rs. 2670

IV.CONCLUSION

Central and State Governments have formulated rules and regulations to protect the interests of working class. If when these rules and regulations are not properly implemented it leads to exploitative situation. These laws are related to overcrowding, sanitation, working conditions, recreational facilities, leave facilities and exposures to fatal accidents are some of the factors which affect the labour. These factors affect labour productivity, industrial relations and growth of the industry. Therefore, labour legislation is regarded as an important instrument in the hands of state to bring out improvement in working conditions of labourers.

In India, there are various laws which fairly, progressively intended protect the labour rights. These laws are also applicable to Alang ship breaking yard. The survey of industries in India found that the conditions of workers are unsatisfactory in many industries. There are various industrial as well as labour laws which are applicable to organised industry and hence applicable to Alang ship breaking yard. These laws are used as the reference point to evaluate the condition of workers in Alang ship breaking yard.

In the present study workers reported to be receiving wages once a month on the basis of a daily rate. The wages of the workers are higher at Alang as compared to previous occupation of the respondents. All the occupation of Alang workers is covered by the Gujarat State Government for the implementation of Minimum Wage Act. But some wage rates

especially of skilled workers and for few unskilled workers are below Minimum Wages as mentioned in the Minimum Wages Act. Taking 26 days per month wages as the criteria 50 out of 300 workers receive less than minimum wage. When 30 days per month is taken as the criteria 102 out of 300 workers received less than the prescribed minimum wages. This accounts for almost 33 percent of labour employed. The data shows that 54 percent of the skilled workers are getting wages below the Minimum Wages.

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