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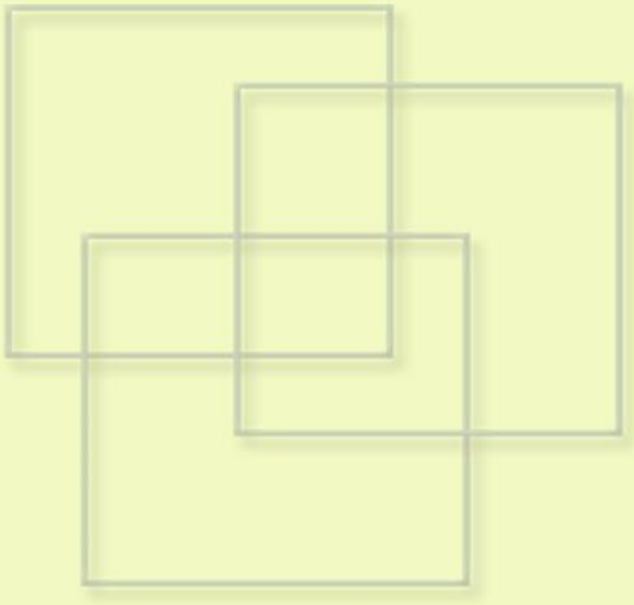
Towards an India Wage Report

T S Papola and K P Kannan
October 2017



DWT for South Asia and Country Office for India

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Preface and acknowledgements

A number of scholarly studies as well as official committee and commission reports have dealt with one or more aspects of wages in India. However, there has not been a comprehensive report on the question of wages, their distribution and implications for standard of living. This is the first such report. Responding to the need for such a report from the Ministry of Labour and Employment within the Government of India, the International Labour Organization Office for India took the initiative.

The late Professor TS Papola, a veteran economist of repute especially in the area of labour studies, was entrusted with the work. He began in early 2015 but could not see it through to completion; he passed away on 23 November 2015, sadly. Subsequently, the work was entrusted to me and I greatly benefitted from the framework as well as a few draft chapters Professor Papola left behind. I have had a long professional and personal association with Professor Papola, first as one of his students at the University of Bombay (now Mumbai) in the early 1970s, and then as an active member of the Indian Society of Labour Economics (ISLE), of which he was the President until recently. I had also the privilege to work closely with him as a fellow Member of the erstwhile National Commission for Enterprises in the Unorganized Sector (2004-09). Such a long association was a great advantage to my ability to carry on the work on this report and complete it in its present form.

The initiation and completion of this report would not have been possible but for the support, assistance and contributions in various ways of a number of persons. At the ILO Office in India, Panudda Boonpala, Director, provided leadership and constant support. Sher Verick, Deputy Director, besides monitoring the progress, gave useful suggestions, organized consultations and provided leadership in conducting a workshop to discuss a draft of this report. Catherine Saget, who was in the ILO India Office for a brief period, provided useful comments on some of the earlier draft chapters. Noman Majeed and Xavier Gonzalo Estupinan Serrano provided useful inputs during consultations.

During the initial stages of the preparation of this report, Professor Papola had a number of consultations with me as well as other academic scholars. DN Reddy provided a detailed background paper on minimum wages and collective bargaining scenario in the state of Andhra Pradesh (undivided). Srinatha Jagannathan prepared a detailed note based on field studies on the implementation of minimum wages as well as the collective bargaining situation in Maharashtra. Rajendra Mamgain provided inputs on minimum wage implementation and related issues based on field investigations in selected locations in Delhi and UP Manisha Bera provided excellent research assistance to Professor Papola.

Besides continuing my consultations with DN Reddy and Rajendra Mamgain, I also relied on extensive consultations with G Raveendran, former Additional Director General of Central Statistical Organization and currently Honorary Fellow, Laurie Baker Centre for Habitat Studies (LBC) and S Madheswaran, Professor, Institute of Social and Economic Change, Bangalore whose professional comments and suggestions were helpful in finalizing the econometric exercises in Chapters 5 and 6. Imran Khan, Research Associate (LBC) provided excellent assistance in data analysis and prepared a background note on wage trends and wage determination. Shalini Rajesh, Administrative Assistant (LBC), provided excellent secretarial assistance.

At the workshop held on 11 November 2016 to discuss the draft report, I benefitted greatly from the comments provided by PP Mitra, former Principal Advisor, and Debashish Chakrabarty, Deputy Director General (Labour and Employment), both of the Ministry of Labour and Employment, Government of India. SK Sasikumar, Senior Fellow at the VV Giri National Institute for Labour, Noida also provided useful comments and suggestions. A number of academic scholars, representatives of national trade unions and employers' associations provided comments and suggestions.

This final report reflects the issues and concerns raised by a number of persons mentioned above. Out of all the issues and trends documented here, two of them stand out — wage disparity along socio-spatial and gender lines, and the need to ensure, at the very least, a national minimum wage for the bottom fifth of the working population.

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Chairman, Laurie Baker Centre for Habitat Studies and
Honorary Fellow, Centre for Development Studies,
Thiruvananthapuram

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About the authors

The late TS Papola was a renowned economist in India especially in the area of labour, employment and development. He held several positions including Director, Giri Institute of Development Studies (IDS), Lucknow; Advisor (Employment), Planning Commission, Government of India; Member, National Commission for Enterprises in the Unorganized Sector; and Director, Institute for Studies in Industrial Development (ISID), New Delhi. He was a National Fellow of the Indian Council of Social Science Research.

KP Kannan, a development economist, has worked extensively in the area of labour, employment and development. Currently, he is an Honorary Fellow at the Centre for Development Studies, Trivandrum and Chairman of the Laurie Baker Centre for Habitat Studies (LBCHS), Trivandrum, Kerala. He is a Member of the International Panel on Social Progress, a collective of social scientists across the globe, and is engaged in preparing a report on *Society in the Twenty First Century*. Earlier, he was a Professorial Fellow and Director at the Centre for Development Studies (CDS), Trivandrum. He was also a Member of the erstwhile National Commission for Enterprises in the Unorganized Sector.

Abbreviations

ASI	Annual Survey of Industries
AWI	Agriculture Wages in India
CDS	Centre for Development Studies
CEDAW	Convention on the Elimination of all forms of Discrimination Against Women
CPI	Consumer Price Index
CWS	Current Weekly Status
CW	Casual Workers
DES	Directorate of Economics and Statistics
DGMS	Directorate of General Mines Safety
DESMOA	Directorate of Economics and Statistics in the Ministry of Agriculture
EUS	Employment and Unemployment Survey
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GSDP	Gross State Domestic Product
ICDS	Integrated Child Development Services
ICT	Information and Communication Technology
ICSSR	Indian Council of Social Science Research
IDA	Industrial Dispute Act
IDS	Giri Institute of Development Studies
ILO	International Labour Organization
IHD	Institute of Human Development
ISID	Institute for Studies in Industrial Development
ILSE	Indian Society of Labour Economics
IT	Information Technology
JWNC	Joint Wage Negotiating Committee
LBCHS	Laurie Baker Centre for Habitat Studies
MGNREG	Mahatma Gandhi National Rural Employment Guarantee
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MNC	Multi-National Corporations
MoA	Ministry of Agriculture
MOSPI	Ministry of Statistics and Programme Implementation
MWAB	Minimum Wage Advisory Board

NMW	National Minimum Wage
NCEUS	National Commission for Enterprises in the Unorganized Sector
NSSO	National Sample Survey Organization
RLE	Rural Labour Enquiry
RSBY	Rashtriya Swasthya Bhima Yojana
RIF	Recentered Influence Function
RW	Regular Workers
SSA	Sarva Shiksha Abhiyan
UPS	Usual Principal Status
UPSS	Usual Principal and Subsidiary Status
VDA	Variable Dearness Allowance

1. Introduction

1.1. Background

The level of wages are of fundamental importance for the living standards of wage earners and their families, irrespective of the level of economic development. They are also important indicators of economic progress and social justice. In recent years, many countries saw a revival of interest in wage policies and policy tools such as minimum wages, after a period of relative neglect during the 1980s and 1990s. In developed countries, this revival is due to the financial crisis of 2008 and its after-effects on the standard of living of a majority of the population. It was realized that trends in both employment and wages are such that they have contributed to an increase in income inequality. In developing countries, especially those that are referred to as emerging economies, the high growth rate in the economy has also led to an increase in real wages but at a lower speed; with the result that there has been an increase in income inequality. Some countries have indeed experienced a reduction in income inequality but some others, like China and India, have experienced an increase in income inequality and along with a reduction in absolute poverty. It is, thus, critical for policymakers to better understand the nature of wage policies and strategies for wage setting to ensure prevention of increasing income inequality.

In India, there has been considerable debate on both the trends in real wages and wage policy, especially on the question of setting a national floor level minimum wage as well as the implementation of a large set of minimum wages in different states. Despite being labelled as an emerging economy and its status as a member of the G20, India presents a rather different picture when it comes to employment and wages. The share of population in the labour force is lower than other emerging Asian economies and the percentage of wage labour in the total work force is also quite low. Wage workers constitute only a little less than half the work force (48 per cent) in the economy. This, however, does not reduce the importance of wages and wage setting, while it does call for a consideration of those who are self-employed. Of the other half of the workforce, classified as self-employed, an overwhelming majority eke out a living, either based in their homes or outside, by engaging in activities characterized as 'Own Account Work'; nothing but disguised wage labour engaged in putting out/piece rate systems of work or in petty trading such as street-vending. Therefore, any change in the wages of wage workers will have an impact on the earnings of these workers who get paid for the labour they put in.

While trends in wages are an important indicator of the welfare of the wage-dependent population, there are other, equally important dimensions to investigate. The dual nature of the economy has led to a segmentation of the labour market, with the consideration of additional characteristics. Therefore, trends in wages will have to be examined in terms of type of employment or labour status, rural-urban location as well as gender. These will have to be further examined in terms of economic sectors and industries as well as occupation. Regional dimension of wage is an important area of investigation, given the large size of the country and the variation in economic development. While a number of studies have examined these aspects within different time-frames, it is important to place them in a comprehensive manner with a longer time-span.

Then, there is the question of wage determination in the Indian labour markets and the factors influencing such a process. The question of wage disparity—between gender, location and social identity—are of importance from balanced growth as well as social justice points of view. Whether wage inequality has

increased or decreased is a question of paramount importance, especially in the larger context of increasing income inequality. From a distributional point of view, inequality also needs to be examined from the point of wage share in national income to find out whether or not wage workers have gained or lost in a relative sense.

Finally, there is a revival of interest in the role of labour market institutions--particularly in the areas of minimum wages and collective bargaining--in affecting wage levels and the distribution of wages. In India, the main legislative instruments regulating wages are: the Minimum Wages Act, 1948; the Payment of Wages Act, 1936; the Payment of Bonus Act, 1965; and the Equal Remuneration Act, 1976. The policy debates have included the question of whether India should enact a national minimum wage floor (it was adopted as a policy of the previous government but does not enjoy statutory status) and, more recently, on the consolidation of the above Acts into a single Labour Code on Wages (an ongoing process). In 2016, all the national trade unions have mounted a campaign for a statutory national minimum floor wage at a higher threshold than the currently non-statutory national minimum wage. Beyond these legislative steps, there are a range of challenges to implementing an effective wage policy, including some level of consensus on the need to ensure broader coverage of minimum wages, simplification of minimum wage structure, and measures to improve implementation.

1.2. Objectives

Against this background, this report, the first of its kind for India, seeks to provide a stock-taking of the issues thrown up by existing literature, an assessment of the sources of wage data, a fresh analysis of issues based on unit level data (unless otherwise specified), and an assessment of the effectiveness of wage policy and wage setting institutions. Although the main thrust of this report is on country-wide analysis, we have been alert to the importance of the regional dimension, which involves a state-level assessment and analysis of important issues. Therefore, the objectives of this report are:

1. Highlight major issues on the question of wages in India;
2. Catalogue all the key wage data sources including their limitations and the gaps;
3. Discussion and interpretation of wage trends, determinants and inequalities based on new data analysis;
4. Analyse the state of affairs in the implementation of wage policy in India with specific reference to the implementation of the Minimum Wage Act, 1948; and
5. Outline a concise but actionable set of recommendations on data, research and legislative/policy response.

1.3. Methodology

This study report is an outcome of a combination of approaches adopted to suit the requirements of collection of information and analysis of data. These are mainly (a) a review of the literature on select issues relating to wages, (b) computations based on unit level data as well as administrative data, (c) field reports on implementation of minimum wages and collective bargaining practices, (d) interactions with scholars, representatives of trade unions and employers' associations, and administrators, as well as experts from the International Labour Organization based both in New Delhi and headquarter (Geneva). The period of analysis is 1993-94 to 2011-12, in which the initial year coincides with the implementation of a series of new economic reforms in India aimed at the liberalization of the economy launched in 1991. The period covered is the economic reform period of roughly two decades.

On the basis of an examination of data sources, it was decided to use the unit level data of the Employment and Unemployment Survey (EUS) of the National Sample Survey Organization (NSSO). This source is the most comprehensive one for employment, unemployment and wages, and a host of related socio-economic characteristics. Five rounds of EUS were available for this period, and we selected the three time points of 1993-94, 2004-05 and 2011-12 to cover two long intervals as well as to cover the whole period.

Given the dual character of the Indian economy, including both organized and unorganized or formal and informal labour, it is not appropriate to talk about a single wage. However, wages are not worked out on the basis of this duality but rather, in terms of type of employment or labour status. Workers are referred to as 'regular workers' and 'casual workers'. Dualism in the Indian economy refers not only to the sector denoting the enterprises but also to employment. Formal employment is related to workers with employment and/or social security provided by the employer, while informal employment refers to its absence. Informal employment refers to employment without any employment or social security provided by the employer. The formal or organized sector consists largely of regular workers, although the trend is to employ them on an informal basis that includes both regular and casual workers. The informal sector consists overwhelmingly of casual employment. Viewed in this way, the regular and casual worker categories broadly correspond to the formal-informal types of employment. In the EUS, the definition adopted for these two types of employment are as follows.

'Regular wage/salaried employee: These are persons who work in others' farm or non-farm enterprises (both household and non-household) and, in return, receive salary or wages on a regular basis (i.e. not on the basis of daily or periodic renewal of work contract). This category includes not only persons getting time wages but also persons receiving piece wages or salary and paid apprentices, both full-time and part-time.

Casual labour: A person who is casually engaged in others' farm or non-farm enterprises (both household and non-household) and, in return, receives wages according to the terms of the daily or periodic work contract, was considered as casual labour (NSSO 2014: 17).

Employment and unemployment in the EUS are measured using alternative concepts called Usual Principal and Subsidiary Status (UPSS), Usual Principal Status (UPS) and Current Weekly Status (CWS). The broadest measure is that of UPSS, widely used in official documents as well as most academic studies. The employment measure we have used is the first one viz. UPSS. It is defined in the EUS as follows. Under this category, all persons who worked for a major part of the year were included as employed under principal status. In addition, those who pursued some economic activity for less than six months but more than 30 days in the reference year were included as subsidiary workers (for details see NSSO 2014: 18-19).

It is important to note what is recorded as wages. This not only includes monetary remuneration received at specified intervals, but also all other monetary and non-monetary benefits arising out of work excluding over-time payments. The definition adopted in the EUS is worthy of reproduction here.

"Wage and salary earnings: Information on wage and salary earnings was collected separately for each of the wage/salaried work recorded for a person in a day. Here, earnings referred to the wage/salary income

(and not total earnings taking into consideration of all other activities done) received/receivable for the wage/salaried work done during the reference week by a wage/salaried employee and casual labourer.

The wage/ salary received or receivable may be in cash or kind or partly in cash and partly in kind. While recording the earnings following conventions were followed: i) The wages in kind were evaluated at the current retail price; ii) Bonus and perquisites such as free accommodation, reimbursement of expenditure for medical treatment, free telephones, etc. evaluated at the cost of the employer or at retail prices and duly apportioned for the reference week were also included in earnings; and iii) Amount receivable as 'over-time' for the additional work done beyond normal working time was excluded. It may be noted that in the survey, at most two activities could be recorded for a person in a day. Therefore, it is possible that a person might have carried out two or more wage/salaried activities in a day, but only one activity or two activities at the most, depending upon the time spent on those activities, was recorded. In that case, the wage/salary income only from that activity(s) was collected and recorded separately, and not the total income of the person from all the activities done for the entire day" (NSSO 2014: 23).

1.4. Organization of the report

Chapter 2 of this study report sets the larger context by a brief review of the literature on wages focusing on trends in rates, disparities, discrimination and the overall question of inequality. The many pieces of writing on this subject have thrown up a number of issues some of which have been further investigated through our data analysis and commented upon. Chapter 3 is both a cataloguing and an assessment of the key sources of statistics on wages in India, and provides the rationale for our selection of the unit level data from the EUS of the NSSO for data analysis while the administrative data, with its severe limitations, was used for analysing wage policies and their implementation. Chapter 4 reports and analyses the results of the data analysis on the structure and trends in wages. The trends in two major types of wages – regular and casual – have been examined from different angles such as location, gender, education, social group, economic sector and occupation. In the process the results also bring out levels and disparities that have great significance from the point of economic performance as well as social justice. Chapter 5 deals with testing a standard equation for wage determination and then goes on to discuss the issue of wage shares in national income from the point of the worker households in the two types of employment or labour status. Chapter 6 takes up the issue of wage inequality by deploying alternative measurements. Chapter 7 is devoted to the regional dimension i.e. state-wise analysis of selected issues such as trends, disparities, determination and inequality. Chapters 8 and 9 are devoted to a discussion of wage policies, legislations and their implementation, focusing on minimum wages as well as collective bargaining. Chapter 10 summarizes the findings, discusses the possible explanatory factors and provides a set of recommendations.

2. Wages in India: A review of literature

2.1. Introduction

There exists a large amount of literature on various aspects of the wage question in India. Here we review a select few pieces of research to find out what they have to say on (a) trends in wages in the economy as well as in particular sectors, (b) wage disparities especially with regard to gender, (c) discrimination based on social identity, (d) wage inequalities of various kinds, and (e) trends in wage share especially that in relation to trend in labour productivity. Excepting a few studies, most studies do not make the distinction between regular and casual wages since their purpose is to measure the overall direction of change in wages or its relationship with other variables such as productivity or income.

2.2. Trends in wages

The evidence of wage growth for regular and casual workers in rural and urban areas has shown a positive trend at the aggregate level (Karan and Sakthivel, 2008; Sarkar and Mehta, 2010), but the wage growth has been slower in the post-reform period (1993-94 to 2004-05) than pre-reform period (1983 to 1993-94) (Karan and Sakthivel, 2008). There was a difference in the growth rates of regular and casual workers both in rural and urban areas. Wage rates of casual workers grew at a slower rate in the same period even when the regular workers earned wages which were several times higher than that of casual workers (Sarkar and Mehta, 2010). There is a substantial wage gap between regular and casual workers both within and between rural and urban areas. Casual workers in both rural and urban areas earn little over one third of the wages of regular workers (Karan and Sakthivel, 2008). However, the rural and urban disparity in wage rates has declined both among regular and casual workers from 1983 to 2004 (Sarkar and Mehta, 2010). Evidence also shows that there is an overall reduction of wage gap between rural and urban areas even though the wage gaps are substantial (Hnatkovska and Lahiri, 2012).

Many studies have distinguished workers into regular and casual workers, as proxies for formal and informal employment. This is a rough approximation but, as the National Commission for Enterprises (NCEUS 2007 and 2009) reported, the situation has changed since the initiation of neoliberal economic reforms. There is now an increasing divide between workers in the informal sector and informal workers. While an overwhelming majority of workers in the informal sector are informal workers (e.g. casual), the share of informal workers in the formal sector (e.g. contract, temporary, and casual workers) has increased to such an extent that they now constitute the majority in the latter i.e. 51 per cent in 2009-10 (see Kannan 2014: 231) and, according to our computations, 56 per cent in 2011-12. But all the regular workers are not formal workers, although all the casual workers are informal workers. Regular workers in formal sector earn more than double the weekly wage earnings of regular workers in informal sector. However, among the casual workers, wage differentials are not significant. In some cases, wage earnings of casual workers in the informal sector are higher than that of casual workers in the formal sector (Unni 2005). Recent data analysed here also confirm this outcome (see Ch.4, Table 4.15).

2.3. Focus on wages of agricultural workers

Ever since the launch of a strategy for a green revolution in Indian agriculture in the early 1960s, studies of trends in wages of agricultural labourers assumed a particular significance. This was because a rise in the wages of agricultural workers, one of the poorest sections in the Indian economy, held out the possibility of a change in their standard of living. In addition, structural transformation in employment in the Indian economy—i.e. a shift of labour from agricultural and related primary activities to secondary and tertiary activities—was at a slow pace, such that an overwhelming majority continued to be trapped in the primary sector of the economy. Since 2004, there has been a slightly faster pace in the employment transition, such that the agricultural sector of the economy accounted, in 2011-12, for about half the labour force. One may say India is on the verge of a structural transformation as the income share from the primary sector declined much earlier. It is, therefore, important to focus on the plight of agricultural workers in terms of trends in wages, as it constitutes one of the important variables determining their income along with employment. Since most of them are asset-less or asset-poor, employment and wages assume an added significance.

Notable studies can be traced to Bardhan (1970), Krishnaji (1971), and Jose (1974 and 1988). Bardhan (1970) studied wage rates up to 1964-65 and Krishnaji (1971) studied wages of Intensive Agricultural Development Programme (IADP) districts up to the period of 1968-69, and both the studies reported a decline in real wages in agriculture except in Punjab and Kerala. Jose (1974), extending the analysis of trends in agricultural wages from 1956-57 to 1971-72, found that agricultural wages in real terms have not only increased in Punjab and Kerala but also in states like Tamil Nadu , Uttar Pradesh and Gujarat. It was also found that the period from 1964-65 to 1971-72 had witnessed an increase in agricultural productivity due to the introduction of new technology of large-scale, high-yielding varieties; which could have been one of the main reasons for wage increase in the same time period. The real wages showed a further increase in 1984-85 and was higher for women workers, even though the gender disparity in wage persisted (Jose, 1988). According to the Mid-Term Appraisal of the Nineth Five Year Plan (Government of India 2001), the trend in the growth of wages reversed after the 1990s, and the growth of agricultural wages decelerated. Sharma (2001) and Sundaram (2001) rejected this view. The problem seems to have risen because of the use of different secondary data sources, whose credibility and comparability were later in question (Himanshu, 2005). Srivastava and Singh (2006) re-estimated rural wages using all the available data sources and did not find any acceleration in agricultural wages in the post-reform period. They found that the manual casual agricultural wages declined during the post-reform period, and that manual non-agricultural wages showed no such decline. Analysing the determinants of agricultural wages using demand and supply framework, Srivastava and Singh (2005) found that the key agricultural growth variables such as area under irrigation, area under non-food grains and agricultural productivity per worker, all had significantly smaller impact on agricultural wages in the post-reform period than in the pre-reform period. Even though there was a decline in public investment in agriculture in the post reform period, this had a smaller impact on the agricultural wage. The authors found that the main determinant of agricultural wages after reforms has been the diversification of workforce away from agriculture and that responsiveness to this diversification has increased after the reforms initiated in 1991.

Jose (2016) has examined the levels and trends in agricultural wages of men and women in major Indian states over a period of four decades, from 1970-71 to 2010-11. The wage data used in the study was compiled from Agricultural Wages in India. The main thrust of discussion in the paper is to explain spatial, temporal and gender-wise variations in nominal and real wages in major Indian states. The author argues that agro-climatic conditions and the resultant crop pattern in different states of India are key determinants of the gender structure of employment, in particular wage employment, within agriculture. The evidence given in the paper shows that inter-state differences in wages for men and women is widening over the

years. On the other hand, the increase in money wages during the period from 1984-85 to 2010-11 is due to the impressive growth of the production, area and yield of principal crops and the periodic revision of mean support prices. The three major factors that explain the differential growth of real wages are: (i) demographic transition and the net impact of migration; (ii) Impact of national rural employment guarantee programme, and (iii) overall effect of social spending on rural wages.

2.4. Wage trends in organized manufacturing

A large number of studies on trends in wages, as well as employment, in the organized manufacturing sector in India, have been carried out. This is understandable given the expectation, based on both theory and history, that the organized or formal manufacturing sector will act as a leading sector in the Indian economy, thereby releasing a process of structural transformation resulting in the overall economic development of the country. Such an expectation is yet to be realized and the impediments and challenges seem to be much larger than expected by theory and history. Focusing on trends in wages and wage share, we survey the findings based on a selection of the vast literature.

While the decade of the 1980s was marked by decline in the growth of employment in the manufacturing sector—in particular the fall in the number of workers in registered manufacturing--there was an improvement in the growth rates in real net value added per worker (i.e. labour productivity) and real earnings per worker in the sector. Isher Ahluwalia (1992) attributed policy-induced rigidities in the labour market as the principal reason for the decline in employment and argued that "The sharp increase in the capital-labour ratio in the first half of the 80s was associated with a sharp increase in the real wage rate during this period". The World Bank (1989) also reported that the real wage rate increased at 7.2 per cent per annum in the first half of the 80s and, as the Bank argued, "employers responded (to the increase in wage rate) by virtually stopping new hiring and retrenching existing workers to the extent possible".

A number of studies challenged these findings. Papola (1994) pointed out that the increase in labour productivity during the 1980s was much faster than the growth in real wages and, that therefore, it could not be a reason for stagnation in employment. He argued that the decline in employment in cotton textiles and food products, which accounted for a sizeable part of factory employment, was caused by the closure of mills due to sickness and rationalization due to obsolescence. Kannan (1994) demonstrated that the increase in product wage in organized manufacturing was lower than labour productivity during 1973 to 1988, although the difference declined since the early 1980s. The decline in this dynamic efficiency in some industries could have been due to other factors, such as industrial sickness, supply constraints with regard to certain inputs or problems in capacity utilization. Nagaraj (1994), however, contradicted the findings of Ahluwalia and the World Bank and argued that in the decade beginning 1979-80, employment growth turned negative along with an increase in the total person days (or man-days) worked in registered manufacturing, which suggested that the observed increase in earnings per worker could, at least partly, represent his (or her) compensation for greater effort and may not necessarily imply an increase in the wage rate, as has been argued. With the help of the data, Nagaraj also argued that while earnings per worker in registered manufacturing increased at 3.2 percent in the decade beginning 1979-80, earnings per man-day increased at only 1.6 per cent per annum, which was less than the corresponding real per capita GDP growth rate during the same period (2.7 percent).

Ajit Ghose (2005), citing four striking facts about India's organized manufacturing in comparison to select Asian countries (Indonesia, Korea Republic, Malaysia, Taiwan, and Thailand), argued that the sector

happens to stand out as a 'high-wage/ low-productivity' sector (on the basis of the UNIDO's industrial Statistics Database of the year 1994). Both the ratio of average wage in organized manufacturing to per capita GDP and the employment content of value added were much higher in India than in other Asian countries. One implication of such a trait was that while the organized manufacturing sector in India employs mainly semi-skilled and high-skilled labour, this labour is less productive than the industrially advancing Asian countries mentioned above. Ghose further stated that the movements in wages and prices were favourable to employment growth in the 1970s and adverse in the 1980s and the 1990s, since employment elasticity was high in the 1970s, zero in the 1980s and positive but low in the 1990s. It is also to be noted that the sensitivity of employment growth to movements in the relative price of manufactures (and hence to movement in product wage) increased sharply over time; this was insignificant in the 1970s, significant but weak in the 1980s and very strong in the 1990s.

In a study on the impact of economic liberalization on employment and wages in Indian industry, Bhalotra (2002) finds important inter-state differentials in wages. In the 1980s, nominal earnings in Andhra Pradesh were almost 50 per cent below the Indian average, and those in Maharashtra almost 50 per cent above. And, these wage differentials were remarkably stable, showing no tendency to narrow between 1979 and 1989. The state-wise variation in earnings was re-computed after controlling for differences in industrial composition. The pure state effects thus identified were still found to be very large. This indicates large dispersion of earnings within each industry across states in India. Thus, despite considerable migration across states, there appears to be state-specific labour markets.

Goldar and Banga (2005) in their analysis of assessing the extent of gains in labour productivity that got translated into higher wages used time-series data on real wage rate and labour productivity for the organized manufacturing sector of different states, as well as such time-series data at the all-India level. They have concluded that between 1975-76 and 1999-2000, labour productivity (gross value added per employee deflated by manufacturing price index) in organized manufacturing grew at a trend rate of 5.8 per cent per annum. The trend growth rate in real product wage (emoluments per employee deflated by manufacturing price index) in this period was much lower, at about 1.3 per cent per annum.

In the period mid-1970s to mid-1980s, growth rate in real wages by and large maintained parity with growth rate in labour productivity. However, since the mid-1980s, wage growth has been lagging behind productivity growth. The gap between productivity growth and real wages growth was more than 3 percentage point per annum in the period 1985 to 1999. This may be attributed to weakening of the bargaining strength of labour. The decline of the public sector may have been a contributing factor since the wage setting in public sector plays an important role on the wage setting in the private sector.

With regard to the observed gap between growth rates in labour productivity and real wages at the all-India level during the period 1975-76 to 1999-2000, they have found that in Gujarat, Himachal Pradesh, Maharashtra and Uttar Pradesh, the growth rate of labour productivity during 1980-81 to 1999-2000 was relatively higher. In all these cases, the growth rate of real wages lagged well behind the growth rate in labour productivity. On the other hand, in Assam, Kerala, Tamil Nadu and West Bengal, the growth rate of labour productivity was relatively low. In all these cases, the gap between labour productivity growth and real wages growth was relatively small. Among the rest, there was a significant gap between growth rates in labour productivity and wage rate in Andhra Pradesh, Bihar, Odisha, and Rajasthan. By contrast, the gap was relatively small in Haryana and Punjab, which might have something to do with the agricultural development in these states.

Across states, there was a significant positive correlation (r=0.5) between growth rates of labour productivity and real wages, indicating that labour productivity exerts an important influence in wage setting. But, the regression coefficient is found to be 0.25, significantly lower than one. The implication is that a hike in labour productivity would lead to a much less than proportionate hike in real wages. It has been noted above that the growth rate in real wages by and large maintained parity with the growth rate in labour productivity in the period from the mid-1970s to mid-1980s. But, since the mid-1980s, wage growth has been lagging behind productivity growth.

In a nutshell, the analysis presented by Goldar and Banga brings out that in the period since the mid-1980s, the growth in real wages in India's organized manufacturing has been lagging behind the growth in labour productivity. The analysis of time-series data for states and cross section data for three-digit industries of different states revealed a positive relationship between labour productivity and wage rate, but the marginal effect of labour productivity on wage rate as well as the elasticity was found to be low. The implication is that only a small part of the gain in labour productivity gets translated into wage increase. Further, results of a detailed econometric analysis of determinants of wage rate presented in their study clearly indicate that labour market conditions matter a lot in wage setting. The stronger the trade unions, the higher the wages earned by industrial workers. Greater labour market flexibility tends to push wages down. On the other hand, a good investment climate raises the industrial wages.

Goldar, in another paper (2013), presented a detailed analysis of trends in wages in organized manufacturing at the two-digit level based on the Annual Survey of Industries (ASI) for the period 1993-94 to 2007-08. Much of these findings in this study were similar for previous periods in the study discussed (Goldar and Banga 2005).

2.5. Gender-based wage disparities and their association with discrimination

Labour markets in India are characterized by gender-based disparities in wages, irrespective of labour status, region, sector or occupation. Despite some decline over time the disparity continues, more so in rural areas than urban areas. Rustagi (2005) finds substantial wage disparity between male and female workers across levels of education, type of employment, different industries and locations that place women workers in an disadvantaged position. Female workers earned 40 percent lower wages in rural areas and 25 percent lower wages in urban areas than their male counterparts in regular work in 2004-05. The wage differentials over the years have largely declined owing to the higher wage growth of female workers as compared to that of male workers (Karan and Sakthivel, 2008). Some studies such as Duraisamy (1995, 1998, 1999), Divakaran (1996), Glinskaya and Lokshin (2005), Kingdon (1997), Kingdon and Unni (1997), Jacob (2006), Mukherjee and Majumdar (2011), Chakraborty and Mukherjee (2014) have estimated earning functions of male and female workers, and broken up earning differentials into two parts: one reflecting difference in productive characteristics or 'endowment effect', and the rest, an unexplained component often attributed to 'discrimination effect'. The significant proportion of the wage gap is not explained by the productive characteristics, hence it remains unexplained; this is often attributed to discrimination against female workers in the Indian labour markets.

Bhattacharjee and Hnatkovska (2015) examine the evolution of gender gaps in education, occupation choices, and wages in India using NSSO data for the year 1983 and 2010. The study applied OLS-based Blinder-Oaxaca decomposition method and Recentered Influence Function (RIF) regressions for decompositions at different quantiles of the wage distribution. The results show that the gaps have shrunk quite sharply between men and women, in most indicators. The gender wage gaps have declined across most percentiles of income groups, including the 90th percentile. While convergence in measured attributes like education accounts for most of the decline in the gap in other income groups, the decline in the gender wage gap of the 90th percentile is unexplained—with measured attributes predicting that the gap should have widened. The gaps have narrowed most sharply for the youngest cohorts in the workforce, suggesting that measured gaps will decline even more sharply over the next two decades.

Madheswaran and Khasnobis (2007) have estimated the extent of gender wage discrimination using NSSO data for the year 1983 to 1999-00. By using the decomposition method, the study finds that in regular labour market, the extent of the gender wage differential has declined from 0.40 in 1983 to 0.26 in 1999-2000. From 1983 to 1999-2000, the contribution of endowment difference to the raw wage differentials is reduced, while the extent of discrimination was found to be widening —but the reverse happened in the casual labour market.

Khanna (2012) has estimated gender wage discrimination among regular workers in India by using NSS (2009-10) data. The quantile regression decomposition method was used to break up the wage gap at different quantiles of the wage distribution. The findings of the study reveal the existence of a 'Sticky Floor' in the regular labour market.

Duraisamy and Duraisamy (2014) have estimated occupational segregation and gender wage discrimination among wage workers using NSSO data for the year 1983 to 2011-12. By using Oaxaca and Ransom methods, and the Duncan and IP index, the study finds that occupational segregation has increased during the study period. There is considerable variation across the states and employment type. On the other hand, there is a remarkable increase in wages in the past decade and female wage growth has been faster than male wage growth. The gender wage gap has declined over the years. The estimates of wage functions not controlling for industry and occupation suggest that about 81 percent of the wage differences are unaccounted for and could stem from discrimination; part of this may be due to difference in the choice of occupation and industry.

Deshpande, Goel and Khanna (2015) have explored gender wage gaps among regular wage/salaried workers in India using NSSO data for the year 1999-2000 and 2009-10. The Blinder-Oaxaca decomposition method and quantile regression decomposition method were used to break up the gender wage gap at the mean and several different quantiles of the wage distribution. The findings of the study show that the average wage gap for regular workers, expressed as a percentage of female average wages, has declined from 30 percent to 26 percent during the study period.

2.6. Wage discrimination due to social identity

Caste discrimination

Similarly, discrimination against socially and economically backward sections of society has been a major concern while studying Indian labour markets. Studies based on field surveys for urban areas by Banerjee and Knight (1985) observed that, "There is indeed discrimination by caste, particularly job discrimination—discrimination is the greatest in operative jobs, in which contacts are more important for recruitment, compared with white-collar jobs in which recruitment involves formal methods". The question arises: Do Indian labour markets continue to discriminate against SCs/STs, especially while recruiting workers in regular wage and salaried jobs? According to Das and Dutta (2007), based on the NSSO data for 2004-05, while chances of securing a regular job were 21.5 per cent in the case of higher caste Hindus, they were only 12.4 per cent and 6.7 per cent in the case of SCs and STs, respectively.

Madheswaran and Atewell (2007) studied caste discrimination in Indian urban labour markets, both in terms of earnings and the nature of occupations. They calculated that SC/ST workers received, on an average, wages that were 15 per cent lower than those of non-SC/ST workers. This led them to conclude that SC/STs are discriminated against in both the public and private sectors. The discrimination component was higher in the private sector than in the public sector, but between the two time periods — from 1993-94 and 1999-2000 — it has decreased in both. This decline is sharper in the public sector, it should be noted. Importantly, the major part of the wage gap is due to differences in human capital endowments. Authors also found that occupational discrimination (access to high paying occupations) is more pronounced than wage discrimination within a given occupation.

In the first major correspondence study in India, Thorat et.al (2007) sent out identical resumes to private companies, both domestic companies and multinational corporations (MNCs), in response to newspaper advertisements in New Delhi during 2005-06. The only difference in the resumes was the easily identifiable names of applicants: Hindu upper caste, Hindu Dalit, and Muslims, respectively. The study revealed significant differences between call-backs to the Hindu upper castes and the other two categories. These findings are confirmed by Siddique (2009) in a study of Chennai. She tested, additionally, for the interaction between caste and gender, and finds that the lowest call-backs are received by Dalit women.

There are studies of hiring practices which emphasize the role of networks and that of informal and personalized recruitment, where who you know is often more important than what you know. In a college-to-work study, which tried to uncover the exact pathways through which discrimination manifests itself, Deshpande and Newman (2007) tracked a group of students from the three premier Indian universities in Delhi for two years in an effort to understand what jobs they got, how they got them, and what their interview experiences were. It turned out that employers were extremely conscious of the social identity of the applicant, all the while professing deep allegiance only to the merit of the candidate. In an employer attitude survey, Jodhka and Newman (2007) find that employers, including MNCs, universally use the language of merit. However, managers are blind to the unequal playing field which produces 'merit'. Commitment to merit is voiced alongside convictions that merit is distributed by caste and region.

Interestingly, Chakravarty and Somanathan (2008) carried out a study of IIM-Ahmedabad's 2006 batch of MBA graduates; they find that graduates belonging to Scheduled Castes or Scheduled Tribes get

significantly lower wages than those in the general category. This difference disappears once their lower Grade Point Averages are taken into account, suggesting that the large wage difference is due to the weaker (on average) academic performance of SC/ST candidates. Banerjee, Bertrand, Datta, Mullainathan (2008) have shown the role of caste and religion in India's new economy sectors—software and call-centers—by sending 3160 fictitious resumes in response to 371 job openings in and around Delhi that were advertised in major city papers and online job sites. Contrary to Attewell and Thorat (2007), Banerjee, et al. (2008) study shows that those applicants' caste identities do not significantly affect the callback decisions of firms in these rapidly growing sectors of the Indian economy, at this stage.

Singhari and Madheswaran (2016) have estimated the extent of caste discrimination in the regular salaried urban labour market in India; they have carried out a separate study for public and private sector workers using NSSO data for the years 1993-94 to 2011-12. The findings of the study show that the contribution of endowment difference to raw wage gap is more than that of discrimination. Discrimination causes 19.4 and 31.7 percent lower wages for SCs in the public and private sectors respectively, as compared to equally qualified people belonging to what are usually seen as 'forward castes'. But occupational discrimination—unequal access to jobs—seem considerably more important than wage discrimination in both public and private sectors in India. The authors argue a case for the extension of affirmative action policy to the private sector.

2.7. Discrimination based on religious identity

Economists have traditionally viewed economic class divisions as a source of social conflict. There is, however, an increasing perception that living standards of groups divided along ethnic or religious lines may be a bigger source of conflicts than traditional divisions along class lines (e.g., Stewart, 2001; Varshney, 2001). Despite the importance of inter-ethnic groups and inter-religious differences in economic conditions, however, there are relatively few studies which focus on this issue.

The only three papers, till date, which use micro level data in the Indian context to examine inter-religious differences are by Borooah and Iyer (2005) on school enrollment rates across religious groups; and by Borooah, Dubey and Iyer (2006) on categories of employment status across different caste/religion groups. Recently, Bhaumik and Chakarabarty (2007) used Oaxaca-Blinder decomposition methods to study the wage gap between religious groups. The results indicate that educational differences between Hindu and Muslim wage earners, especially differences in the proportion of wage earners with tertiary education, are largely responsible for the differences in the average (log) earnings of the two religious groups across the years.

2.8. Wage disparity due to other factors

Apart from wage differences across gender, type of employment and location, differences also exist between private and public sectors and between informal and formal sectors, the main characteristics of a labour market in a developing economy like India. Studies such as Duraiswamy and Duraiswamy, 1995; Madheswaran, 1998; Madheswaran and Shroff, 2000[1], using the Blinder Decomposition analysis, found that workers in the private sector earn higher wages than those in the public sector. The major portion of

[1] These studies are based on small sample surveys.

the wage difference is attributed to differences in endowments. The returns to productive characteristics were not found to be higher in the private sector for workers belonging to socially disadvantageous groups (SC and ST) and female workers. In contrast to the above-mentioned studies, Glinskaya and Lokshin (2007), using nationally representative samples, show that the public sector wage premium ranges between 62 per cent and 102 per cent over the private-formal sector, on average, and between 164 per cent and 259 per cent over the informal-casual sector, depending on the choice of methodology. The wage differentials in India tend to be higher in rural as compared to urban areas, and are higher amongst women than men, says the study. Not unexpectedly, wage differentials also tend to be higher for low-skilled workers. There is considerable evidence of an increase in the wage differential between 1993-1994 and 1999-2000. Analysing the wage differentials across the wage distribution, Azam and Prakash (2015) found that public sector workers earn more than private sector workers across the entire distribution irrespective of gender and location.

2.9. Wage inequality

The Indian economy, after the economic reforms of the 1980s and 1990s, witnessed higher growth rates in GDP than in the previous period, which seems to have witnessed increased income inequality after the 1990s (Acharya and Marjit (2000); Deaton and Dreze, 2002; Cain, Hasan, Magsombol, & Tandon, 2010). Overall, wage inequality also increased after the 1980s and 1990s (Kijma, 2006; Mehta and Hasan, 2012; Dutta, 2005; Sarkar and Mehta, 2010; Abraham, 2007). Increasing wage inequality has not been uniform across different types of employment. Wage inequality among casual workers both in rural and urban areas has consistently decreased from 1983 to 2004-05 (Sarkar and Mehta, 2010; Abraham, 2007). Wage inequality among regular workers has increased (Dutta 2005) both in rural and urban areas (Sarkar and Mehta, 2010).

Galbraith et al. (2004) compute inequality measures using grouped data (grouped by industry and state) relating to earnings (calculated as the annual wage bill divided by the number of workers) in the organized manufacturing sector. The study found that manufacturing pay inequality in India has risen both across sectors and across regions, though more strongly across sectors.

Examining the causes of wage inequality, Kijima (2006) found that increased wage inequality during the 1980s was due to observed skills such as education and work experience, while in the 1990s an increase in wage inequality was due to returns to observed skills in higher education, particularly. These changes had occurred at the upper half of the wage distribution, as evidenced by Azam (2012), who analysed the change in the returns and the composition of workforce across the entire distribution from the early 1980s to 2004-05. Kijima (2006) speculated that the increase in wage inequality had to do with the trade liberalization of the 1990s. Mehta and Hasan (2012), examining the effect of trade and service liberalization on wage inequality in India, found that labour relocations and wage shifts attributable to liberalization account for only one third of the increase in wage inequality between 1993 and 2004; the rest is due to change in industry wages and skill premiums that are not empirically attributed to liberalization.

Recent work on wage inequality by Rodgers and Soundararajan (2016) has covered a larger canvas as well as a longer period. The larger canvas takes into account wage inequality as well as income inequality (by taking household consumption expenditure as a proxy). The longer period covers almost three decades, from 1983 to 2011-12 using data for four rounds: namely, 1983, 1993-94, 2004-05 and 2011-12. Some significant results have emerged. First, wage inequality decreased during 1983-1993-94, the latter marking

the initial period of economic reforms. During the first ten years (1983-1994), it increased but subsequently (1993-94 to 2004-05), it increased—and then declined again during 2004-05 to 2011-12. Of course, this overall pattern is the result of a set of varying patterns based on location, gender, education, social group identity, occupation and so on. In general, rural wage inequality has been declining not just during the last period but since 1983; however, the urban wage inequality has been showing a secular increase. The authors suggest that this could be a sign of growing integration of the rural-urban labour market. We would agree with this with the proviso that it is more discernible for the casual labour market and more for male workers.

The work of Rodgers and Soundararajan (2016), which reached us when we had almost completed the data analysis, confirms many of our own findings in this study report. They report a decline in the disparity between wages for casual workers and those of regular workers, as well as between the wages of male and female workers. Results of the factors contributing to wage inequality include age, gender, and location, type of employment, education, social group, region, occupation and industry of employment. The contribution of education emerges as the largest but the authors argue, rightly in our view, that education cannot be treated as an exogenous variable but as an endogenous one, given its close link with gender, social group identity and region. The comparison of wage inequality with income (or consumption) inequality revealed that they seem to move in the opposite direction. A cautious interpretation of results is the strength of this monograph, which leads the authors to conclude that "the picture that emerges is complex. Inequalities take many forms and affect groups of the population in different ways. Nor are the relationships consistent in different parts of India, so what is observed at the national level may be an amalgam of different patterns in different regions" (p.133).

2.10. Trends in wage inequality between skilled and unskilled labour

Over the last few decades, in the wake of globalization, the growing wage inequality of skilled and unskilled labour groups has been a global phenomenon, occurring in both developed and developing countries. The theme has attracted a great deal of attention in India, and there have been a number of studies in recent years which have discussed it. According to the Heckscher-Ohlin model and the Stopler-Samuelson theorems, when a developing country gets increasingly integrated with the world economy through trade, it should experience an increase in the wage of unskilled labour and, therefore, a reduction in the wage gap between skilled and unskilled labour. However, the reality of this experience has been otherwise.

There are several possible explanations. These include: (a) protection being relatively greater for unskilled labour-intensive products before the initiation of trade reforms; (b) trade in intermediate product or outsourcing by developed countries causing average skill intensity of production to go up in both the developed and developing countries; (c) increased capital flow to developing countries and such capital requiring the use of more skilled labour; and (d) trade-induced skill-biased technological change (Goldberg and Pavcnik, 2007; Hanson, 2009). The bulk of the research carried out on the issue of wage inequality between skilled and unskilled labour in the Indian context has considered the situation in manufacturing.

Roy (2012) has presented estimates of the skill premium in different major sectors of the Indian economy during the years 1993-94, 1999-2000, 2004-05 and 2009-10. Workers with secondary education or a higher level of education are regarded as skilled, and those with a lower than secondary level of education are regarded as unskilled. The ratio of the daily earnings of skilled workers to unskilled workers, as defined above, is taken as the skill premium. The estimates indicate that the skill premium declined between 1993-94 and 2009-10 in the following cases: (a) rural male workers in agriculture; (b) rural male workers in

construction; (c) rural male workers engaged in various services sectors, including financial intermediation, insurance and business services; (d) urban female workers engaged in the electricity sector, and trade, hotels and restaurants; and (e) urban male workers in mining, and trade, hotels and restaurants. Evidently, the upward trend in wage inequality between skilled and unskilled workers does not hold universally true in all sectors of the Indian economy; it did not occur in certain components of the major sectors. In contrast, the manufacturing sector seems to have experienced a significant increase in the skill premium over time.

This increase in skill premium in the manufacturing sector could be put down to several factors. Chamarbagwala (2006) found that relative demand shifts contributed to relative wage shifts, and that increases in the demand for skilled labour were mostly due to skill upgrading within industries. On the basis of the findings of her analysis, she comes to the conclusion that international trade in manufactures benefited skilled men (in terms of wages) but hurt skilled women. For the same period of 1988-2000 using NSS data, Kumar and Mishra (2008) found a robust relationship between trade policy changes and changes in industry wage premiums overtime. Their econometric results indicated that a lowering of tariff rates leads to an improvement in productivity, which, in turn, raises wages. They argued that reductions in tariff were disproportionately higher in industries which employ a large share of unskilled labour. Liberalization induced wage increases in these sectors, which implies a reduction in wage inequality. At the time, this was perhaps the only study undertaken for India which comes to the conclusion that trade liberalization has reduced wage inequality in industries. In a recent study, Mishra and Das (2012) came out with similar results.

However, some other studies reported a different set of results. Combining ASI data with the Prowess database of CMIE, Banga (2005) found that Foreign Direct Investment (FDI), trade and technology have a differential impact on wage inequality. Higher FDI increases wage inequality, while the higher export intensity of an industry is associated with lower wage inequality. Technological progress is found to be skill-biased. Hence, the higher the extent of technology acquisition in an industry, the higher the degree of wage inequality. In a subsequent study using industry-level ASI data for the period 1998-99 to 2004-05, Hashim and Banga (2009) came to the conclusion that trade increases wage inequality, since it raises the wages of skilled labour more than that of unskilled labour.

Sen (2008) used industry level ASI data for the period 1973-74 to 1997-98. His database is similar to that of Banga (2005), but it covers a longer period. He tested for two alternative explanations for the increase in wage inequality between skilled and unskilled labour: one based on the Hecksher-Ohlin model, and the other based on skill-biased technical change. In line with the findings of Chamarbagwala (2006), he found that much of the increase in wage inequality in India was due to within-industry shifts in favour of skilled labour. He found empirical support for both the hypotheses that he tested. He concluded that trade-induced technological progress has led to an increase in relative skill intensity and wage inequality within industries. Also, according to him, the decline in protection during the post-reform period was relatively higher in the unskilled labour-intensive industries, which led to a relative fall in the economy-wide return to unskilled labour relative to skilled labour. Abraham (2010), using ASI data for the period 1998-99 to 2004-05, focused on the effect of Information Technology (IT) investment on wage inequality. Two alternative hypotheses are considered in his study: (a) wage inequality being caused by an inter-sectoral shift in demand structure; and (b) it being caused by an intra-sectoral shift in production technology. He finds that inter-sector shifts in demand structure explain only a small part of the increase in the wage share of skilled workers. Rather, the main cause is intra-sector shift in production technology. He concludes that while the scale effect and capital-skill complementarities tend to give partial explanations for the increasing share of the skilled worker in wages, the most consistent and quantitatively large explanation is given by the effect of the intensity of IT application in the production process.

Ramaswamy (2008), using ASI data for the period 1981-82 to 2004-05, reported that changes in output (scale effect), capital-output ratio and the contract worker intensity contributed positively to wage inequality in Indian manufacturing. In a similar study for the period 1973-2008, Srivastava and Mathur (2011) concluded that trade in manufacturing, as well as technology, has contributed towards rising wage inequality between skilled and unskilled labour in Indian industries.

Taking five measures of wage inequality (the skilled–unskilled wage ratio, the Gini coefficient, the ratio of the 90th percentile to the median income, the ratio of the median income to the 10th percentile, and the ratio of the 90th percentile to the 10th percentile income), Sadhukhan (2012), who makes use of both NSS and ASI data, finds that the contractualization of industrial labour has been responsible for the increase in the wage gap between skilled and unskilled labour. However, it has had a negative effect on the 50–10 wage ratio and the 90–10 wage ratio. By way of explanation, Sadhukhan argues that skill-biased technological change reduces the wages for unskilled labour (around the median wage earners), and that there is a possibility of a downward wage rigidity of the 10th percentile wage, which causes the negative effect of skill-biased technological change on the 50–10 wage ratio.

While the studies mentioned above provide an indication of the direction of effect, there is also a need to assess the quantum of the effect. The question which arises is whether the entire increase in wage inequality between skilled and unskilled labour observed for Indian manufacturing can be attributed to trade liberalization. Mehta and Hasan (2011) address this question in their study and come to the conclusion that about 90 per cent of the increase in wage inequality is attributable to non-tradeables rather than tradeables. The portion of the increase in wage inequality, which can be traced to liberalization relating to trade, is only about 13 per cent. Also, the effect of services liberalization in causing wage inequality is greater than the effect of trade liberalization. They are of the view that if liberalization did, in fact, contribute significantly to increased inequality, the bulk of its effects arose from the general equilibrium effects.

To sum up, there has been a significant increase in wage inequality between skilled and unskilled workers in India's manufacturing during the post-reform period. Inter-industrial changes explain only a small part of the observed increase in wage inequality; there are intra-industry effects. These intra-industry effects seem to be attributable to trade-induced skill-biased technological change and the growing use of contract workers in manufacturing, among other causes. While trade liberalization is definitely responsible for the increase in wage inequality, there are probably other explanatory factors unconnected with trade, which explain a major part of the increase in inequality that has taken place (Goldar 2013).

2.11. Trends in wage share

It is by now well acknowledged that the recent experience of liberalization and globalization has led to a shift of economic power away from labour and in favour of capital. One of the powerful measures of this distribution is the wage share in output that has decreased in most countries of the world (Rodriguez and Jayadev, 2010). India is no exception. The relevant literature suggests that trade openness could be an important factor influencing the labour income share. The impact of import competition on profit margins may enhance the wage share. The trade-induced changes in the composition of production may have an impact on the overall labour income share depending on whether the industries with a high wage share go up or go down in importance. The trade openness may impact the union strength, which, in turn, may affect

the labour income share. The enhanced availability of the imported input may encourage off-shoring, and thus impact the wage share. Analysing cross-country data, Rodrik (1998) and Harrison (2002) have found a negative connection between the share of trade in GDP and labour's income share. Carrying out a similar analysis for manufacturing, Onaran (2007) finds that increasing export intensity led to a decline in the wage share in Turkey and Mexico, but no significant effect was seen in Korea. Evidently, going by the available literature, it is not unreasonable to expect an adverse effect of trade liberalization on the wage share in Indian manufacturing.

2.12. Trends in wage share for broad sectors of the economy

Goldar (2013) presents estimates of the wage share for the periods 1993-94 to 1995-95 and 2007-08 to 2009-10 in broad sectors of the Indian economy. The main limitation of this exercise is that it is confined only to the organized component of each sector, to avoid the issue of splitting the mixed income of unorganized enterprises. The wage share in value added has gone down during the post-reform period in most sectors. The decline in the case of manufacturing was about 10 percentage points between the periods 1993-94 to 1994-95, and 2007-08 to 2009-10. The decline is much greater in construction, hotels and restaurants; storage; and transport other than railways. Taking all the sectors together, the fall in wage share was 10 percentage points between the periods 1993-94 to 1994-95 and 2007-08 to 2009-10. A limitation of this estimate is that it keeps most of the agricultural sector out of the computation, since only a small component of the agricultural sector is organized. Hence, Goldar attempts to make an estimate of the wage share at the economy level by taking into account the unorganized sector enterprises. He has adopted a simple approach suggested and implemented by Krueger (1999): out of the mixed income of the unorganized sector enterprises, two-thirds may be taken as labour income and one-third as capital income. Taking this approach, the estimated wage share in the economy was found to be 61 per cent during the period 1993-94 to 1995-95, which came down to 43 per cent during the period 2007-08 to 2009-10. It seems that the wage share in GDP in India has declined by approximately 1.3 percentage points per year during the post-reform period. He further reveals that this fall is not due to inter-sectoral shifts in production. Rather, the reason for the fall in the wage share at the economy level is that the wage share has declined in most sectors.

2.13. Analysis of trends in wage share in organized manufacturing

In a study to examine the 'jobless growth' in India's organized manufacturing sector during a long period of nearly a quarter century (1981-2005), Kannan and Raveendran (2009, reproduced in Kannan 2014: Ch.4) reported a secular decline in wage share in gross value added. In 1981-82 the wage share was close to 42 per cent, which declined to 32 per cent during 1990-93 when the economic reforms were initiated. In the very next year i.e. 1993-94, the wage share dropped to 28.7 per cent, setting in motion another phase of secular decline that saw the wage share to close to 21 per cent in 2004-05. The study found that despite no cheapening of the cost of capital, there has been an increase in capital intensity overall, as well as in what was identified as 'job creating' and 'job displacing' groups of industries. There has in fact been acceleration in capital intensity since the early 1990s compared to the 1980s. An explanation to this phenomenon was sought in the changing nature and composition of demand for manufactured products both in the domestic and foreign markets. Such demands came from the economically well-off classes of the society. Trade policies, credit policies, technology acquisition policies and fiscal policies—all favoured capital-intensive projects producing such goods. Politically speaking, the period also witnessed a decline in the power of trade unions.

Later studies extended the period of analysis when data became available and confirmed the findings on trends in wages in organized manufacturing. For example, Goldar (2015) calculated the share of wages in the gross value added in different two-digit industries of organized manufacturing for the time period: 1993-94 to 1995-95 and 2005-06 to 2007-08. A clear downward trend in the wage share was noted for the organized manufacturing sector as a whole as well as many of the two-digit industries within it. Changes in the production composition as well as capital intensity seemed to explain a part of the observed decline in wage share. The implication is that the increase in capital intensity could be connected with the reforms. Decline in the bargaining power of trade unions was also put forward as an additional factor (Goldar, 2004a; Goldar and Aggarwal, 2005), but the increasing capital intensity of production was quite evident from an earlier study as well (Goldar, 2004b). (Shastry and Ramana Murty (2003) reported an increase in the mark-up, coupled with an increase in the ratio of materials to wages. However, Virmani and Hashim (2009) reported labour-saving technical change as an important explanatory factor.

2.14. Summing up

The main points that emerge from the review are as follows: (a) There has been a significant increase in wage inequality between skilled and unskilled workers in India's manufacturing sector during the post-reform period; (b) Inter-industrial changes explain only a small part of the observed increase in wage inequality; there are intra-industry effects; (c) These intra-industry effects seem to be attributable to trade-induced skill-biased technological change and the growing use of contract workers in manufacturing, among other causes; and (d) While trade liberalization is definitely responsible for the increase in wage inequality, there are probably other explanatory factors unconnected with trade, which explain a major part of the increase in inequality that has taken place.

An analysis of the trends in the wage share revealed a downward trend in the wage share in value added in most sectors of the Indian economy and in most industries constituting the manufacturing sector. The factors that explain the downward trend in the wage share in manufacturing include the reduced bargaining power of trade unions, increasing capital intensity of production, an increase in mark-up coupled with an increase in the ratio of materials to wages, and labour-saving technical change. Studies indicate that increases in export intensity had a depressing effect on the wage share.

The recent wage trends in India's organized manufacturing reveal that the rate of wage increase in the sector has slowed down since the early years of the last decade, primarily due to the growth in informality and corresponding rise in vulnerability in the manufacturing sector. A number of studies have confirmed that the casualization of jobs in India's organized sector has increased since the early years of the 1990s, jobs that are not backed by any form of job security or social protection (NCEUS, 2009; Sharma and Sasikumar, 1996; Bhandari and Heshmati, 2006[2], Papola and Sahu, 2012). The employment generation that took place in the organized sector post economic reforms has been largely informal in nature. Surveys by and large have shown that employment expansion in the manufacturing sector during the early 1990s took place mostly through a non-permanent workforce. Since informal workers in organized enterprises are more often than not excluded from the scope of regulations stipulating conditions of work, retrenchment and minimum

[2] Bhandari and Heshmati (2006) concur, stating that the share of contract as well as temporary workers in the Indian manufacturing sector, excluding administrative and managerial workers, has doubled over the period 1992-2001.

wages that are applicable to their formal counterparts, there has been an overall decline in the rate of increase of wages in the sector.

The shift from wages to profits, and, to a lesser degree, from rent and interest to profits, is large, and is obviously closely connected with the acceleration of growth in the last few years, though direction of cause to consequence is not clear. In any case, it amounts to a substantial shift in income towards capital, thus contributing to the overall increase in income inequality. Another way of looking at the same data is by converting it into per employee terms.

There are many possible reasons for the increase in the profit share. One obvious possibility is an increase in the capital intensity of production. The data shows that there is some increase in capital intensity, in the sense that fixed capital per employee rises faster than the wage bill per employee, but the relative increase is modest, and certainly not enough to explain the substantial increase in the profit share (Sood et al 2014).

A distinct shift in labour practices has been observed in the last couple of decades where enterprises in the organized/formal sector of the economy are showing greater proclivity to hiring workers under casual or other flexible contracts which are comparatively cheap, versus regular formal workers. This has enabled the employers to reduce the labour cost in production (ILER 2014).

3. Sources of statistics on wages

3.1. Introduction

Wage statistics in India are available from several official sources. They can be broadly divided into two categories: surveys and returns, under various labour laws. Scope, coverage, details and periodicity vary from one source to another. We present in the following sections a brief account of these sources.

3.2. Survey-based sources

3.2.1. Employment and Unemployment Surveys (EUS), NSSO

The most comprehensive database on employment and unemployment including wages is the quinquennial Employment-Unemployment Surveys (EUS) carried out by the National Sample Survey Office (NSSO) under the Ministry of Statistics and Programme Implementation (MOSPI), Government of India. These surveys collect information from all the states and Union Territories in India. Data is collected on daily wage and salary earnings by casual labourers and regular wage/salaried employees for the work done for each of the seven days of the reference week. The wage data from this source has been widely used for research purposes to assess the changes in wages of different category of workers in different sectors and economic activities, particularly because it is the only set of data on the subject which covers all categories of workers in the economy and is amenable to disaggregation by rural/urban regions, gender, social groups and States. Since the unit level data set is released after every round, a large number of independent studies have been carried out by researchers on several aspects of employment and unemployment, including wages.

The first such survey was carried out during October 1972 - September 1973 (27^{th} round of NSSO). Including the last employment and unemployment survey of NSS 68th round (July 2011 - June 2012), nine such comprehensive surveys on the employment and unemployment situation in India have so far been conducted by NSSO. The 68^{th} round survey covered 1.02 lakh households (59,700 in rural areas and 42,024 in urban areas) enumerating 4.57 lakh persons (280,763 in rural areas and 176,236 in urban areas).

Data is collected with components of wage and salary earnings received in cash and kind, and also according to whether the same are received on a piece rate or non-piece rate basis. The industrial activity the individual is engaged in and his/her occupation code are also recorded. Particulars of age, sex, educational level (both general and technical education) of the wage/salary earners are also available. For regular wage/salaried employees, the bonus and perquisites such as free accommodation, reimbursement of expenditure for medical treatment, free telephones, etc., received are evaluated as the cost to the employer at retail prices and duly apportioned for the reference week and included in their earnings. The wage rates are estimated from these data on wage and salary earnings.

Average wage/ salary earnings per day received by the following categories of persons of age 15-59 years are regularly published by the NSSO for each State/UT:

(i) regular wage/ salaried employees;

(ii) casual labourers engaged in works other than public works;
(iii) casual labourers engaged in public works other than Mahatma Gandhi National Rural Employment Guarantee (MGNREG) public works; and
(iv) casual labourers of age 15-59 years engaged in MGNREG public works.

Further disaggregated tabulations can be done as per requirements, as raw data can be classified by various parameters mentioned above. The adoption of uniform concepts and definitions allows for comparability over time and space. Usually processing takes around one and a half years. The main limitation of this data set is that the surveys are conducted at five year intervals (though there are exceptions wherein the survey is conducted before or after five years).

We understand that a major decision has been taken this year (2016) to conduct annual surveys, beginning perhaps with 2017-18. This marks an important and positive development since data on several aspects of employment and unemployment will now be available on an annual basis.

3.2.2. Employment and Unemployment Survey (EUS), Labour Bureau

The Labour Bureau, under the Ministry of Labour & Employment, has started conducting Annual Employment and Unemployment Surveys (EUS) from 2009-10. The schedule canvassed in these surveys has a provision for collecting data on wage and salary, in cash or kind. Till now four rounds of such surveys have been conducted, the last being the Annual Employment-Unemployment Survey 2013-14.The field work of fifth Annual Employment-Unemployment Survey is in progress. The survey is conducted in all districts of the States/UTs covering more than one lakh households. In the last round survey (in 2013-14) a sample of 1.37 lakh households, 6.80 lakh persons were covered. All the labour force estimates derived and presented in the report are based on persons aged 15 years and above only. The survey results are presented in five volumes. The concepts and definitions adopted by the Labour Bureau are similar to those used by the NSSO. However, no tables on wage rates based on this data are available in the reports released by the Labour Bureau.

One could say that these surveys are akin to the quinquennial EUS of the NSSO but carried out by an organization which does not have the required and trained statistical staff at its disposal at the field level. Therefore the issue has received the attention of the Statistical Commission of India, which has proposed that the NSSO will henceforth conduct the EUS on an annual basis. This proposal has now been accepted by the Government of India (referred to earlier in Section 2.1).

3.2.3. Agricultural Wages in India (AWI)

The Directorate of Economics and Statistics (DES) in the Ministry of Agriculture (MoA), Government of India, collects data on wages of selected agricultural and non-agricultural occupations through the state governments. Data are collected by the local officials, patwaris, primary teachers, etc. and are transmitted through district and state authorities to DES. Wage data is collected and compiled for the following operations: (a) skilled labour – carpenter, blacksmith and cobbler, (b) Field labour - ploughing, sowing, weeding reaping & harvesting, (c) other agricultural labour – watering, carrying load, cleaning silt, digging well embarkation, tilling, plucking etc. and (d) Herdsman. DES publishes data in the form of simple averages of daily and monthly wage rates, in its annual publication titled 'Agricultural Wages in India' (AWI). Wage data from AWI has been widely used by MoA officials and researchers, particularly to construct long-term time series of agricultural wages, as this is the only source of data for this purpose.

Its coverage has, however, been found to be limited. Though the state governments are expected to cover all the districts, failing which at least one in five districts, actual coverage is much smaller in many states. The small size of the sample — only one village in a district — is also seen as another limitation of this data. It also needs to be noted that the list of occupations is not revised to include new occupations since the beginning of the survey in 1952.

These limitations are now being addressed by the introduction of a new series for data on rural wages that we discuss below.

3.2.4. Survey on Wage Rates in Rural India

The Labour Bureau has been regularly publishing *Wage Rates in Rural India* on the basis of data collected by the National Sample Survey Office (NSSO), regarding 18 agricultural and non-agricultural occupations involving manual work. Following the recommendations of a Working Group, set up by the Central Statistical Office on the advice of the National Statistical Commission, wage rate data is now being collected for 25 occupations (12 agricultural and 13 non-agricultural) w.e.f. November, 2013. The occupations selected for compilation of daily wage rates collected every month are as follows:

Agricultural Occupations		Non-agricultural Occupations	
1	Ploughing/Tilling workers	1	Carpenter
2	Sowing (including Planting/Transplanting/Weeding) workers	2	Blacksmith
3	Harvesting/Winnowing/Threshing workers	3	Mason
4	Picking workers (including tea, cotton, tobacco and other commercial crops)	4	Weavers
5	Horticulture workers (including nursery growers)	5	Beedi makers
6	Fishermen - inland	6	Bamboo, cane basket weavers
7	Fishermen - coastal/deep-sea	7	Handicraft workers
8	Loggers and wood cutters	8	Plumbers
9	Animal husbandry workers (including poultry workers, dairy workers and herdsman)	9	Electrician
10	Packaging labourers, agriculture	10	Construction workers (for roads, dams, industrial & project construction work well diggers)
11	General agricultural labourers (including watering/irrigation workers, etc.)	11	LMV & Tractor drivers
12	Plant protection workers (applying pesticides, treating seeds, etc.)	12	Non-agricultural labourers (including porters, loaders)
		13	Sweeping/ cleaning workers

The wage rate data is collected along with rural retail prices from 600 sample villages spread over 20 States. Data is collected through regular all-India surveys conducted annually. Data collection from these sample villages is staggered over the four weeks of a month, with one-fourth of the villages covered every week. The days of canvassing are fixed. The village functionaries like the panchayat secretary, patwari and other village or block officials are the primary informants for collection of data on wage rates. The data on normal working hours and the prevailing wage rates in cash and kind are collected gender-wise (Labour Bureau, 2015a). The month-wise average wage rates are worked out at state level and also at all-India level. At the first stage, the data received from the different villages for duration of less or more than the normal working

hours are adjusted for eight hours working day. Similarly, payments in kind such as food-grains, cooked food, tea, fodder, etc. are converted in cash at the prevailing local retail prices. In the next stage, a simple arithmetic average of these normalized daily wage rates is worked out occupation-wise and gender-wise for each State. State-wise averages are restricted only to those occupations where the number of quotations is five or more in order to avoid apparent inconsistency in wages paid to different categories of workers on account of differences in number of quotations. However, for working out all-India averages, all those neglected quotations are taken into account to arrive at total number of quotations at all-India level. At the all-India level also, the number of quotations for working out occupation-wise averages are restricted to five or more (Labour Bureau, 2015a). The month-wise average daily wage rates thus worked out at State level and at all-India level are released regularly to the users through various sources. Though the data collected provides a regular source of information on wages in different occupations, they relate only to selected occupations.

The critical point here is the role of investigators who collect the data. While they are local persons expected to have knowledge of the local area, the crucial points are that: (a) statistical data collection is not their main job, and (b) the training required for such data collection might be a limited one. At the same time, the expansion of the list of occupations covered as well as the number of sample villages are certainly an improvement over the AWI. Over a period of time, this source may constitute an important source of data on wages in rural India.

3.2.5. Rural Labour Enquiry (RLE)

Labour Bureau also publishes quinquennial Rural Labour Enquiry (RLE) reports based on the data collected in the NSSO surveys of Employment and Unemployment covering all India. The Labour Bureau has been conducting all-India enquiries on agricultural/rural labourers through NSSO since 1950-51. The first and second rounds of agricultural labour enquiry were conducted in 1950-51 and 1956-57 respectively. Later, it was extended to cover all Rural Labour Households, including agricultural labour households. First RLE was conducted during 1963-64. Subsequent RLEs were conducted during 1974-75; 1977-78; 1983; 1987-88; 1993-94, 1999-2000, 2004-05 and 2009-10. Data on demographic structure, employment and unemployment, wages and earnings, consumption expenditure, indebtedness and general characteristics is collected and reported from the survey. Information on wage rates relate to 18 agricultural and non-agricultural occupations. Other objectives of Rural Labour Enquiries are following:

1. Collection of basic data required for revision/construction of new series of CPI numbers for Agricultural and Rural Labourers.
2. Derivation of reliable estimates on important socioeconomic characteristics of rural labour in general and agricultural labour in particular.
3. Analysis of the trends in the socioeconomic conditions of rural labour households.

RLE reports are the most important official source of statistics on agricultural and rural workers in India. However, data processing and dissemination takes around five years, which restricts the usefulness of the information for policy purposes. Since the unit level data of the EUS is released with a shorter time-lag, independent studies on the condition of rural labour are not dependent on these reports.

3.2.6. Cost of cultivation studies (Commission on Agricultural Costs and Prices-CACP)

Directorate of Economics and Statistics in the Ministry of Agriculture (DESMOA) collects data on cost of production of crops through cost of cultivation studies for a class of cultivators belonging to a particular region. The costs of cultivation studies, which are an extension of earlier Farm Management Studies, also provide data on wages. The data collected under the Farm Management Studies lacked consistency and

uniformity in terms of concepts and definitions and data availability at regular time intervals. Due to this, these studies were discontinued and a new scheme entitled 'Comprehensive scheme for cost of cultivation of principal crops' was launched in 1970-71. It was meant to collect continuous and representative data on cost structure of crops.

The wage rates obtained through these studies are based on a better sampling and estimation technique, and are considered as superior to other data sources. However, costs of cultivation studies do not publish the wage estimates on a regular basis. Moreover, there have been changes over time with respect to the number of crops included in the cost of cultivation studies (it started with two crops viz., wheat and bajra; at present, 29 crops are included). Though, several studies tried to work out the wage rates using the CACP data, mostly by government agencies and policy makers, lack of data in a published format is a deterrent in using these to analyse the trends in wages, as has already been pointed out by some scholars (e.g. Nadhanael, 2012).

3.2.7. Occupational Wages Surveys

The Occupational Wages Surveys carried out by the Labour Bureau provide occupation-wise data on employment structure, wage rates and earnings in selected manufacturing, mining and plantation and service sector industries. The information is available by sex, age, system of wage payment, industry and stratum. The Labour Bureau has already completed five rounds of Occupational Wage Surveys and a sixth round is in progress. It would cover 56 industries (consisting of 45 in the manufacturing sector, four in mining, three in plantations and four in the service sector).

Occupational Wage Surveys have the potential of being a comprehensive source of wages in non-agricultural sector; but the coverage and non-regularity of survey constrain their use for that purpose. For example, only four activities are covered under the service sector, when that sector has emerged as a leading sector in the Indian economy in terms of growth.

3.2.8. Annual Survey of Industries (ASI)

Data on worker's earnings in the organized manufacturing (establishments covered under Factories Act, 1948) sector is collected annually through the Annual Survey of Industries (ASI) under the Collection of Statistics Act, 1953. This includes basic wages, dearness allowances, house rent, other allowances and regular bonuses. The statistics of wages/salaries of employees in establishments covered under ASI are thus available annually for all the States/U.Ts as well as for all-India. These are compiled separately for male workers, female workers and contract workers. Data is also separately available for production workers, supervisory and managerial staff and other employees. ASI data enables analysis of wages in relation to productivity, capital intensity, share of wages in value added etc., as ASI collects data on production-related variables besides wages. ASI data has been extensively used for computing certain averages and ratios for the organized manufacturing sector. Data processing and dissemination takes around two years. Based on the ASI data a large number of studies are being carried out to understand the trend in earnings, wage share, profit share and so on.

Given the importance given to the organized manufacturing sector in state policies and programmes, it is important to reduce the time lag in processing and dissemination of data. There have been reports that the compliance rate is also coming down despite the mandatory obligation of covered enterprises. Efforts will have to be made to ensure compliance by all covered enterprises.

3.3. Sources based on annual returns under labour laws

3.3.1. Annual return under Payment of Wages Act, 1936

The Labour Bureau collects and compiles data annually on average daily employment, gross wage bill, per capita annual/daily earnings of workers etc., from the annual statutory returns submitted by the State Governments/Union Territories under the Payment of Wages Act, 1936. This Act is applicable to workers employed in the construction industry, civil and transport services, motor transport services, mines, plantations, oil fields, docks, wharfs, jetties and establishments declared as factories under the Factories Act, 1948. Over the years, various amendments have been carried out under the Act, widening its scope and coverage. Earlier, the Act applied to workers earning less than Rs. 1600 per month. This ceiling was raised to INR 6500 in 2005, to INR 10,000 in 2007 and further to INR 18000 in September, 2012. In some states, it has also been made applicable to enterprises registered under the Shops and Commercial Establishment Act. In some, its applicability has also been extended to all workers in the covered establishments.

Various States and Union Territories collect statistics of earnings of factory workers on an annual basis under the Payment of Wages Act, 1936. The returns received by the Labour Bureau from the States/Union Territories contain industry-wise information on the following items:

(a) number of factories covered under the Act and submitting returns;
(b) average daily employment during the year;
(c) total man-days worked during the year; and
(d) total gross wage bill, before deductions, broken up into components like basic wages, cash allowances, bonus, arrears and money value of concessions, etc.

The Act defines wages as all remuneration (whether by way of salary, allowances or other-wise) expressed in terms of money or capable of being so expressed which would, if the terms of employment, expressed or implied, were fulfilled, be payable to a person employed in respect of his employment or of work done in such employment.

Average daily employment in an industry is derived by dividing total attendance during the year by the number of working days observed by that industry. The total gross wage bill for an industry, when divided by the corresponding average daily employment, yields the per capita annual earnings. The per capita daily earnings are derived by dividing the gross wage bill for a year by total man-days worked in that year (Labour Bureau, 2015c).

Data compiled by the Labour Bureau are published state-wise and industry-wise, at a two digit level for manufacturing industries, in the *Indian Labour Year Book*. The percentage distribution of annual earnings of employees in these industries over components like basic wages, allowances, money value of concessions, bonus, etc. is also presented. Statistics of per capita annual earnings of plantation workers collected under the Payment of Wages Act, 1936 are also published by the Labour Bureau in the *Indian Labour Year Book*.

Though the information collected is quite extensive in its coverage and could have provided a relatively comprehensive source of data on earnings in different activities in the non-agricultural establishment sector, there is a serious deficiency in the actual receipt of returns. For example, for the figures published, for 2009 and 2010, information was received only from eight States /U.Ts; and, even in these states, only 23% and 15% of the factories submitted returns for 2009 and 2010 respectively. This highly incomplete information has been published in 2015. Usually, processing and dissemination of the data takes around three years.

Therefore, a high percentage of non-compliance and considerable delay in processing and dissemination of information has considerably reduced the value of this source of data. If these two issues are addressed effectively this could emerge as an important source of information on the earnings of low wage workers in the non-agricultural sector of the economy. This could then help shape appropriate policy responses by the government.

3.3.2. Returns on Minimum Wages Act, 1948

The Minimum Wages Act, 1948 empowers both Central and State Governments to fix/revise the minimum rates of wages for the scheduled employments under their respective jurisdiction. The minimum rates of wages also include Special Allowance i.e. Variable Dearness Allowance (VDA) linked to Consumer Price Index Number, which is revised twice a year effective from April and October (Labour Bureau, 2015b).

The Labour Bureau brings out an annual report on the working of Minimum Wages Act, 1948 on the basis of returns/reports received from various State/U.T. governments containing information inter alia on employments added, employments in which the minimum wages were fixed for the first time, the minimum wages in different scheduled employments prevalent during the year, the range of minimum wages and comparative minimum wage rates prevailing in scheduled employments, etc.

As the data on minimum wages are supplied by the state governments as and when they are fixed and revised, it can safely be assumed that the information on the rates of minimum wages fixed for different employments/ activities in different states/ regions is complete and up to date. However, the reports on implementation of minimum wages released by the Labour Bureau show that only a minority of States/ UTs (often less than 12 out of a total of 35) submit returns to the Labour Bureau. Further, in respect of the reporting States/ UTs, the response rate (percentage of number of establishments which submitted returns out of the total establishments covered under the Act) was very low, being less than 15% for most, if not all, reporting States/UTs. It is also to be noted that this source does not provide information on whether the minimum wages fixed for any category of workers are actually paid, except when cases of non-compliance are detected and acted upon. Also, processing and dissemination takes around 15 months to be completed.

Given the high rate of non-compliance in submitting returns, both by state governments and Union Territories as well as establishments covered by the Act, the information disseminated is not very useful. Administrative measures such as increasing the staff size and instituting more inspections are likely to be an effective solution. Periodic surveys provide an alternative to the present highly ineffective administrative system that should receive the consideration of the Ministry of Labour, Government of India and be revisited.

3.3.3. Annual return on Mines Act, 1952

The directorate, of General Mines Safety (DGMS) collects and maintains statistics, under the Mines Act, 1952, on earnings of employees in mines. For mines other than coal, statutory returns showing the above data are also collected by the DGMS. Based on these statistics the DGMS compiles index numbers of money earnings for workers employed in different mining industries. For coal mines, such statistics relate to per capita weekly earnings and are available on monthly basis. The monthly returns on coal mines give average daily attendance, total wages and other payments made in cash for work completed on any complete working week of the month. The per capita weekly cash earnings are then computed by dividing the total payments by average daily employment during the week.

Though these data are considered to be complete and reliable and used by the official agencies and by researchers, it may, however, be noted that a large part of the unorganized mining is outside the purview of the Mines Act. Dissemination of data takes around four years. Here again, periodic surveys might be a more effective option to collect the relevant information by including the organized sector of this industry.

3.4. Overall assessment and recommendations

Collection, processing and dissemination of labour statistics should be recognized as an integral part of the system of data collection and dissemination pertaining to any economy. India is endowed with an institutional system with adequate supply of trained statisticians. The system works more effectively at the national level and there is considerable scope to strengthen the system at the level of the states.

The most comprehensive source for statistics relating to wages is the EUS of the NSSO. The decision to conduct annual EUS is an important development that could prove to be quite valuable in monitoring the employment and unemployment situation including wages. Efforts to collect earnings data from the self-employed segment of the employed labour force will go a long way in plugging a loophole. The recently initiated Survey on Wage Rates in Rural India is another important source of information for the rural economy, whose development will determine India's ability to absorb the surplus labour and improve productivity and earning capacity of such labour. Once this survey is well in place and the time-lag in processing and dissemination of data are improved, the system of collection of data under Agricultural Wages in India may be discontinued.

Rural Labour Enquiry reports are prepared by the Labour Bureau based on data from the EUS of NSSO. The major recommendation in this respect is to reduce the time-lag in releasing the reports.

Occupational wage data is another important area now covered by Labour Bureau through its surveys. Here again the major recommendation is to minimize the time-lag in releasing the reports. The number of occupations covered should reflect the changing nature of occupations and sub-sectors in the economy, especially in the service sector.

Costs of cultivation studies contain wage data that is likely to be quite useful. What is required is the release of this data in a published format with minimum time-lag.

Collection of administrative statistics under the Payment of Wages Act and The Minimum Wages Act has been found to be quite ineffective and hardly useful for meaningful policy responses by the government. Replacing this system with a system of periodic surveys may be considered.

4. Structure, trends and disparities: What can we learn from descriptive statistics?

4.1. Introduction

Wage rate is a critical variable in determining the income of workers and their households especially those who are dependent on wage employment as the principal means of livelihood. The share of wage employment is expected to rise with the structural transformation of an economy from an agrarian one with a predominance of self-employment to a non-agrarian one, with higher productivity in agriculture and non-agriculture requiring increasing share of wage employment. India continues to be a low income developing country[3] but has moved away from its dependence on agriculture and related activities in the primary sector, which currently contribute only about one-fifth of the GDP. However, this structural transformation in income is not matched by a proportionate transformation in employment. The primary sector continues to employ half the workforce in 2012. This has implications for the share of wage employment. Wage employment continues to account for less than half the workforce; in fact it is 48 per cent in 2012. Self-employment accounts for the remaining 52 per cent. What is striking in the Indian situation is the stubborn nature of the structure of employment in terms of what may be called labour status i.e. as between self-employed and wage workers. In 1993-94 it was 55:45 and nearly two decades later it is at 52:48.

Therefore, wage employment and self-employment occupy more or less equal space in India. The share of wage employment is expected to increase as the economy takes off from a low middle income country to an upper middle income country. The main reason for this expectation is that the self-employment category has at least three distinct sub-groups. The biggest sub-group is what is called Own Account Workers. These are single persons engaged in some kind of earning activities such as street-vending, rickshaw pulling, home-based activities for the sale of food and other products or those involved in a putting-out system of employment (such as beedi-making, handloom weaving, chikan work, etc.). As the National Commission for Enterprises in the Unorganized Sector (NCEUS) remarked, they are 'nothing but disguised wage workers' for the lack of wage employment or inability to engage in fixed-time wage work outside their residence as for example, for women with household responsibilities. Then there are those who are officially classified as 'unpaid family workers'. These are family members who help their self-employed Own Account Workers in their farm and non-farm enterprises. Most of the unpaid family workers are women. Then, there are employers who hire workers to run their enterprises.

4.2. Employment structure

This background about the employment structure is highly relevant while discussing the question of wages in the Indian economy. Even the three percent decline in the share of self-employment means an addition of 14 million workers in the wage employment category, given the size of the workforce. To get a picture

[3] Despite a high rate of growth of the economy since the mid-1980s India's per capita income as a percentage of the per capita income of high income developed countries in 2013was lower than what it was in 1970 i.e. from xx per cent to xx per cent. In comparison China's per capita income position increased from xx to xx per cent during this period.

of the employment structure since the early 1990s, see the statistics in Table 4.1 disaggregated by gender, location for the three principal labour status groups.

Within the wage employed, there are two distinct groups in India: Regular Workers (RW) and Casual Workers (CW). Regular wage employment has long been associated with jobs in the formal or, what in India is called the organized sector of the economy, whereas the casual wage employment is largely, if not only, associated with work in the informal or unorganized sector. However, since the initiation of economic reforms in the early 1990s, an increasing share of regular workers, even in the formal sector, is faced with informal work conditions as recent reports and studies have brought out (see NCEUS: 2007 and 2009, Kannan 2014, Ravi Srivastava 2016). Regular work in the formal sector with employment and social security is the most desired and approximates to the concept of 'decent work' enunciated by the ILO followed by regular work and then casual work. There has been an increase in the share of regular work in the economy — from 13 to close to 18 percent between 1993 and 2012 — but the pace has been extremely slow despite the country's remarkable acceleration in its GDP growth rate of more than five per cent per annum during this period. In fact, this has been part of a general trend of decreasing employment elasticity with respect to growth in the economy; i.e. for every one per cent growth in output, the employment growth is not only less than one but declining over time. This scenario (given in Table 3) is also applicable to wage employment, both regular and casual. Casual employment elasticity has declined considerably and this could have been interpreted as a positive development given the relatively higher employment elasticity in regular employment. But the reality is such that overall increase in employment between 2004 and 2012 was quite marginal compared to the earlier period (see Table 4.1).

Table 4.1: Distribution of workers and their annual growth rates

Total workers (in million)

	1993-94			2004-05			2011-12		
	M	F	Total	F	M	Total	M	F	Total
Self-employed	134.07	68.42	202.49	166.32	89.48	255.80	174.05	72.22	246.27
Regular	42.93	7.72	50.64	55.79	13.33	69.13	69.92	17.06	86.98
Casual	73.08	43.69	116.77	83.57	43.80	127.36	99.16	38.94	138.10
Total	250.08	119.82	369.91	305.68	146.61	452.29	343.13	128.22	471.34

Annual growth rate in number of workers

	1993-94 to 2004-05			2004-05 to 2011-12			1993-94 to 2011-12		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Self-employed	1.96	2.44	2.12	0.65	-3.06	-0.54	1.45	0.30	1.09
Regular	2.38	4.97	2.83	3.22	3.52	3.28	2.71	4.41	3.00
Casual	1.22	0.02	0.79	2.44	-1.68	1.16	1.70	-0.64	0.93
Total	1.82	1.83	1.83	1.65	-1.91	0.59	1.76	0.38	1.35

Note: Unless otherwise stated, all tables in this report are based on the computation of unit-level data from the Employment-Unemployment Surveys of the NSS.

Table 4.2: Percentage share of employment by location, gender and labour status

	1993-94			2004-05			2011-12		
	Male	F	Total	Male	Female	Total	Male	Female	Total
Rural									
Self-employed	57.8	58.8	58.2	58.1	63.7	60.2	54.5	59.3	55.9
Regular	8.5	2.7	6.4	9.0	3.7	7.6	10.1	5.6	8.7
Casual	33.7	38.5	35.4	32.9	32.6	32.8	35.5	35.1	35.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Urban									
Self-employed	42.2	45.0	42.7	44.78	47.7	45.4	41.7	42.8	41.9
Regular	41.5	29.0	38.9	40.63	35.6	39.5	43.4	42.8	43.3
Casual	16.3	26.0	18.4	14.58	16.7	15.1	14.9	14.4	14.8
Total	100	100	100	100	100.0	100.0	100.0	100.0	100.0

Total									
Self Employed	54.0	57.0	55.01	54.67	61.4	56.9	50.7	56.1	52.2
Regular	16.4	6.1	13.05	17.2	8.3	14.3	19.8	12.7	17.9
Casual	29.6	36.9	31.95	28.13	30.3	28.9	29.4	31.2	29.9
Total	100	100	100	100	100	100	100	100	100

While women more than doubled their share of regular wage employment in the economy (a six percentage point change from 6.1 to 12.7 per cent) men registered a small change of close to 3.5 percentage points, but at a higher share of 16.4 to 19.8. This statement needs to be tempered, of course, with the fact that women's workforce participation at 30 per cent is only half that of men; with the result that they account for only one-fifth of the total regular work force. Women in India have just started making their presence visible in regular employment; this is more so for the economically and socially disadvantaged, as we shall see later.

Rural-urban differences are quite sharp. Much of the regular employment is concentrated in urban areas. As for casual employment, there has been a marginal reduction in its share but this has been mainly in the urban areas. Since 2004, there has been only a small rise in the incidence of casual employment amongst men and women. Women have a greater incidence of self-employment at 56 per cent in 2012; only slightly lower than in the early 1990s. For men, the decline is about three percentage points. The small increase in wage employment in the Indian economy is largely due to a fall in the share of self-employment among men workers.

Table 4.3: Employment elasticity in the Indian economy

Category	P1	P2	P3
Overall employment	0.30	0.07	0.20
Wage employment	0.43	0.09	0.26
Regular employment	0.66	0.49	0.57
Casual employment	0.19	0.17	0.18

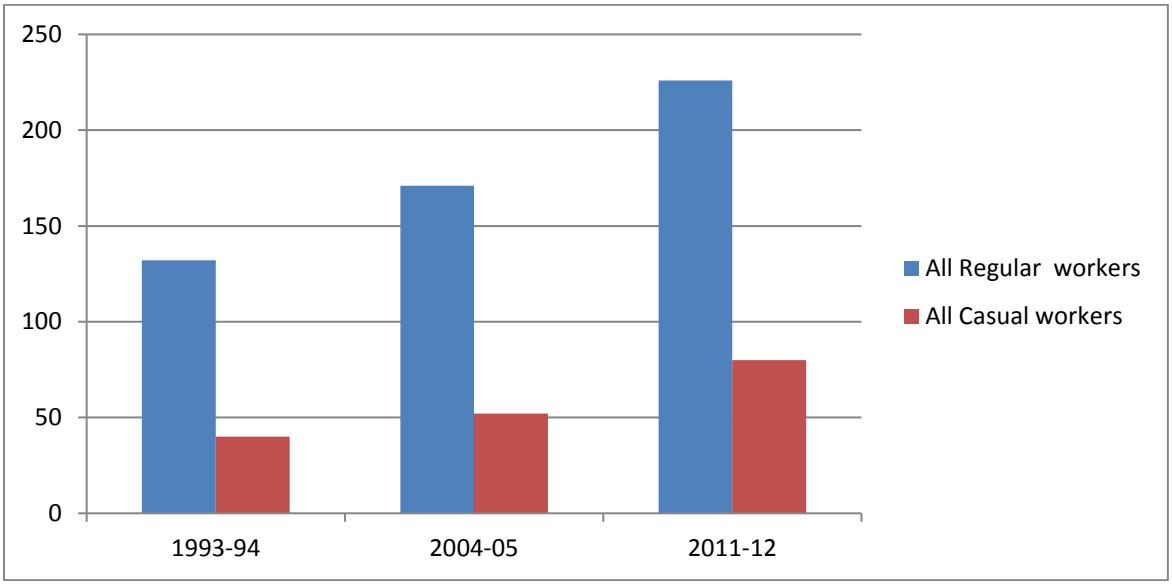
Note: In all tables in this report P1 refers to the first period i.e. 1993-94 to 2004-05; P2 refers to the second period I.e. 2004-05 to 2011-12; and P3 refers to the whole period i.e. 1993-94 to 2011-12.

4.3. Wage levels and growth trends

For purposes of capturing the macro trends, it would have been useful if one were to talk about a single average wage rate for India. Although such a wage can be constructed by a weighted average of casual and regular wages, it would not be appropriate to talk about such a single wage rate because these two rates represent different sets of workers. Firstly, wages of casual workers do not definitionally refer to any idea of quantum of employment because they are irregular, compensated only for days of labour whereas wages of regular workers refer to those who have full employment. Secondly, casual workers mostly consist of poor workers, with very little education and/or skill, and the incidence of casual work is high among socially disadvantaged sections. For these reasons, we present two overall wage rates.

The most striking feature of the difference between the wages of regular and casual workers is the huge disparity in terms of payment (see Table 4.4). Those of casual workers was less than one-third (30 per cent of the wages of regular workers) in 1993 and remained at that level for the next ten years, then marginally increased to just above one-third (35 per cent of the wages of regular workers) by 2012. This is evident in the higher growth rate during the second period. To a large extent, this reflects the low educational and other capabilities of the casual workers as well as the low productivity character of the industries in which they work. However, as this report will reveal in greater detail, not all casual workers work in the low productivity sectors. By 2012, one-third of the non-agricultural casual workers of around 60.2 million were employed in the high productivity organized or formal sector of the economy. That works out to a little more a quarter of the total organized sector non-agricultural workers. One of the highlights of this report is to point to the emergence of a class of highly exploited workers in the high productivity organized sector of the economy.

Figure 4.1: Real Daily wages of regular casual workers in India (in INR)



However, wage rates differ not only between these two fundamental labour status categories but also with reference to other characteristics, especially location and gender. Table 4.5 shows that there are differences in wage rates not only in terms of type of employment but also in terms of the location and gender of the worker. Irrespective of gender and/or labour status, urban workers earned higher wage rates than rural counterparts in all the three time periods. There is a huge difference between the lowest and the highest paid workers. An average urban male earned the highest wage rate, INR 271 a day, and the rural casual female earned the lowest wage rate of INR 57; i.e. a mere 21 per cent of the former. Female workers have a lower wage rate than male counterparts in each and every employment category and location. In rural areas, regular male workers earned INR 180 a day while regular female workers earned INR 112 a day in 2011-12; i.e. 62 per cent of the former. Similarly, in the rural casual category, male workers earn INR 84 a day while female workers earn INR 57 a day; i.e. 68 per cent of the former. Similarly, in the urban areas, male workers have a wage advantage over female workers in both casual and regular employment. In urban regular employment, male workers earned INR 271 a day and female workers earned 78 per cent of that. The wage disparity at this level of disaggregation is found to be lower in urban than in rural areas.

Table 4.4: Real wage rates (INR Per day) and their annual growth rates

	1993-94	2004-05	2011-12	P1	P2	P3
All Regular	132	171	226	2.35	3.98	2.99
All Casual	40	52	80	2.39	6.15	3.85
Casual as % of Regular	30	30	35			

Even with limited categorization of the wage workers, what the picture conveys is a wide variation in levels of wages with a stark and strong dividing line between the regular and casual categories that justifies our decision to present the wage situation in terms of these two main categories. In terms of growth, wages of women in every category have exceeded that of wages of men, something that seems to be a silver line in an otherwise dismal scenario with regard to gender disparity. But this catching up process, as we have seen, still leaves a large gap as backlog.

Table 4.5: Wage (INR per day) trends from 1993-94 to 2011-12

	Real Daily Wage			Annual growth rate		
	1993-94	2004-05	2011-12	P1	P2	P3
Urban Regular Male	158	204	271	2.32	4.06	3.00
Urban Regular Female	125	152	211	1.78	4.69	2.91
Rural Regular Male	103	147	180	3.23	2.89	3.10
Rural Regular Female	61	86	112	3.12	3.77	3.38
Urban Casual Male	67	76	106	1.15	4.75	2.55
Urban Casual Female	38	45	64	1.54	5.03	2.90
Rural Casual Male	42	56	84	2.62	5.79	3.85
Rural Casual Female	27	35	57	2.36	6.97	4.15
Urban Regular	153	194	259	2.16	4.13	2.92
Rural Regular	97	135	167	3.01	3.04	3.02
Urban Casual	59	70	99	1.55	4.95	2.88
Rural Casual	37	49	77	2.55	6.46	4.07
Urban Men (R+C)	134	172	232	2.27	4.27	3.05
Urban Women (R+C)	89	123	180	2.94	5.44	3.91
Rural Men (R+C)	56	79	108	3.13	4.47	3.65
Rural Women (R+C)	30	42	68	3.06	6.88	4.55
All Urban (M+F)	126	163	222	2.34	4.41	3.15
All Rural (M+F)	48	68	98	3.17	5.22	3.97
All Regular workers	132	171	226	2.35	3.98	2.99
All Casual workers	40	52	80	2.39	6.15	3.85
All Wage Workers	72	98	142	2.80	5.30	3.77
Growth rate in aggregate GDP				6.08	8.12	6.88
Growth rate in per capita GDP				4.27	6.71	5.22

Note: Real wages and GDP are calculated with base as 2004-05 prices.

However, from a macroeconomic perspective of relating growth to growth in wages, the scenario has been one loaded against wage earners. During the first period, the overall annual per capita economic growth was 4.27 per cent while the growth in wages was just 2.8 per cent, yielding a wage elasticity of 0.66. Acceleration of per capita income growth to 6.7 per cent per annum during the second period also witnessed growth in wages of 5.3 per cent per annum, resulting in an increase in wage elasticity to 0.79. That is to say that the wage growth was equivalent to 62 per cent of the economic growth in the first period, and that it increased to 79 per cent during the second period. The lowest growth in wages is for the urban male casual workers followed by the urban casual female. In that sense, there is some catching up of rural wages with urban wages although the gap remains significant. The highest growth in female and male wages for casual employment in rural areas since 2005 needs to be read in the light of the introduction of the National Rural Employment Scheme (NREGS) and many other initiatives, such as the National Rural Health Mission, and a national health insurance scheme (Rashtriya Swastha Bhima Yojana) although their implementation was below potential.

Despite these recent developments, growth in wages for the whole period was significantly lower than economic growth, indicating a declining trend in the share of wages in national income. One way to examine this is to find out the elasticity in wage rates with respect to per capita growth in national income (GDP).

Table 4.6: Wage elasticity with respect to income growth

Category	P1	P2	P3
Rural Casual Female	0.55	1.04	0.80
Rural Casual Male	0.61	0.86	0.74
Rural Regular Female	0.73	0.56	0.65
Rural Regular Male	0.76	0.43	0.59
Urban Regular Male	0.54	0.61	0.57
Urban Regular Female	0.42	0.70	0.56
Urban Casual Male	0.27	0.71	0.49

These are given in Table 4.6. If the wage elasticity is one, it means that wage increase is in proportion to the increase in income. It would then maintain the initial level of income inequality as between wage income and non-wage income. If it is less than one, even with an increase in wages, income inequality would

increase. If it is greater than one, then the wage share in national income would increase leading to a reduction in inequality between wage income and non-wage income.

4.4. Wages across different education levels

From a theoretical point of view, education is expected to play a crucial role in determining the wages of workers in the labour markets. This general theoretical statement is amply demonstrated by a number of studies across countries as well as in India — some of which were referred to in Chapter 2. We would like to examine this in a summary fashion for the whole country but differentiating workers according to gender, location and labour status.

We defined education levels into four categories. The lowest level is called 'low education' and refers to those who have not had more than five years of schooling, or less. Many studies take illiterates as a category but we find that illiteracy has been declining fast while low levels of education remain; with the result that it hardly makes any difference in negotiating issues in the labour market or applying any skill. The second level is called 'middle', to refer to those above the primary level who have not successfully completed the secondary level. The third level refers to those with at least a secondary level pass but not graduates, and this category would include those with 12 years of schooling as well as all those with certificates, diplomas, etc. The last level is called 'graduate and above', to refer to those with at least a bachelor level degree. This would include all those with additional degrees and/or professional qualifications.

The descriptive statistics that are presented in Table 4.7 confirm the well-established fact that higher education levels are associated with a higher level of earning. Inequality in wages depends upon the educational endowment of workers. For all workers, the disparity between the highest level of education and the lowest level has been around five times. This pattern of disparity is quite widespread among most categories of workers, both male and female as well as rural and urban. The only exceptions are a couple of categories within the ranks of the casual workers. In fact, the disparity is the least among the casual workers and this is understandable given the fact that most casual work is of an unskilled nature and mostly concentrated in the primary sector as well as in construction in both rural and urban areas. But there are some indications that even within this category some segments show an increasing inequality. This is in the urban casual female category, and could partly be due to educated women finding themselves involved in casual employment — even if it involves some level of skill and knowledge as in the cases of data entry, guest lecturers (who are paid by the hour) and in financial and other establishments where the employment of 'temps' (temporary workers) has been gaining ground.

The second finding in this exercise is the fact the disparity has been increasing for some sub-groups although the overall disparity has remained more or less the same. Disparity increased for most groups in the first decade followed by a marginal decline in some. This is an indication of the increasing demand for workers with higher educational qualifications, as most sectors of the economy are experiencing technological changes with the introduction of computer-based skills (IT, ICT, etc.), and changes in marketing.

Thirdly, high inequality has been found among regular women workers, perhaps indicating the higher absorption of a low overall share of educated women in the labour market than in the past, as seen in education and health as well as in the knowledge economy sectors such as IT, banking, media, etc.

The fourth important result is the fact that a male-female disparity is present in the same category of workers, both in rural and urban areas. That is to say, gender disparity is a feature common to all groups, as evidenced by the disaggregation of workers by location, labour status and education.

Table 4.7: Real wage rates and their growth by location, labour status, gender and education (in INR/day)

		Real Daily Wage			Annual Growth Rate (%)		
		1993-94	2004-05	2011-12	P1	P2	P3
Urban Regular Male	Low Edn	99	104	126	0.45	2.74	1.34
	Middle	114	118	144	0.31	2.84	1.30
	Secondary	162	200	221	1.92	1.43	1.73
	Graduate/ +	259	367	464	3.17	3.35	3.24
Ratio between the highest and lowest		2.6	3.5	3.7			
Rural Regular Male	Low Edn	65	83	103	2.22	3.08	2.56
	Middle	90	109	120	1.74	1.37	1.60
	Secondary	128	170	190	2.58	1.59	2.19
	Graduate/ +	173	272	308	4.11	1.78	3.20
Ratio between the highest and lowest		**2.7**	**3.3**	**3.0**			
Urban Regular Female	Low Edn	54	54	72	0.00	4.11	1.60
	Middle	72	71	79	-0.13	1.53	0.52
	Secondary	143	174	188	1.78	1.11	1.52
	Graduate/ +	200	269	353	2.69	3.88	3.16
Ratio between the highest and lowest		**3.7**	**5.0**	**4.9**			
Rural Regular Female	Low Edn	32	41	53	2.25	3.67	2.80
	Middle	53	50	61	-0.53	2.84	0.78
	Secondary	102	122	127	1.63	0.57	1.22
	Graduate/ +	128	173	210	2.74	2.77	2.75
Ratio between the highest and lowest		**4.0**	**4.2**	**4.0**			
Urban Casual Male	Low Edn	65	73	100	1.06	4.50	2.39
	Middle	71	81	114	1.20	4.88	2.63
	Secondary	74	83	115	1.04	4.66	2.45
	Graduate/ +	78	97	112	1.98	2.05	2.01
Ratio between the highest and lowest		**1.2**	**1.3**	**1.1**			
Rural Casual Male	Low Edn	41	54	80	2.50	5.61	3.71
	Middle	50	64	92	2.24	5.18	3.39
	Secondary	47	64	92	2.81	5.18	3.73
	Graduate/ +	38	64	94	4.74	5.49	5.03
Ratio between the highest and lowest		**0.9**	**1.2**	**1.2**			
Urban Casual Female	Low Edn	38	44	63	1.33	5.13	2.81
	Middle	41	45	69	0.85	6.11	2.89
	Secondary	41	56	61	2.83	1.22	2.21
	Graduate/ +	40	101	130	8.42	3.61	6.55
Ratio between the highest and lowest		**1.1**	**2.3**	**2.1**			
Rural Casual Female	Low Edn	27	35	57	2.36	6.97	4.15
	Middle	31	37	63	1.61	7.60	3.94
	Secondary	33	35	60	0.53	7.70	3.32
	Graduate/ +	86	52	55	-4.57	0.80	-2.48
Ratio between the highest and lowest		**3.2**	**1.5**	**0.96**			
All wage workers	Low Edn	45	55	81	1.82	5.53	3.27
	Middle	78	83	105	0.56	3.36	1.65
	Secondary	131	157	167	1.65	0.88	1.35
	Graduate/ +	224	315	390	3.10	3.05	3.08
Ratio between the highest and lowest		**5.0**	**5.7**	**4.8**			

In terms of growth in real wages, the best performance is by those with low education; due to acceleration in growth during the second period. The second is by graduates and above (i.e. the highly educated), with a consistent performance in both the periods. For those in the intermediate category of some education—either Middle or Secondary—growth has been quite slow.

4.5. Wage rates by socio-religious category

We categorized workers by socio-religious categories: Schedule Tribe (ST), Schedule Caste (SC), Muslims, Other Backward Caste (OBC) and Others. Scheduled Tribes (ST), Scheduled Castes (SC), and Other Backward Castes (OBC) are identified as the socially disadvantaged groups, receiving the benefits of affirmative action in the form of reservation policy in education and employment. The government-appointed committee to study the socio-economic and educational status of the Muslim community in India, known as Sachar Committee (2006), found that Muslims rank somewhat above STs/SCs but below Hindu OBCs in almost all the development indicators. This was confirmed by the NCEUS (2008) when it reported the situation relating to poverty, informal work status, education and so on. Therefore, in this study, we take Muslims as a socially disadvantaged group along with the OBC group, while ST and SC are the most disadvantaged.

The category 'Others' is a residual one consisting of Hindu upper castes, Jains, Sikhs, Christians, Zorastrians and a few others who may be considered the socially privileged group. These categories belong to the top level in terms of per capita net worth followed by OBC, Muslims, SC and ST. The same ranking applies when a host of indicators of development and well-being are measured across these broad social categories (see Kannan 2016b). This socio-religious grouping therefore emerges as a broad approximation to the social hierarchy obtaining in the Indian society. Since the data on OBCs is not available for 1993-94 NSS Round, the comparison here is confined to the latest two EUS 61st (2004-05) and 68th (2011-12) rounds.

Table 4.8 summarizes wages according to these five social groups. First, there is a sharp difference in the wages of regular and casual workers, as has already been demonstrated for other alternative categorizations. Therefore, the ability to get a regular job is also a transition from low wage labour market to a high wage labour market, in general. Secondly, there is a hierarchy in wages in each category when we take wages for all workers. This is because the socially disadvantaged groups have a much lower share in regular work as compared to the socially privileged group of Others (see Table 4.10). But the higher ranking of STs above that of SCs and Muslims in terms of regular wages needs to be seen in the context of a small share of regular ST workers arising largely out of affirmative action. For SCs this has to be seen as a combination of affirmative action as well as low wage regular jobs. Thirdly, casual work does not present significant wage differentials for all except STs. Everyone is leveled here, given the unskilled manual nature of work. But here again, STs are seen at a disadvantage for both the years. Lastly, wage disparity has narrowed for all social groups except for Muslims. But the gains are such that significant 'social' disparity continues to challenge the Indian labour market.

Table 4.8: Real wages and its disparity by social group

Social Group	Wage rate (in INR)						Wage Disparity (Others =100)					
	2004-05			2011-12			2004-05			2011-12		
	RW	CW	All	RW	CW	All	RW	CW	All	RW	CW	All
Others	227	56	177	306	83	246	100	100	100	100	100	100
OBC	140	53	86	194	83	129	62	95	49	63	100	52
Muslim	131	57	86	153	84	112	58	102	49	50	101	46
SC	124	51	70	169	79	105	55	91	40	55	95	43
ST	147	42	62	203	64	98	65	75	35	66	77	40

Table 4.9 reports daily wage rates by categorizing workers on the basis of type of employment, location and gender across different socio-religious categories. There is wide variation of wage rates across socio-

religious categories. Workers belonging to Schedule Castes, Schedule Tribes, Muslims and OBCs earn lower wages than the socially privileged group, others. Wage differences between socio-religious categories are more pronounced for both male and female workers in regular work than in casual work in both rural and urban areas, because the majority of the workers in the socially disadvantageous groups perform casual work. It is interesting to note that workers belonging to Muslim category have a lower wage rate than even ST, SC and OBC categories under regular work for male workers in both rural and urban areas. Such is not the case with female Muslim workers in regular work. Regular Muslim female workers in rural areas have wage rates which are marginally lower than their counterparts in ST and OBC, but have significant higher wages than regular rural SC female workers. But the significant point to note is that the top two quintiles consist entirely of regular work. The third quintile consists of urban casual and some rural regular females. The fourth quintile consists of rural casual male and rural regular females whereas the last i.e. bottom quintile consist of all casual rural females and most urban casual females.

In conclusion, women casual labourers find themselves at the bottom of the wage disparity irrespective of their social identity and location.

Table 4.9: Disparity in real wage rates (INR per day) by location, labour status, gender and social group

Labour status	Soc group	2004-05	Labour status	Soc group	2011-12	Growth
Top Quintile						
Urban R Male	Others	260	Urban R Male	Others	356	4.49
Urban R Male	ST	212	Urban R Female	Others	306	5.45
Urban R Female	Others	209	Urban R Male	ST	256	2.69
Rural R Male	Others	192	Urban R Male	OBC	231	4.38
Urban R Male	OBC	170	Rural R Male	Others	218	1.81
Urban R Male	SC	151	Urban R Male	SC	209	4.64
Urban R Male	Muslim	140	Urban R Female	ST	196	6.31
Rural R Male	ST	133	Rural R Male	ST	187	4.87
2nd quintile						
Rural R Male	Muslim	132	Rural R Male	OBC	172	3.89
Rural R Male	OBC	131	Urban R Male	Muslim	170	2.77
Urban R Female	ST	126	Urban R Female	OBC	164	5.45
Rural R Male	SC	124	Rural R Male	SC	158	3.46
Rural R Female	Others	121	Rural R Male	Muslim	146	1.44
Urban R Female	Muslim	117	Rural R Female	Others	144	2.49
Urban R Female	OBC	112	Urban R Female	SC	130	4.48
Urban R Female	SC	95	Urban R Female	Muslim	129	1.39
3rd quintile						
Rural R Female	Muslim	87	Urban C Male	OBC	115	5.18
Urban C Male	Others	83	Rural R Female	ST	110	4.55
Rural R Female	ST	80	Rural R Female	OBC	109	4.78
Urban C Male	OBC	80	Rural R Female	Muslim	108	3.09
Rural R Female	OBC	78	Urban C Male	Others	106	3.49
Urban C Male	SC	73	Urban C Male	SC	104	5.06
Urban C Male	Muslim	70	Urban C Male	Muslim	97	4.66
Urban C Male	ST	64	Urban C Male	ST	93	5.34
4th quintile						
Rural R Female	SC	61	Rural C Male	OBC	88	5.71
Rural C Male	Others	60	Rural C Male	Others	87	5.31
Rural C Male	OBC	59	Rural C Male	Muslim	86	5.38
Rural C Male	Muslim	59	Rural C Male	SC	84	5.79
Rural CMale	SC	56	Rural R Female	SC	83	4.40
Urban C Female	Muslim	47	Rural C Male	ST	68	5.58
Rural C Male	ST	46	Urban C Female	OBC	67	6.01
Urban Cl Female	Others	46	Urban C Female	SC	66	5.47
Bottom quintile						
Urban C Female	SC	45	Urban C Female	Others	65	4.94
Urban C Female	ST	44	Urban C Female	ST	60	4.43
Urban C Female	OBC	44	Rural C Female	SC	59	7.06
Rural C Female	Muslim	38	Rural C Female	OBC	59	7.46

Rural C Female	SC	36	Rural C Female	Others	57	6.97
Rural C Female	OBC	35	Urban C Female	Muslim	55	2.25
Rural C Female	Others	35	Rural C Female	ST	54	6.61
Rural C Female	ST	34	Rural C Female	Muslim	53	4.75

The growth rates of wages in the two time periods (1993-2004-05 and 2004-05 to 2011-12) shows that wages grew faster on an average in the later period than the former, particularly among the low education worker category as reported in the earlier sections. This evidence is further strengthened by the higher growth rate of real wages among socially disadvantaged groups such as ST, SC and OBCs — except for Muslims, whose growth rates were the lowest among all other social groups.

Table 4.10: Access to employment by social group and labour status (percentage share)

Social Group	2004-05		2011-12	
	RW	CW	RW	CW
Others	83.7	16.3	82.6	17.4
OBC	61.1	38.9	56.8	43.2
Muslim	54.1	45.9	48.9	51.1
SC	49.2	50.8	42.5	57.5
ST	48.9	59.1	37.9	72.1

4.6. Wages by industry

Wages differ according to the industry in which workers are employed. While we find a distinct disparity in wages between regular and casual workers, there is a need to examine the broad industry group. This is presented in Table 4.11. Overall, there is a decline in disparity between 1993-94 and 2011-12 with wages in casual employment rising from 30 per cent of the regular employment to 36 per cent. But this has come with an industry-wise mixed picture, wherein the disparity increased sharply in the primary sector, mining and quarrying, electricity, et.al., construction, transport, banking and education.

Table 4.11: Real wage rates (INR per day) of workers by economic sector

Sector	1993-94			2004-05			2011-12		
	RW	CW	DP	RW	CW	DP	RW	CW	DP
A. Primary sector	46	34	74	67	43	64	108	68	63
1. Agriculture and allied	46	34	74	67	43	64	108	68	63
B. Secondary sector	125	54	43	151	70	47	197	94	48
2. Mining and quarrying	168	49	29	322	67	21	486	84	17
3. Manufacturing	117	48	41	131	61	47	174	84	48
4. Electricity, gas and water	174	67	39	296	70	24	286	75	26
5. Construction	127	62	49	142	74	52	206	97	47
C. Service sector	141	53	38	184	65	35	241	94	39
6. Trade	76	50	66	89	59	66	127	93	73
7. Hotels and restaurants	74	50	66	106	65	61	139	109	78
8. Transport, storage and communication	133	66	50	175	76	43	269	104	39
9. Banking and finance	249	64	26	370	132	36	407	98	24
10. Real estate and business services	123	46	37	253	89	34	247	91	37
11. Public administration and defence	166	65	39	251	60	24	333	74	22
12. Education	160	48	30	211	56	27	273	75	27
13. Health and social work	134	55	41	186	62	33	237	99	42
14. Other social and personal services	*	*	*	106	57	54	92	76	83
15. Private households	*	*	*	48	51	106	72	68	94
Whole economy				169	52	31	224	80	36

Note: @ indicates share of casual employment was negligible. * In 1993-94 sectors 14 and 15 were combined in one group. DP denotes disparity as measured by wages of CW as a percentage of wages of RW.

Table 4.12: Growth rates in real wage rates of workers by economic sector

Sector	P1		P2		P3	
	Regular	Casual	Regular	Casual	Regular	Casual
Primary Sector	3.42	2.13	6.82	6.55	4.74	3.85
Agriculture and allied	3.42	2.13	6.82	6.55	4.74	3.85
Secondary Sector	1.72	2.36	3.80	4.21	2.53	3.08
Mining and quarrying	5.91	2.84	5.88	3.23	5.90	2.99
Manufacturing	1.03	2.18	4.06	4.57	2.20	3.11
Electricity, gas and water	4.83	0.40	-0.49	0.99	2.76	0.63
Construction	1.01	1.61	5.31	3.87	2.69	2.49
Service Sector	2.42	1.86	3.86	5.27	2.98	3.18
Trade	1.44	1.50	5.08	6.50	2.85	3.45
Hotels and restaurants	3.27	2.39	3.87	7.39	3.50	4.33
Transport, storage and communication	2.49	1.28	6.14	4.48	3.91	2.53
Banking and finance	3.60	6.58	1.36	-4.25	2.73	2.37
Real estate and business services	6.56	6.00	-0.34	0.32	3.87	3.79
Public administration & defence	3.76	-0.73	4.04	3.00	3.87	0.72
Education	2.52	1.40	3.68	4.17	2.97	2.48
Health and social work	2.98	1.09	3.46	6.69	3.17	3.27
Other SPS and private households	1.38	1.90	3.19	4.38	2.08	2.86
Whole economy	2.39	2.62	4.02	6.15	3.02	3.99

Industry-wise classification in a way represents the demand side, hence one can see the close association of some industries/activities with regular work and some with casual work. Till the early 1990s, the division between regular and casual wage workers could approximate employment in the organized/formal and unorganized/informal sectors. With increasing informalization of employment in the formal sector this situation has changed, as was already brought out by the NCEUS (2007 and 2009). Therefore, the dualism in the economy is not only between sectors but also between types of employment. It is therefore only appropriate to introduce here the division between organized/formal and unorganized/informal sector into regular and casual classification by industry.

Table 4.13: Percentage share of casual workers by industry and organized/unorganized sector (non-agricultural only)

	Organized/Formal Sector		Unorganized/Informal Sector	
Sector	**2004-05**	**2011-12**	**2004-05**	**2011-12**
Secondary sector	42.60	48.68	75.73	83.99
Mining and quarrying	43.36	47.40	96.49	92.11
Manufacturing	27.61	21.54	45.80	50.04
Electricity, gas and water	4.47	3.90	18.81	32.12
Construction	88.98	89.79	97.32	97.28
Service sector	4.94	76.88	44.48	50.46
Trade	21.54	12.72	23.50	24.72
Hotels and restaurants	14.29	7.20	38.38	37.33
Transport, storage and communication.	12.76	6.97	38.16	32.74
Banking and finance	1.62	1.28	0.92	1.95
Real estate and bus services	3.57	5.91	16.87	17.60
Public administration and defence	1.71	0.76	4.95	
Education	0.84	0.35	1.54	3.76
Health and social work	3.44	3.29	4.33	27.32
Other social and personal services	10.79	9.10	47.29	37.85
Private households and ETOs	54.86	0.00	27.91	20.52
total non-agricultural wage workers	21.56	25.79	53.02	60.61

When workers are classified into regular and casual in the organized and unorganized sectors separately, as we do in Table 4.13, there is an interesting pattern that emerges. As expected, regular workers in the organized sector receive considerably higher wages. But the wages of casual workers in the organized sector as well as regular and casual workers in the unorganized sector are more or less on par — with a marginal advantage — with those of the regular workers in the unorganized sector. What is more surprising yet is that the wages of casual workers in the unorganized sector and organized sector do not present any disparity in 2012. In 1993, there was significant disparity in the sense that the casual workers in the unorganized sector received wages that came to only 22 per cent of that of the regular workers in the organized sector; compared to 30 per cent for the casual workers in the organized sector. This difference has now disappeared. However, a detailed examination would reveal that, in 2004-05, five out of the 14 industry sectors reported higher wage rates for the casual unorganized sector workers compared to the casual organized sector workers. This has now increased to a majority of nine out of 14 ignoring 'private households' where the organized sector concept is absent. Researchers had reported this interesting difference by analysing the data for 1999-2000 (see, e.g., Unni 2005). Yet the share of casual workers in organized sector employment has gone up by three percentage points i.e. from 21.5 to 25.3. It is not difficult to explain this because the sectors with a higher wage advantage are the ones which have attracted more casual workers in 2012, and the sectors with a declining advantage have lost out in terms of the share of casual workers.

Nevertheless, the fact remains that the organized non-agricultural sector employs a quarter of its workers as casual workers. This is in addition to those regular workers who are informally employed because they

do not enjoy employment security or social security provided by the employer. Thus the organized sector in India today is characterized by the employment of a core of formal workers with regular employment, another core of regular workers without formal employment and another segment of workers who, as casual workers, constitute what is perhaps the most vulnerable category. Therefore, a mere shift of employment from the unorganized to the organized sector need not characterize a situation of either Lewisian or Kuznets type process at work from the point of workers' status and welfare. The fact that an overwhelming proportion of regular and not-so-insignificant casual workers in the unorganized sector has a wage advantage over the casual workers in the organized sector points to the potential of increasing productivity in the small scale non-agricultural activities that, with sufficient state support, could even make a transition to the organized sector as enterprises (for an elaboration of this argument see Kannan 2016a). A more broad-based growth strategy with focused attention to the micro and small enterprises sector could then act as a barrier to the employment of highly cheap casual labour in the organized sector. Given the high productivity in the organized sector of the economy, there is certainly a case for levelling the wages and working conditions of informally employed/ casual labour. Arguments that support any type of employment increase in the organized sector have to be viewed with sufficient caution if the objective is to create decent employment, especially for the poor and vulnerable labour who end up as casual workers.

Table 4.14: Real wage rates of workers by economic sector and formal-informal

	Organized/Formal Sector				**Unorganized/Informal Sector**			
Sector	**Regular**		**Casual**		**Regular**		**Casual**	
	2004-05	**2011-12**	**2004-05**	**2011-12**	**2004-05**	**2011-12**	**2004-05**	**2011-12**
Secondary	185	227	69	87	81	107	70	97
Mining and quarrying	326	506	68	87	170	199	66	81
Manufacturing	161	200	61	81	79	102	62	86
Electricity, gas and water	302	295	70	75	150	116	73	74
Construction	172	245	76	90	93	132	73	100
Service	248	316	72	95	80	107	64	94
Trade	153	195	70	96	76	102	57	93
Hotels and restaurants	148	177	75	89	82	110	64	111
Transport, storage and communication	257	392	77	98	96	115	76	106
Banking and finance	396	429	134	91	124	198	53	189
Real estate and business services	346	303	79	90	119	146	91	92
Public administration and defence	252	333	60	74	149		68	
Education	228	290	60	58	98	151	40	90
Health and social work	216	267	53	122	79	108	83	90
Other social and personal services	130	152	62	102	77	71	56	74
Private households & ETOs	63	345	57	Neg.	48	72	50	68
Whole economy	228	285	70	88	80	107	68	96

Table 4.15: Wage disparity by industry and labour status (wages in organized casual (OC), unorganized regular (UR) and unorganized casual (UC) as % of OR)						
Sector	**2004-05**			**2011-12**		
	OC	**UR**	**UC**	**OC**	**UR**	**UC**
Secondary sector	**37**	**44**	**38**	**38**	**47**	**43**
Mining and quarrying	21	52	20	13	39	16
Manufacturing	38	49	39	41	51	43
Electricity, gas and water	23	50	24	25	39	25
Construction	44	54	42	37	54	41
Service sector	**29**	**25**	**26**	**30**	**34**	**30**
Trade	46	50	37	49	52	48
Hotels and restaurants	51	55	43	50	62	63
Transport, storage and communication	30	37	30	25	29	27
Banking and finance	34	31	13	21	46	44
Real estate and business services	23	34	26	30	48	30
Public administration and defence	23	59	16	22	NR	NR
Education	26	43	18	29	52	31
Health and social work	25	37	38	46	40	34
Other social and personal Services	48	59	43	67	47	49
Private households	90	76	79	NA	21	20
Whole economy	**31**	**35**	**35**	**31**	**38**	**34**

4.7. Occupations

An occupational classification system is a pre-requisite for comparing wages across occupations. The official occupational classification system has undergone changes over time. For the National Classification of Occupations-1968 (NCO-68) was used during EUS-50th (1993-94) and 61st round (2004-05) of the National Sample Surveys. Since 2007-08 (i.e. 64th Round) NCO-2004 was used and same was applied to 68th round (2011-12). For comparability between 68th round and other two previous rounds, the occupational classification NCO-68 is regrouped and reclassified according to NCO-2004 at one digit level.[4] The occupational classification presented in Table 4.16 represents skill levels of the workers in both rural and urban areas separately. The high-skill occupations (Div. 1 to Div. 3) include corporate managers, professionals and associate professionals; medium-skill occupations (Div. 4 to Div. 8) include clerks, service workers, shop and market sale workers, agricultural and fishery workers, craft and related trades workers, and plant and machine operators and assemblers; low-skilled occupations (Div. 9) include sales and service elementary occupations and labourers in agriculture, fishery, mining, construction, manufacturing and transport. Occupational divisions, apart from representing wage rates to different skilled workers, also represent the labour market segmentation in Indian labour market. The wage differential between the lowest paid occupation and the highest paid occupation is higher in urban areas than in rural areas. Female workers earn lower wages than men even in the same occupational division, indicating gender discrimination across all occupations both in rural and urban areas.

Table 4.16: Percentage of casual workers by occupation				
Occupational category	**CW as % of RW**		**Wages of CW as % of RW**	
	1993-94	**2011-12**	**1993-94**	**2011-12**
Div 1 Legislators, senior officials and managers	7.46	1.72	25.5	18.2

[4]NSSO provides occupational details at three digit level while the occupational concordance between NCO 68 and NCO 2004 is provided at five digit level, which makes it difficult to make a meaningful concordance between the two classifications at three digit level. We have made an attempt to make a concordance at broader occupational divisions using five digit concordance provided by NSSO which may have some errors and shall not be considered in a stricter sense.

Div 2 Professionals	2.36	1.21	28.8	24.2
Div 3 Technicians and associate professionals	5.62	2.62	30.7	43.7
Div 4 Clerks	1.55	1.43	32.5	35.0
Div 5 Service, shop and market sales workers	18.82	12.14	52.8	60.4
Div 6 Skilled agricultural and fishery workers	86.76	82.98	88.7	62.7
Div 7 Craft and related trades workers	51.91	64.85	51.4	66.0
Div 8 Plant, machine operators and assemblers	26.06	19.59	55.2	69.1
Div 9 Elementary Occupations	91.48	89.53	52.9	70.5
All wage workers	68.7	61.21	30.0	35.4

Table 4.17: Real wages and wage disparity by gender and occupation

	Male (INR per day)		Female (INR per day)		F wage as % of M)	
Occupations	**1993-94**	**2011-12**	**1993-94**	**2011-12**	**1993-94**	**2011-12**
Div 1	306	596	207	534	68	90
Div 2	227	460	190	354	84	77
Div 3	172	313	123	196	72	63
Div 4	157	261	152	232	97	89
Div 5	88	157	56	82	64	52
Div 6	55	90	36	56	65	62
Div 7	91	127	35	71	38	56
Div 8	106	148	44	71	42	38
Div 9	45	85	28	58	62	68
Total	81	152	42	103	52	68

4.8. Summing up

By carrying out a fresh analysis of data for three rounds of EUS of the NSSO, this chapter has laid down a framework for formulating certain key issues with regard to the nature of the Indian labour market and the structure, trends and disparities in wages. Arising out of the dualistic nature of the economy, the wage labour market accounts for roughly only half of the total employment in the Indian economy, the rest being characterized by what is officially classified as 'self-employment'. This is largely, if not only, due to the preponderance of marginal and small farmer households in the economy. Even if we take the non-agricultural sector of the economy wage, labour constitutes only around 62 per cent of total employment.

However, we are not in a position to talk about the Indian labour market in the singular. The main dividing line in terms of the nature of employment, which carries over to wages, is the fundamental divide between the market for regular work and the market for casual work. The casual labour market largely consists of people from economically poorer households, with low education as well as low skill levels. The incidence of such labour is high among what we call socially disadvantaged groups.

4.8.1. Growth in wages

A particular focus in our data analysis has been growth in wages, which may now be summed up by examining it from several angles of categorization. The results are presented in Table 4.18 below for regular and casual labour markets separately, for the three time periods. Taking the whole period for regular workers, we find that their wages in Division 6 in the occupational categorization i.e. skilled agricultural and fishery workers registered the highest growth rate of 5.48 per cent per annum followed by the primary sector wages of regular workers, where a majority would find themselves in the Division 6 of occupational classification. Despite the economic backwardness of this segment the relatively higher rate of growth indicates a measure of 'leveling up' of this bottom category. The group with a high share of regular workers is that of the highly educated i.e. graduates and above. In this group, we find consistently high rates of growth in wages for both the periods, thereby achieving an annual growth in wages of 3.12 per cent for the whole period. This performance is reflected in higher growth rates in wages of occupational divisions 1 and 2 where the highly educated are over-represented.

Table 4.18: Annual growth rate in real wages

Category	P1		P2		P3	
	RW	CW	RW	CW	RW	CW
Gender						
Male	2.62	2.46	3.93	5.55	3.13	3.66
Female	2.05	2.28	4.84	6.81	3.13	4.05
Rural						
Male	3.23	2.62	2.89	5.79	3.10	3.85
Female	3.12	2.36	3.77	6.97	3.38	4.15
Urban						
Male	2.32	1.15	4.06	4.75	3.00	2.55
Female	1.78	1.54	4.69	5.03	2.91	2.90
Sector						
Primary	3.42	2.13	6.82	6.55	4.74	3.85
Secondary	1.72	2.36	3.80	4.21	2.53	3.08
Tertiary	2.42	1.86	3.86	5.27	2.98	3.18
Social Group						
ST	3.15	2.19	4.61	6.02	3.72	3.68
SC	2.42	2.44	4.42	6.25	3.20	3.92
Muslim			4.66	6.41		
OBC	2.27	2.15	2.22	5.54	2.25	3.47
Others*			4.27	5.62		
Others**	2.63	2.73	4.20	6.14	3.24	4.06
Education						
Primary and below (Low Edn)	0.95	2.55	3.15	6.08	1.80	3.93
Middle	0.61	1.74	2.09	5.25	1.18	3.11
Secondary and < Graduate	2.05	2.03	1.41	4.96	1.80	3.17
Graduation and above	3.08	3.44	3.19	4.21	3.12	3.74
Occupation						

Legislators, Sr. Officials and Managers (D1)	4.91	-3.74	1.65	10.43	3.64	1.77
Professionals (D2)	3.66	2.69	3.79	2.85	3.71	2.75
Technicians & Associate Professionals (D3)	2.64	3.13	3.16	7.42	2.84	4.80
Clerks (D4)	3.07	2.88	2.22	3.59	2.74	3.16
Workers in Service, Shops & Markets (D5)	1.84	2.52	4.47	5.32	2.86	3.61
Skilled Agriculture & Fishery Workers (D6)	2.40	3.22	10.31	4.06	5.48	3.55
Workers in Crafts & Related Trades (D7)	0.66	3.29	4.08	3.51	1.99	3.38
Plant and Machine Operators and Assemblers (D8)	1.24	1.91	1.91	4.06	1.50	2.75
Elementary Occupations (D9)	1.48	2.23	3.88	6.79	2.41	4.00
All wage Workers	2.35	2.39	3.98	6.15	2.99	3.85
Growth in Per Capita GDP (at 2004-05 prices)		**4.27**		**6.71**		**5.22**

Growth in the wages of male and female regular workers shows no difference for the whole period. However, the gender gap that is heavily loaded against women workers is quite significant and continuing.

Geographically speaking, rural wages of regular workers have improved for both men and women, suggesting a small reduction in the spatial gap but, here again, the disparity is significant.

Casual employment is the largest category of workers among all wage workers in the Indian economy. Of the total 225 million wage workers in 2011-12, casual workers constituted 61 per cent. But in the non-agricultural sector, casual work constitutes only 42 per cent of total wage work. Here we should remember that within the category of regular workers there is a segment of informal workers (without any employment and/or social security provided by the employer). The best performance here is that of occupational division 3 of technicians and associate professionals. The category that has the second highest growth rate is that of rural female workers, which we have already noted.

From a sector-wise view of wages, high growth rate in the primary sector has understandably favoured the low wage workers and this could partly be due to the outflow of surplus labour from this sector to the secondary and tertiary sectors. In general, the wages of casual workers have grown faster than those of regular workers for the whole period; however, the wide disparity continues.

Two more observations are perhaps in order at this stage, with regard to growth in real wages and their macroeconomic context for future policies. One is that in an overwhelming number of categories, growth in wages during the second period is seen as faster than during the first period. This is especially so for rural areas, primary sector and socially most disadvantaged groups. This is especially so for casual workers. Here it would be in order to record several national level state interventions in the form of programmes and schemes to improve the livelihood security of the rural poor, if not the inequality between the rich and the poor. These are the National Rural Employment Scheme (NREGS) under the National Rural Employment Guarantee Act (NREGA), the National Rural Health Mission, the Sarva Shiksha Abhayan (SSA) for improving the elementary education and the rural housing schemes of the central government (e.g. Indira Awas Yojana) and schemes by the state governments. All these put together must have helped in raising the consumption level as well as establishing a measure of social security that could have helped in raising the reserve price of labour. In addition, the accelerated growth in the economy increased the demand for labour in the construction sector in urban areas leading to increased migration of labour from the primary sector of the economy. Therefore, the higher growth rate in the wages of rural casual workers could be

interpreted as a result of the public intervention and expenditure in rural areas as well as the increased demand for unskilled casual workers leading to a higher reserve price of labour.

The second point to note is the much higher increase in overall economic growth in the economy during the second period, as compared to the first period. Even for the three periods of our analysis i.e. 1993-94 to 2004-05 to 2011-12 and 1993-94 to 2011-12, economic growth was much higher than growth in wages in both regular and casual work. What this points to is the increasing trend in economic inequality between wage income and non-wage income or, in other words, between workers who are mostly dependent on employment and wages and those with other sources of income. We shall examine the wage income of worker households later but it is important to reiterate that a higher growth in wage rates has taken place in the Indian economy in a context of increasing economic inequality.

4.8.2. Disparities

The dualistic character of the labour market is understandably reflected in the disparity between the wages of casual workers and regular workers. These are also clearly reflected in the four segments of the labour markets that bring into focus the importance of location in terms of rural and urban areas (a reasonable proxy for the level of economic development) as well as gender. These disparities are summed up in Table 4.19.

Table 4.19: Three main types of wage disparity

Category	1993-94	2004-05	2011-12
	Wage disparity by labour status (CW as a percentage of RW)		
Urban Male	42	37	39
Rural Male	41	38	47
Urban Female	30	30	30
Rural Female	44	41	51
Urban all	39	36	38
Rural all	38	36	46
All wage labour	30	30	35
Category	Gender disparity (Wages of Women as % of Men)		
Urban Regular	79	75	78
Rural Regular	59	59	62
Urban Casual	57	59	60
Rural Casual	64	62	68
Urban all	66	72	78
Rural all	54	53	63
All wage labour			
Category	Locational disparity (Rural wages as % of Urban wages)		
Regular Male	65	72	66
Regular Female	49	57	53
Casual Male	63	74	79
Casual Female	71	78	89
Regular all	63	42	44
Casual all	63	70	78
All wage labour	38	42	44

The disparity between casual and regular wages is the highest among the three types of segmentations in the Indian labour market. There is a decline in this disparity for the whole period and it is due to the decline in the second period. Within the overall disparity the highest disparity as between the casual and regular work is in the urban labour market, which has remained the same during the whole period for women and seen a marginal increase for men. The disparity, however, declined somewhat in rural areas, with a slightly larger decline for women than men. Gender disparity in which wages of women are lower than that of men is lower than the disparity between casual and regular work but significant enough as a social issue. There has been an overall decline in the gender disparity largely contributed by the rural labour market and also the urban casual labour market. However, in urban regular work the faster decline in the first period is offset by an increase in the second period, resulting in almost an unchanging situation.

This preliminary data analysis brings out that education is seen to be a major determinant of the level of wages. The existing literature has already brought this into account and our exercises in subsequent chapters confirm this clearly. In Table 4.7 we find in three segments of the regular labour market (i.e. urban men, rural men and urban women) there has been an increase in disparity in wages as between the Low Educated

and the Graduates and above groups i.e. due to differences in educational attainments. Only the rural regular female segment has an unchanging disparity, although it increased during the first period. In the casual labour market the disparity increased for rural men and urban women whereas it shows a significant decline for rural casual women.

The social dimension in India's dualistic economy has now come to be recognized as an important issue. While earlier work focused on the position of the two bottom groups viz. ST and SC, the reports of the NCEUS brought out that the hierarchical social structure is also reflected in several parameters of labour market characteristics including the type of employment, education and wage structure. We have seen in Table 4.8 that there is also the social disparity and that this reflects a hierarchical pattern. However, in the regular labour market, the position of Muslims in 2011-12 is at the bottom whereas this group was second from the bottom in 2004-05. In the casual labour market, their position is higher than that of both SC and ST and also the OBC, thus occupying the second position in both the years. As we shall see later the wage disparity in terms of social groups is not a straightforward association, it is largely mediated by educational attainments.

When location and gender are further differentiated by social identity we have seen (in Table 4.9) a greater and sharper differentiation in wages. This raises the question of inequality in wages. Measurement of this inequality by alternative methods and to what extent inequality can be explained by identifiable factors has been explored in Chapter 6. Before discussing inequality, we, however, take up the question of wage determination in the Indian labour market or markets in the next chapter.

5. Wage determination and wage income

5.1. Introduction

In Chapter 4 we examined statistics relating to wages in India in terms of daily wage earnings in two types of employment or labour status, i.e. regular and casual. The descriptive statistics brought into focus the association of wages with a number of factors; principally in terms of gender, education, location, industry and occupation. These are valuable in themselves in the sense that they give us an idea of the factors that are associated with low and high wages. However, these associated factors are not in a position to inform us about the relative importance of one factor as against another. That calls for a systematic analysis of data in an inter-related framework or what is called 'covariant matrix'. A widely used model is the 'Mincer earnings function', which is a single-equation model that explains wage income as a function of education and experience, named after Jacob Mincer (1958 and 1974). We apply this equation to the Indian labour markets—regular and casual work—in terms of the four segments of Rural Male, Rural Female, Urban Male, and Urban Female—by incorporating a number of additional explanatory variables mentioned below.

5.2. Methodology

We used a log of real daily wage as a dependent variable and the covariate matrix included age as proxy for experience, level of education, social group identity, industry and state dummies to capture the variation across regions. The construction of variables and descriptive statistics are presented in Appendix Table 5 A1.

A common limitation with this type of wage equation is that it does not account for what is called 'selection bias'. This arises because the wage equation is applied to a sample set of currently employed men and women whose participation in the labour market is not random. This is because we do not have the (expected) wage data of those who are not currently participating in the wage labour market. It is reasonable to hypothesize that the wage rates of those who are employed are higher than what it would have been had those who are currently not in the labour market been employed. The reason for the current non-participation of some of those in the working age group could be due to several factors such as their high reserve price or factors leading to lack of motivation. The exclusion of such persons leads to the omission of such unobservable factors.

Since these unobserved variables are likely to be correlated with some of the observed factors in the wage equation, there is a risk that the estimated coefficients will be biased either upwards or downwards.

In order to overcome this kind of sample selection bias[5] we used the two steps in the Heckman selection model (Heckman, 1979). Under this model, the first step involves the estimation of selection equation with the participation decision as a dependent variable and the second step involves the estimation of wage

[5] An argument has been made in the literature that working women are not a randomly selected sample of all females in the population. This is the familiar 'selectivity bias' problem. Heckman (1979) developed a solution to this problem; this solution variable (Inverse Mill's ratio) added as an additional explanatory variable in the earnings function.

equation, conditional on employment. In the selection model, we calculated inverse Mills ratio[6] using the predicted probability of participation in labour force that is included in the standard wage equation of the second stage to correct the selection bias.

Identification of the selection equation requires the inclusion of variables (at least one) in the selection equation, which are (is) not included in the wage equation. If it happens that the variables in the wage equation and the selection are the same, it usually results in the collinearity between the predicted inverse Mills ratio and the determinant variable of the wage equation. So we need one variable that affects the participation choice and not the wages. The most appropriate identifying variable suggested by theory is the non-labour income of individual or household. In the absence of such variable, we used number of dependents including children 0-4 years, 5-8 years and 9-14 years of age and number of elderly members in the household greater than 60 years of age which are commonly used in the literature. These variables are assumed to affect the probability of participation in labour force, but not to affect wage determination. It is reasonable to assume that the number of dependents in a household is unlikely to affect the wage rate in the Indian labour markets.

5.3. Results from wage regression

The results of the selectivity corrected wage regression for the two distinct labour markets are presented in Table 5.A1.[7] As mentioned in the beginning we had selected several explanatory variables from the descriptive statistics that influence the determination of wages. To help with interpretation of the results, we present in Tables 5.1 and 5.2 a summary of what they mean so as to make some economic sense out of this econometric exercise. The results are to be interpreted in terms of a wage advantage or disadvantage or a neutral situation in relation to a reference group for each of the variable. The letter 'A' signifies a wage advantage to the concerned group; letter 'D' refers to a wage disadvantage; whereas 'NS' means the statistical regression coefficient is not significant, which means there exists neither a wage advantage nor a disadvantage to the group concerned. Where there are no markings with a star (*) it means the results are robust at 1% level of confidence; where there is a double star (**) it means 5% level of confidence; and one star (*) means a 10% level of confidence. Figures in brackets indicate the percentage advantage or disadvantage as the case may be.

[6] Named after John P. Mills, it is the ratio of the probability density function over the cumulative distribution function of a distribution.

[7] The sample selection bias as shown by Lambda (λ) in Appendix 1, table 1 has a statistically significant negative coefficient for urban males in the regular worker category and rural males and urban males in the casual worker category. This implies that the expected wages of selected men in respective employment is lower than that of the men selected at random from the population given similar characteristics. Lambda shows a positive coefficient for urban females in regular work which implies that the women who select urban regular work secure higher wages than a woman drawn at random from the population. Care must be taken while interpreting the results since the coefficient is weakly significant at 10% level of significance. Lambda shows a statistically insignificant coefficient for all other groups such as rural male and female workers in the regular wage category and rural and urban females in casual wage category. This implies that the workers in these groups earn no more than what would have been expected if drawn at random from population.

5.4. Results for the regular labour market

Age: We first discuss the market for regular work. This first variable is a proxy for experience and it bestows some wage advantage upon all four groups of workers. Every one year of age means a wage advantage of 0.1 percent increase for rural men, while for the other three groups it commands a 0.2 percent increase.

Education: Levels of education play an important role in the wages of regular workers, as we have noted. The estimated rate of return to achievement in education increases. Wage workers in the urban sample experience higher returns at the same level of education in comparison with their counterparts in rural areas. This may be interpreted as an urban location offering a distinct advantage over a rural location. Moreover, it is interesting to note that the returns to education are higher among female wage workers in rural areas than that of their male counterparts across all levels of education. What this result conveys is that educated women workers have a distinct advantage over the least educated group among the women. This does not refer to the disparity between the wages of men and women in several categories. In urban areas, regular men workers enjoy a higher premium with higher levels of education. But in general, the educational premium in the urban labour market is significantly higher than that of those in rural areas for men. This could be due to the diversified nature of job opportunities in urban areas.

The higher returns to women's education in rural areas compared to rural men and close to that of men in urban areas along with lower female labour force participation give an indication that there is an underinvestment in female education in India. The higher returns to educated women would strengthen the argument for greater investment in the education of women which will, inter alia, also facilitate the generation of positive social and economic externalities.

Social group identity: Here we have categorized workers into five socio-religious groups that are found to experience hierarchical inequality (sometimes referred to as 'graded inequality') in the Indian society. The results seem to be group-specific. Since the regular labour market is one wherein affirmative action — in terms of reservation of government and public sector jobs for socially disadvantaged groups — operates, the results have to be interpreted with this factor in mind. Among the ST workers there seems to be an advantage for rural women, but only at 5% level of confidence. For the other groups, the results do not show any wage advantage or disadvantage. Here we need to keep in mind that access to regular job is the lowest for the ST group (see Table 4.10). For SC workers, there is wage disadvantage in all four segments although the results for rural women and urban men are valid only at 5% and 10% levels of confidence respectively. OBC workers also exhibit a wage disadvantage except for rural men. For Muslim workers, the wage disadvantage is confined to urban women only.

The descriptive statistics showed much sharper variations in wages across social groups than the results obtained in the wage equation. We should note here that while social group identity has some association with wage disadvantage, it usually works through the educational factor. The question then shifts to the ability to secure higher levels of education by the socially disadvantaged group. This could be due to economic poverty along with other social barriers. Access to education then leads to the next stage of access to jobs where the socially disadvantaged often encounter what may be called discrimination. As there are two kinds of barriers, it is instructive to examine the statistics relating to access to education in terms of educational achievements and access to quality jobs in terms of the broad categorization of regular and casual.

Table 5.1. Selectivity corrected wage equation for Regular and Casual Workers (2012): Summary of results

	Regular wage workers				Casual wage workers			
Variables	**Rural male**	**Rural female**	**Urban male**	**Urban female**	**Rural male**	**Rural female**	**Urban male**	**Urban female**
Age	A(0.1)	A (0.2)	A(0.2)	A (0.2)	A(0.1)	NS	A(0.1)	NS
Education levels								
Middle	A (2.0)	A (6.0)	A* (8.1)	A (7.2)	NS	NS	NS	NS
Secondary	A (1.7)	A (5.0)	A (7.2)	A (6.3)	A(2.1)	NS	A*(3.4)	NS
Graduate & above	A(1.9)	A (5.9)	A (7.5)	A (6.9)	A(6.5)	NS	NS	A (13.3)
Socio-religious category [Reference group: Others]								
ST	NS	A**(5.7)	NS	NS	D(2.8)	NS	NS	D*(5.7)
SC	D(1.8)	D*(5.0)	D**(7.3)	D (5.7)	NS	A(2.2)	NS	NS
OBC	NS	D(4.3)	D**(6.0)	D 4.9)	NS	A*(2.2)	NS	NS
Muslim	A* (0.022)	A* (0.066)	NS	D (0.068)	NS	NS	NS	D** (0.058)
Industry [Reference Group: Public administration and defence]								
Agriculture and allied	D(3.5)	NS	D*(24.0)	D(19.3)	D (0.225)	D* (0.182)	NS	D** (0.185)
Mining and quarrying	A (0.058)	A* (0.325)	A* (0.192)	NS	D* (0.232)	NS	A* (0.224)	D** (0.216)
Manufacturing	D (0.022)	NS	D (0.082)	D (0.084)	D** (0.226)	D** (0.183)	NS	D (0.185)
Electricity, gas and water	NS	A(0.175)	NS	NS	NS	NS	NS	D** (0.274)
Construction	D	NS	D*(14.6)	NS	D*(22.5)	NS	A**(20.1)	NS
Trade	D (0.027)	D (0.113)	D (0.090)	D (0.099)	D (0.231)	D (0.213)	NS	D (0.194)
Hotels and restaurants	D (0.048)	NS	D (0.142)	D (0.152)	D** (0.242)	NS	NS	D* (0.216)
Transport, storage and communication	D (0.021)	A** (0.134)	D** (0.085)	NS	D** (0.227)	NS	NS	D (0.241)
Banking and finance	D (0.038)	NS	NS	NS	D* (0.389)	NS	NS	NS
Real Estate and business services	D (0.039)	NS	D (0.118)	D (0.108)	D** (0.257)	NS	NS	NS
Education	NS	D* (0.057)	D (0.088)	D (0.064)	D *(0.370)	D* (0.205)	NS	D* (0.295)
Health and social work	NS	NS	NS	D (0.077)	D** (0.262)	D** (0.223)	NS	NS
Other community and, social and personal services	D (0.048)	D (0.118)	D (0.187)	D (0.095)	D (0.240)	D (0.191)	NS	D (0.190)
Private households	D (0.076)	D (0.098)	D (0.196)	D (0.083)	D** (0.238)	D (0.190)	NS	D (0.188)

Economic sector: The type of industry is the next variable that would represent the demand side as well as the productivity differences. Here we have taken Public Administration i.e. a job in government/public sector service, as the reference group. The overall picture is one wherein a regular employment in Public

Administration emerges as the one with a greater wage advantage than most, if not all, industrial groups. The groups that show an unambiguous advantage (at 1% level of confidence) are mining and quarrying for rural workers and electricity-gas-water supply for rural women. These two are largely in the domain of public sector enterprises. Transport, storage and communication show some advantage (at 5% level of confidence) for rural women. The industries that show a distinct disadvantage for all four groups of workers (wherein the percentage of disadvantage is quite high) are trade, health and social work and other community services and private households where domestic workers are employed. In agriculture, the disadvantage is quite high but for rural women the results neither show an advantage nor disadvantage. Manufacturing also shows wage disadvantage except for in the case of rural women. This could be due to the fact that employment of rural women in Public Administration is a small share of their total employment with low wages as in the case of teachers in ICDS centres (*anganawadis*), rural health schemes or as cleaners in government offices. For construction workers, the results show a clear disadvantage for rural men and urban men but in a weak sense (10% level of confidence). For reasons cited earlier, there is neither advantage nor disadvantage for women in both rural and urban areas. For banking and finance, rural men report a disadvantage whereas women do not show any significant result. Urban men are on par with Public Administration. Workers in real estate are at a disadvantage compared to their counterparts in Public Administration — except for rural women. Except for rural men, those in education are also at a disadvantage compared to their counterparts in public administration. Most of the NS results are for women and they reinforce our explanation that the average quality of employment for women in the Public Administration might be more in the nature of low-paying jobs.

Regional factor: The regional variation in wages is measured by using state dummy in the wage regression. We have used Gujarat as a reference category. Most of the regional dummy coefficients are positive and significant among male and female workers both in rural as well as in urban areas. What this means is that a majority of states show significantly higher wages than Gujarat for most categories of workers. In such states, the categories which do not show a wage advantage over Gujarat show NS results, meaning that in net terms they show a wage advantage over Gujarat. That is to say there is at least one segment with a wage advantage and no segment with a wage disadvantage viz-a-viz Gujarat. As shown in Table 5.2, there are 16 such states (out of the 23 taken here) and Union Territories combined. There are 7 states wherein one or two segments show a wage disadvantage compared to Gujarat; in the remaining segments the results are not statistically significant. Out of these 7, five belong to the group with low economic and human development indicators; the remaining two — undivided Andhra Pradesh and Karnataka — are middling states with a reasonable record in both.

Table 5.2: Regional factor in wage determination: [Reference group: Gujarat] Summary of results for regular work, 2011-12

Wage advantage in relation to Gujarat - regular	Neither wage advantage or disadvantage
Jammu & Kashmir: Rural Male	RF, UM and UF
Himachal Pradesh: Rural Male	RF, UM and UF
Punjab: Rural Male*	RF, UM and UF
Uttarakhand: Rural Male	RF, UM and UF
Haryana: Rural Male, Urban Male*, Urban Female	RF
Sikkim: Rural Male and Rural Female, Urban Female	UM
Arunachal: Rural Male and Rural F, UF	UM
Nagaland: Rural Male, Rural Female**	UM and UF
Manipur: Rural Male, Rural Female**	UM and UF
Mizoram: Rural Male, Rural Female, Urban Female**	UM
Tripura: Nil	All four segments
Meghalaya: Rural Male, Rural Female****	UM and UF
Assam: Nil	All four segments
Goa: Rural Male, Rural Female*, Urban Female	UM
Kerala: Rural Male	RF, UM and UF
Tamil Nadu: Rural Female**	RM, UM and UF
Union Territories: All four segments (Urban Male*)	Nil

Bihar: Nil	All four segments
West Bengal: Nil	All four segments
Jharkhand: Nil	All four segments
Maharashtra: Nil	All four segments
Wage disadvantage in relation to Gujarat - regular	**Neither wage advantage or disadvantage**
Rajasthan: Rural Female	RM, UM and UF
Uttar Pradesh: Rural Male and Female	UM and UF
Odisha: Rural Male	RF, UM and UF
Chhattisgarh: Rural Male and Female	UM and UF
Madhya Pradesh: Rural Male and Female	UM and UF
Andhra Pradesh: Rural Male	RF, UM and UF
Karnataka: Rural Male	RF, UM and UF

5.5. Results for casual labour market

The results for the casual labour market present, expectedly, a different picture. The casual labour market, as we have seen earlier, is a low wage market largely consisting of people from poorer economic backgrounds as well as education and skill. Therefore, the range of variation of wages is quite small. This is more so for urban men where the results for education, social group and industry of employment are statistically not significant, denoting neither an advantage nor disadvantage in wages. Only urban men employed in construction show an advantage but with only a 5% level of confidence. Age plays a small advantageous role for only men.

For rural men, both secondary level and graduate and above educational attainments evidence a clear advantage. But this does not apply to rural women as well as urban men. For urban women, a clear and high advantage is displayed for graduates and above. These results perhaps show the emergence of casual employment of educated persons, as we have noted earlier. Social group identity in casual employment should not be expected and this largely holds for the four groups here. However, SC women in rural areas show a wage advantage and weakly significant coefficients (at 10 % level of significance) for OBC rural women. ST men in rural areas show a clear disadvantage followed by weakly significant coefficients for urban ST women.

Even in casual work, employment in Public Administration seems to confer some wage advantage since there is no robust positive result for any category across the industries. There is a weakly significant coefficient for urban men in construction and mining and quarrying. For rural men it is a situation of wage disadvantage in all industries except electricity-gas-water supply, which is mostly in the public domain. For rural women, the casual labour market is more or less a flat one if not as flat as for urban men. They face disadvantages in trade, community and social services and as domestic servants in private households.

The most important factor determining wages of casual workers seems to be the regional factor in terms of the state in which the employment is provided. Here again Gujarat, which is the reference group, emerges as a low wage state. As can be seen in Table 5.3, in 20 states there is a wage advantage either for all four groups or at least one with other groups showing NS results suggesting no advantage or disadvantage. In six states and Union Territories combined, the advantage is for all four groups of workers. Only for seven states there is a wage disadvantage at least for one group, with no advantage or disadvantage for other groups. Madhya Pradesh and Chhattisgarh are the only states which have a disadvantage over Gujarat for rural men, and these states have similar disadvantage for rural women, urban men and urban women, except for Chhattisgarh with urban women showing neither advantage nor disadvantage. In fact, states with a high

advantage are not the ones in the top of industrialization and even in urbanization. But most of them have relatively high human development indicators.

Table 5.3: Regional factor in wage determination: [Reference Group: Gujarat] Summary of results for casual work survey, 2011-12

Wage Disadvantage in Relation to Gujarat	Neither Wage Advantage or Disadvantage
Jammu & Kashmir: All four segments	Nil
Himachal Pradesh: Rural Male, Rural Female*	UM and UF
Punjab: Rural Male and Female, Urban Male	UF
Uttarakhand: Rural Male, Urban Male*, Urban Female*	RF
Haryana: All four segments (Urban Female)**	Nil
Rajasthan: Rural Male, Urban Male**	RF and UF
Sikkim: Rural Male and Female	UM
Arunachal : Rural Male and RF, Urban Female*	UM and UF
Nagaland: Nil	RM and UM
Manipur: Rural Male, Urban Female	RF and UM
Mizoram: All four segments	Nil
Tripura: Rural Male, Rural Female**	UM and UF
Meghalaya: Rural Male and Female, Urban Male, Urban Female**	Nil
Assam: Rural Male*	RF, UM and UF
Maharashtra: Rural Male	UM and UF
Andhra Pradesh: Rural Male, Rural Female*, Urban Male, Urban Female**	Nil
Goa: Rural Female, Urban Female	RM and UM
Karnataka: RM and Urban Male**	RF and UF
Kerala: All four segments	Nil
Tamil Nadu: Rural Male, Urban Male and Urban Female	RF
Union Territories: All four segments (Urban Female*)	Nil
Wage disadvantage in relation to Gujarat	**Neither wage advantage or disadvantage**
Uttar Pradesh: Rural Female	RM, UM and UF
Bihar: Rural Female**	RM, UM and UF
West Bengal: Urban Female**	RM, RF and UM
Jharkhand: Rural Female	RM, RF and UM
Odisha: Rural Female	RM, UM and UF
Chhattisgarh: All four segments (Urban Male)**	Nil
Madhya Pradesh: RM, Rural Female, Urban Male***	UF
Maharashtra: Rural Female**	UM and UF

In this wage equation, one may ask why no institutional variables are introduced. Two kinds of institutions influence the wage setting in the Indian labour market. One is the wage policy of the government, especially to its own employees at both the central government and state government levels. Wages are fixed as per the recommendations of a wage setting committee called Pay Commissions which takes into account a number of factors such as educational qualification, job type and responsibility as well as policy on minimum and maximum wages. In a way this influences the private corporate sector in setting wages of their employees. However, since the economic reforms the tendency in the private corporate sector has been to offer very high wages to supervisory and managerial staff and depress the wages of shop floor/lower level workers through informalization, including casualization. This has led to a secular decline in the share of wages in organized manufacturing as has been brought out by many studies and highlighted in Chapter 2. The second institutional variable is the Minimum Wage policy and the effectiveness of its implementation. The first institutional factor is taken care of in the industry variable where public administration (including public sector) occupies a high position. The second institutional factor is taken care of in the regional variable of states since high wages reflect, among other things, a high degree of minimum wage realization — especially by casual workers.

5.6. Wage income as a share of household Income

For a large majority of households without adequate assets, wage income would constitute the principal source of household income. A pertinent question in this context is: How do wages of workers stand in comparison to certain other indicators of income? Here the challenge is to calculate the wage income of households and compare it with other variables such as per capita national income or income required to cross the poverty line. To calculate wage income of a household we need to know the average number of workers per household, its composition in terms of casual and regular status, the wage rates for these two groups and the number of days of work in a given year. The wage income may then be calculated using the following formula:

$Y_w = [(R_n \times R_d \times R_w) + (C_n \times C_d \times C_w)]$

Where Y_w stands for the annual wage income of a household;

R_n stands for the average number of regular workers in a household;

R_d stands for the number of paid days in a year;

R_w stands for the money wage rate in the given year.

Similarly C_n, C_d and C_w stand for the above variables for casual workers.

In order to find out the proportions of regular and casual workers in a wage labour household, we first identified such households as 'Regular wage households' and 'Casual wage households' by using the majority criterion i.e. if more than 50 per cent of the working members are in the regular category such a household was classified as 'Regular wage household'. Then the proportions of regular and casual wage workers were recorded to calculate R_n and C_n. R_w and C_w were calculated from the wage data. For employment, we assumed that regular wage workers were being paid on a monthly basis including holidays and therefore the total was taken as 365. For casual workers, we assumed an average work-day of five per week or 260 days per year. This is somewhat less than full employment days and excludes days not paid since they are 'casual' in labour status.

The wage incomes for the urban and rural households for the two labour status groups are presented in Table 5.4. Of course, these are average income for the respective groups and therefore would not show the wage income of highly paid employees such as professionals and managers and administrators. However, given the very low wages of rural casual labour (who incidentally are either asset-poor or asset-less and dependent overwhelmingly on wage income) we are in a position to gauge their income in relation to the national income. Per household GDP is calculated by multiplying per capita income in 2011-12 with that of the household size. As per the Population Census of 2011, the average household size in India was 4.9. As such we find the per household GDP was Rs. 342,087 in 2011-12.

So, we can say that wage earners, particularly the casual workers, are highly disadvantageously placed vis-à-vis those depending on non-wage income, in both rural and urban areas, but more particularly in rural areas. Take the situation in 2011-12. With the major share of income coming from casual employment, which is less than one-fifth of the per capita national income for rural casual labour households and about 30 per cent for urban casual labour households, these households are vulnerable to economic shocks and may find it difficult to achieve and sustain a decent standard of living. Even for rural regular labour households, wage income is only two-fifths of per household GDP. Increasing casualization and informalization of employment despite the continuing relatively high growth of incomes are likely to further

increase the inequality between wage earners and other groups. Even the privileged group of urban regular labour households gets only a little less than two-thirds of per household GDP.

Overall, the situation has worsened as wage income as a share of per household GDP has declined for every type of wage labour household. The decline has been the highest for rural casual households followed by urban casual households.

Table 5.4: Wage income of households in 1993-94 and 2011-12

HHs	Year	R_n	R_w (INR)	C_n	C_w (INR)	Y_w (INR)	Wage income as % of house-hold GDP
Urban regular	1993-94	1.26	75	0.09	29	35139	69.7
	2011-12	1.29	446	0.09	169	213494	62.4
Urban casual	1993-94	0.24	75	1.54	29	32476	64.4
	2011-12	0.25	446	1.39	169	102264	29.9
Rural regular	1993-94	1.18	54	0.30	21	24798	49.2
	2011-12	1.18	297	0.27	138	137634	40.2
Rural casual	1993-94	0.06	54	1.83	21	26141	51.8
	2011-12	0.07	297	1.57	138	63955	18.7
Total wage workers	1993-94	0.50	67	1.15	22	18707	37.1
	2011-12	0.58	297	0.91	143	96113	28.1
Per household income	1993-94					50,435*	100.0
	2011-12					342088.6**	100.0

Note: * Calculated as per capita income (1993-94) by household size (9170 x 5.5). **calculated as per capita income (2011-12) by household size (69814x4.9). Source:

We know from Chapter 4 that the incidence of casual work is higher among the socially disadvantaged groups, with SC and ST groups occupying the lowest position. In other words, quality of employment is inversely related to the social hierarchy and links could be many; such as barriers to education especially education of higher quality, family legacy, social network, social discrimination and so on. This will then reflect on differential wage income and its share in per household national income. By using the appropriate values for R_n, C_n, R_w and C_w and assuming the same level of employment as used in the earlier table, we present the wage income and its share as a percent of per household GDP in Table 5.5. The results bring out that at the bottom three social groups viz., ST, SC and Muslim share a similar level of income — one which is less than half that of the socially advantaged group of Others. The OBC group is an intermediate group and has a wage income that is around 70 per cent of the Others.

The fact that wage income as a share of per household GDP has declined sharply for all groups since 1993-94 (except the ST who experienced only a marginal decline but from the lowest share) is another pointer to the rise in social inequality in the economy, since the proportion of non-wage income is likely to be more significant among the higher wage income groups such as Others and OBCs because they also have a higher incidence of those with assets. This is despite an absolute increase in real wages. Once again the context of an increase in real wage and wage income and a small decline in wage inequality co-existing within a larger context of heightening economic inequality needs be emphasized.

Another interesting comparison is of wage/salary earners income, with the official poverty line income. Poverty line based on NSSO data for 2011-12 following Tendulkar methodology was fixed at INR 816 per capita per monthly consumption expenditure in rural and INR 1000 in urban areas. With the average household size of 4.9 and 4.5 in rural and urban areas respectively, a rural household was required to have an income of more than INR 3,999 and urban household INR 4,500 per month to be just on the poverty line. In annual term, their respective incomes needed to be INR 47,968 in rural and INR 54,000 in urban areas. Thus on an average household of regular wage/salary earners are well above the poverty line, both in rural and urban areas, but household incomes of casual workers, especially those in the rural areas are not very far above the poverty line income. And with the increasing casualization and vulnerability of such employment, many of them may find it difficult to sustain their income levels and may even slip below the poverty line. However, what is given here is the average and not the distribution of income by using the official poverty line. It is estimated that 36 percent of the casual workers—only 9 percent of the regular workers—were poor in 2011-12 (NSSO, ILER) as against an overall poverty incidence of 25 percent, using Tendulkar methodology.

Table 5.5: Wage income (INR) and its share as percentage of per household GDP by Social Group

Social Group	1993-94		2011-12	
	INR	%	INR	%
Others only	NA	NA	199440	58.3
Others+OBC*	27,648	54.8	139261	40.7
OBC	NA	NA	103148	30.2
Muslim	21,526	44.7	87622	25.6
SC	29,357	58.2	86759	25.4
ST	13,620	27.01	83,106	24.3

Note: * Data for 1993-94 do not permit separation of households/persons by their OBC group status.

But the reality of poverty is not just between those who are above or below the poverty line, although that gives a rough indication of the extreme nature of deprivation in the country. Using the official poverty line, the NCEUS (2007/8) reported that there is a clustering of households just above the poverty line such that those who have two times the official poverty line should be termed as 'vulnerable'. If we go by this expanded notion of 'poor and vulnerable' the income required would be Rs. 95,936 and Rs. 108,000 respectively for rural and urban households. If this is applied, neither rural nor urban casual labour households are in a position to overcome their economic vulnerability. As a group only regular worker households would pass this test. This underlines the status of casual workers as the most poor and vulnerable in the Indian society. From a social point of view, the three bottom group categories of ST, SC and Muslim will also not pass this test. What it brings out is the vulnerable nature of casual labour households whose incidence is higher among the socially disadvantaged sections.

5.7. Summing up

In this chapter we examined the issues of (a) wage determination, and (b) wage income as compared to the average national income per household. We have taken regular and casual workers separately.

Wage determination models, as with other such models, seek to explain the factors by using real or dummy variables. They are often rough approximations to reality and could miss out on many nuanced factors. Some of the limitations of the Mincerian earnings function that we deployed need mentioning at this stage so that the results are taken while keeping them in mind. For example, education could be broadly considered as a proxy for ability but innate ability could still differ. Further quality of education cannot be

captured by taking levels of education. Another limitation is the exclusion of the non-wage employed (i.e. self-employed) because we do not have data on their earnings. This could also lead to some bias in the return to education. We would therefore urge that the results in the wage equation should be read along with the descriptive statistics presented in Chapter 4.

Wage determination exercises indeed bring out the importance of education. This is more so for women than men. The regional variable brings out important lessons in that urbanization and industrialization per se in a region need not result in wage advantage than other areas. This is an area of inquiry that needs to be pursued further by scholars and others interested. From a logical point of view this calls for strong enforcement of minimum wages since workers in the casual labour category constitute the majority in all regions among the universe wage workers. Equally important could be the role of collective bargaining, especially for regular workers in the organized sector. The regional state also represents the overall level of economic development and that seems to come out clearly in the case of states with wage disadvantage compared to Gujarat.

The analysis of wage income as a share of national income per household brings out the increasing importance of non-wage income. The fact that wage income share has declined also points to the increasing economic inequality, thus adversely affecting the casual worker households the most. In that sense there could be a sense of greater relative deprivation.

Appendix to Chapter 5

Table 5. A1:Selectivity corrected wage equation for Regular and Casual wage workers: log daily wage (2012)

	Regular wage workers				Casual wage workers			
Variables	Rural male	Rural female	Urban male	Urban female	Rural male	Rural female	Urban male	Urban female
Age	0.025***	0.024***	0.021***	0.026***	0.002***	-0.000	0.004***	0.000
	(0.001)	(0.002)	(0.002)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)
Education levels [Reference group: Low educated]								
Middle	0.152***	0.214***	0.147*	0.228***	0.017	0.004	0.030	-0.001
	(0.020)	(0.060)	(0.081)	(0.072)	(0.017)	(0.019)	(0.029)	(0.045)
Secondary	0.451***	0.751***	0.468***	0.769***	0.044**	-0.024	0.063*	0.004
	(0.017)	(0.050)	(0.072)	(0.063)	(0.021)	(0.026)	(0.034)	(0.054)
Graduate and above	0.733***	1.327***	0.962***	1.267***	0.124*	-0.108	0.080	0.373***
	(0.019)	(0.059)	(0.075)	(0.069)	(0.065)	(0.107)	(0.092)	(0.133)
Socio-religious category [Reference group: Socially advantaged group of 'Others']								
ST	-0.028	0.137**	-0.077	-0.054	-0.082***	-0.016	-0.065	-0.097*
	(0.021)	(0.057)	(0.112)	(0.088)	(0.028)	(0.024)	(0.060)	(0.057)
SC	-0.054***	-0.096*	-0.164**	-0.178***	-0.000	0.067***	-0.041	-0.024
	(0.018)	(0.050)	(0.073)	(0.057)	(0.024)	(0.022)	(0.040)	(0.048)
OBC	-0.025	-0.113***	-0.148**	-0.214***	0.009	0.036*	-0.036	-0.038
	(0.016)	(0.043)	(0.060)	(0.049)	(0.024)	(0.022)	(0.040)	(0.045)
Muslim	0.037*	0.118*	-0.120	-0.196***	0.041	0.020	-0.061	-0.123**
	(0.022)	(0.066)	(0.081)	(0.068)	(0.027)	(0.030)	(0.042)	(0.058)
Industry [Reference group: Public administration and defence]								
Agriculture and allied	-0.456***	0.006	-0.397*	-0.540***	-0.640***	-0.328*	0.201	-0.436**
	(0.035)	(0.098)	(0.240)	(0.193)	(0.225)	(0.182)	(0.204)	(0.185)
Mining and quarrying	0.336***	0.563*	0.329*	0.247	-0.413*	-0.017	0.390*	-0.499**
	(0.058)	(0.325)	(0.192)	(0.330)	(0.232)	(0.193)	(0.224)	(0.216)
Manufacturing	-0.397***	0.006	-0.382***	-0.543***	-0.487**	-0.403**	0.257	-0.610***
	(0.022)	(0.080)	(0.082)	(0.084)	(0.226)	(0.183)	(0.202)	(0.185)
Electricity, gas and water	0.020	0.814***	0.026	-0.086	-0.411	-0.018	0.330	-0.638**
	(0.033)	(0.175)	(0.146)	(0.141)	(0.279)	(0.410)	(0.282)	(0.274)
Construction	-0.247***	0.222	-0.248*	-0.122	-0.403*	-0.119	0.453**	-0.088
	(0.035)	(0.185)	(0.146)	(0.184)	(0.225)	(0.183)	(0.201)	(0.184)
Trade	-0.648***	-0.252**	-0.699***	-0.687***	-0.564**	-0.454**	0.181	-0.709***
	(0.027)	(0.113)	(0.090)	(0.099)	(0.231)	(0.213)	(0.205)	(0.194)
Hotels and restaurants	-0.458***	-0.231	-0.522***	-0.455***	-0.571**	-0.256	0.299	-0.409*
	(0.048)	(0.144)	(0.142)	(0.152)	(0.242)	(0.235)	(0.215)	(0.216)
Transportation, storage and communication	-0.267***	0.329**	-0.211**	0.040	-0.473**	-0.131	0.284	-0.655***
	(0.021)	(0.134)	(0.085)	(0.100)	(0.227)	(0.211)	(0.205)	(0.241)
Banking and finance	-0.100***	0.125	-0.120	-0.001	-0.645*		0.639	0.110
	(0.038)	(0.135)	(0.122)	(0.111)	(0.389)		(0.405)	(0.491)
Real estate and Business Services	-0.236***	-0.242	-0.377***	-0.298***	-0.539**	-0.052	0.365	-0.203
	(0.039)	(0.169)	(0.118)	(0.108)	(0.257)	(0.245)	(0.233)	(0.257)
Education	-0.020	-0.096*	-0.250***	-0.430***	-0.635*	-0.397*	0.220	-0.508*
	(0.018)	(0.057)	(0.088)	(0.064)	(0.370)	(0.205)	(0.344)	(0.295)
Health and social work	-0.037	-0.012	-0.223	-0.256***	-0.541**	-0.467**	0.342	-0.289
	(0.037)	(0.067)	(0.139)	(0.077)	(0.262)	(0.223)	(0.250)	(0.208)
Other community, social and	-0.786***	-0.454***	-0.701***	-0.893***	-0.683***	-0.706***	0.191	-0.639***

personal services								
	(0.048)	(0.118)	(0.187)	(0.095)	(0.240)	(0.191)	(0.222)	(0.190)
Private households	-0.724***	-0.581***	-0.605***	-0.941***	-0.581**	-0.644***	0.251	-0.664***
	(0.076)	(0.098)	(0.196)	(0.083)	(0.238)	(0.190)	(0.242)	(0.188)
Region [Reference Group: State of Gujarat]								
Jammu & Kashmir	0.144***	-0.148	0.101	0.076	0.387***	0.616***	0.339***	0.442***
	(0.040)	(0.123)	(0.159)	(0.135)	(0.051)	(0.153)	(0.096)	(0.111)
Himachal Pradesh	0.109***	-0.156	0.046	0.020	0.224***	0.114*	0.141	0.170
	(0.041)	(0.113)	(0.244)	(0.184)	(0.058)	(0.064)	(0.149)	(0.195)
Punjab	0.075*	-0.075	-0.013	-0.019	0.430***	0.485***	0.274***	-0.030
	(0.042)	(0.156)	(0.146)	(0.129)	(0.051)	(0.087)	(0.092)	(0.123)
Uttaranchal	0.169***	0.141	0.077	0.178	0.284***	0.151	0.233*	0.325*
	(0.053)	(0.168)	(0.199)	(0.181)	(0.069)	(0.142)	(0.138)	(0.171)
Haryana	0.249***	0.233	0.269*	0.394***	0.382***	0.431***	0.267***	0.342**
	(0.045)	(0.166)	(0.161)	(0.139)	(0.054)	(0.076)	(0.098)	(0.158)
Rajasthan	0.064	-0.387***	-0.030	0.132	0.226***	0.048	0.190**	-0.068
	(0.042)	(0.139)	(0.152)	(0.143)	(0.048)	(0.047)	(0.089)	(0.110)
Uttar Pradesh	-0.244***	-0.508***	-0.074	-0.064	0.035	-0.174***	-0.017	-0.019
	(0.037)	(0.118)	(0.134)	(0.130)	(0.042)	(0.048)	(0.076)	(0.098)
Bihar	-0.047	0.016	-0.086	-0.039	0.049	-0.141**	-0.046	-0.123
	(0.045)	(0.149)	(0.204)	(0.224)	(0.044)	(0.056)	(0.090)	(0.146)
Sikkim	0.314***	0.697***	0.254	0.584***	0.373***	0.507***	0.178	omitted
	(0.047)	(0.123)	(0.342)	(0.222)	(0.122)	(0.099)	(0.276)	
Arunachal P	0.448***	0.816***	0.257	0.668***	0.395***	0.433***	0.175	0.254*
	(0.051)	(0.155)	(0.204)	(0.199)	(0.098)	(0.070)	(0.138)	(0.149)
Nagaland	0.225***	0.439**	0.058	0.115	0.348	omitted	0.177	omitted
	(0.049)	(0.184)	(0.252)	(0.244)	(0.271)		(0.290)	
Manipur	0.186***	0.328**	0.083	0.166	0.267***	-0.007	0.121	0.706***
	(0.042)	(0.133)	(0.195)	(0.169)	(0.095)	(0.069)	(0.122)	(0.197)
Mizoram	0.384***	0.842***	0.207	0.528***	0.483***	0.825***	0.406***	0.500***
	(0.053)	(0.147)	(0.198)	(0.158)	(0.145)	(0.267)	(0.122)	(0.187)
Tripura	-0.028	0.006	-0.247	-0.118	0.236***	0.126**	0.137	0.191
	(0.050)	(0.139)	(0.243)	(0.168)	(0.052)	(0.056)	(0.120)	(0.126)
Meghalaya	0.115**	0.283**	-0.034	0.179	0.592***	0.342***	0.300**	0.392***
	(0.052)	(0.116)	(0.243)	(0.174)	(0.076)	(0.054)	(0.127)	(0.115)
Assam	-0.019	0.031	0.081	0.239	0.098*	0.009	0.004	0.162
	(0.040)	(0.113)	(0.203)	(0.190)	(0.053)	(0.049)	(0.123)	(0.146)
West Bengal	-0.011	-0.145	-0.030	-0.103	0.002	-0.070	-0.127	-0.216**
	(0.039)	(0.104)	(0.136)	(0.139)	(0.044)	(0.043)	(0.079)	(0.088)
Jharkhand	0.019	-0.162	0.053	-0.096	-0.024	-0.328***	-0.010	-0.124
	(0.050)	(0.136)	(0.194)	(0.183)	(0.050)	(0.060)	(0.093)	(0.128)
Odisha	-0.259***	-0.152	-0.088	-0.138	-0.018	-0.181***	-0.024	-0.161
	(0.041)	(0.118)	(0.175)	(0.152)	(0.047)	(0.043)	(0.097)	(0.103)
Chhattisgarh	-0.343***	-0.358***	-0.276	-0.105	-0.250***	-0.219***	-0.257**	-0.403***
	(0.046)	(0.114)	(0.193)	(0.147)	(0.059)	(0.038)	(0.107)	(0.081)
Madhya Pradesh	-0.335***	-0.556***	-0.203	-0.196	-0.100**	-0.066*	-0.142*	-0.101
	(0.043)	(0.126)	(0.149)	(0.134)	(0.047)	(0.037)	(0.081)	(0.087)
Maharashtra	0.021	0.040	0.149	0.163	0.127***	-0.073**	0.073	-0.073
	(0.035)	(0.106)	(0.118)	(0.109)	(0.045)	(0.030)	(0.077)	(0.068)
Andhra Pradesh	-0.139***	-0.040	0.029	-0.021	0.318***	0.057*	0.235***	0.165**
	(0.038)	(0.111)	(0.130)	(0.113)	(0.045)	(0.030)	(0.079)	(0.068)
Karnataka	-0.143***	-0.094	0.036	0.190	0.297***	-0.024	0.197**	0.011
	(0.041)	(0.114)	(0.143)	(0.122)	(0.049)	(0.035)	(0.078)	(0.072)
Goa	0.262***	0.286*	0.052	0.382**	0.297	0.640***	0.226	0.857***
	(0.073)	(0.164)	(0.250)	(0.177)	(0.198)	(0.100)	(0.199)	(0.236)
Kerala	0.160***	0.051	0.179	0.105	0.953***	0.447***	0.811***	0.463***
	(0.043)	(0.099)	(0.171)	(0.117)	(0.047)	(0.038)	(0.078)	(0.077)
Tamil Nadu	0.053	0.218**	0.057	0.185	0.466***	0.020	0.421***	0.233***
	(0.037)	(0.104)	(0.133)	(0.114)	(0.044)	(0.032)	(0.073)	(0.067)
Union Territories	0.329***	0.388***	0.230*	0.465***	0.492***	0.239***	0.368***	0.169*
	(0.041)	(0.117)	(0.128)	(0.115)	(0.078)	(0.062)	(0.089)	(0.103)
Constant	4.557***	3.675***	4.906***	4.124***	5.239***	4.826***	4.474***	4.946***

	(0.045)	(0.139)	(0.166)	(0.166)	(0.230)	(0.185)	(0.216)	(0.199)
Observations	12,549	2,869	18,629	4,933	15,969	6,745	6,656	1,483
Wald chi2	10412	1755	691.6	1545	2128	1233	646.8	601
lambda	0.0851	0.147	-3.036*	1.187*	-0.801***	0.0420	-0.929**	0.110

6. Measuring wage inequality

6.1. Introduction

We have seen the role of different factors in the determination of wages in the four segments of the Indian labour market. Several factors were found to be highly significant in influencing the determination of wages. In general, those who come from socially disadvantaged backgrounds, casual workers and from economically lagging regions (states) are less favourably positioned than others. But the model was not meant to measure inequality — although the unequal nature of the outcomes is quite evident in the results presented. Independent measures are warranted to determine the overall inequality and the contribution of identifiable factors to explain the inequality. There is a class of inequality measures ranging from the simple to more complex ones. We first discuss the results using a simple measure which is called 'inter-quantile dispersion ratio' and then move to two complex measures viz., the Gini coefficient and the Theil Index.

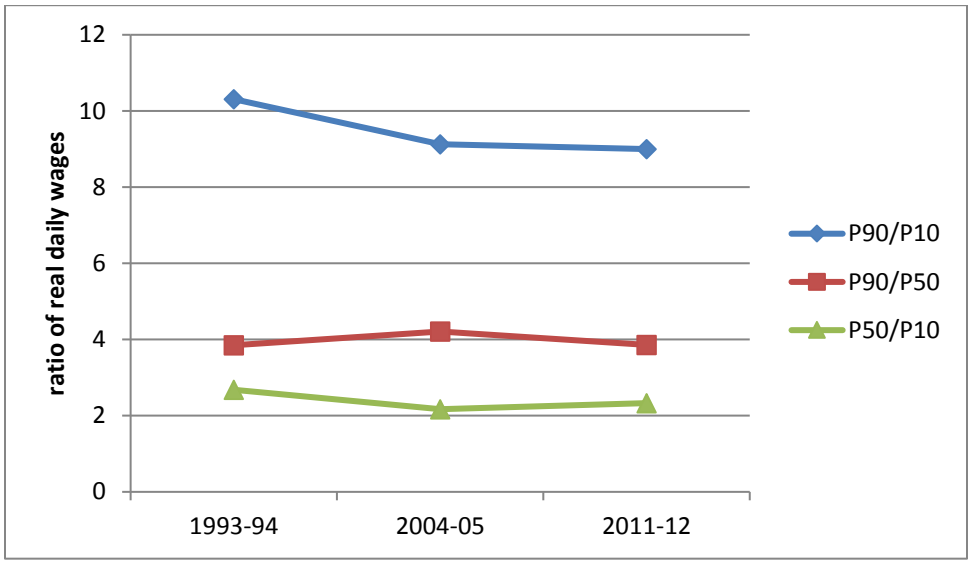
Earlier studies have reported an increase in wage inequality in the period from 1993-94 to 2004-05 particularly in regular employment in urban areas (see Ch 2). We are now in a position to extend the analysis to 2011-12 using EUS data from the NSS 68th Round so that changes in the wage inequality, if any, can be captured for the recent period for all the wage workers as well as in the four segments of the Indian labour market**.**

6.2. Inter-quantile dispersion ratio

In Figure 6.1, we present the inter-quantile dispersion ratios for all the wage workers for the top and bottom percentiles (P90/P10), the top and the middle percentile (P90/P50) and the middle and the bottom percentiles (P50/P10). The trends in wage inequality using inter-quantile dispersion ratio show that for all workers the inequality between P90/P10 has shown some decrease without interruption. This means that the average wage in the top was 10.3 times higher (i.e. 1030 per cent) than the average wage in the bottom in 1993-94 but has now declined to 9 times.

A somewhat different picture emerges for the top to middle percentile workers. This ratio (P90/P50) for all workers has registered only a marginal increase between 1993 and 2012 but after a greater increase during the first period. One may say that the inequality ratio between 1993 and 2012 has more or less the same. As for the lower half of the distribution the inter-quantile dispersion ratio between P50/P10 has shown a decline for the whole period but the decline was due to a decline in the first period which subsequently increased somewhat but remained below the initial i.e. 1993-94 level. The lower values of the ratios also show that the dispersion at the lower half of the distribution is the least. Given the fact that it is the casual segments which have registered a higher wage increase, there is some leveling up of the bottom wages in the Indian economy.

Figure 6.1: Wage inequality: Percentile ratios



Quantile ratio as a measure of inequality

The trends in wage inequality among a different group of workers are measured by using percentile ratio and Gini coefficient.

Quantile ratio

A simple and widely used measure of inequality is the quantile dispersion ratio, which represents the ratio of average wage earnings of the top wage earners (90th percentile) divided by the low wage earners (10th percentile). This ratio can be calculated for other percentiles too. The dispersion ratio is easily interpretable and can be interpreted as the wage earning of top earners as a multiple times the low wage earners or median wage earners (50th percentile).

The quantile ratio (QR) is estimated by

$$\widehat{QR}(P_1, P_2) = \frac{\hat{Q}(P_1)}{\hat{Q}(P_2)}$$

Where $Q(P)$ is the quantile and P_1 and P_2 are the percentiles, quantile ratio measures the dispersion of wage across distribution. The inequality among workers is measured by taking the percentile ratios of average daily wages at three distinct points of the wage distribution i.e. Top to Bottom (90th to 10th percentile ratio), Top to Middle (90th to 50th percentile ratio) and Middle to Bottom (50th to 10th percentile ratio).

The quantile ratio ignores the information between the two percentiles which are taken into consideration.

Table 6.1: Wage inequality (inter-quantile dispersion ratio)

Category	Inter-quantile range (90-10)			Inter-quantile range (90-50)			Inter-quantile range (50-10)		
	P1	P2	P3	P1	P2	P3	P1	P2	P3
Rural Regular Male	7.49	9.00	8.33	2.03	3.46	2.81	3.68	2.60	2.97
Rural Regular Female	11.26	14.96	14.29	3.57	5.83	5.00	3.16	2.56	2.86
Rural Casual Male	3.33	2.89	2.86	1.90	1.73	1.81	1.75	1.67	1.58
Rural Casual Female	2.92	2.75	2.67	1.67	1.83	1.60	1.75	1.50	1.67
Urban Regular Male	7.34	8.57	9.13	2.27	3.22	3.00	3.23	2.67	3.04
Urban Regular Female	13.33	18.67	17.33	2.22	5.60	4.33	6.00	3.33	4.00
Urban Casual Male	3.90	3.13	3.00	1.95	1.79	1.82	2.00	1.75	1.65
Urban Casual Female	3.60	3.50	4.00	1.76	1.75	2.00	2.04	2.00	2.00

This overall and recent reduction in wage inequality by means of this measure may be understood better by examining the inter-quantile dispersion ratios for the labour markets differentiated by gender, location and labour status (given in Table 6.1). In terms of P90/P10, out of the four casual labour groups three have reported a reduction in inequality for both the periods, resulting in a decline in inequality for the whole period. However, what is significant to note is the rise in inequality among all regular worker categories for the whole period. In the case of regular urban male workers, both the periods are characterized by a rise in inequality. This pattern is more or less repeated for P90/P50, too. In contrast, the inequality ratios between the middle and the bottom (P50/P10) show a decline for the whole period for all the categories.

These results suggest that the wage inequality in Indian economy is largely contributed by the upper half of the wage distribution.

6.3. Gini coefficient

Gini coefficient is a common measure of inequality. It compares the distribution, say wages in our case, with an equal distribution. If every member in a group has equal amount, then the Gini coefficient would be zero. Conversely, if one person has all the benefits and others get none, then the Gini coefficient would be equal to one.

The results in this measure differ from the earlier one somewhat. For all workers, there is hardly any change in inequality for the whole period. But when the constituent worker categories are examined, one can see that inequality increased for the four categories of regular workers and rural workers registered a small decline during the second period. All four categories of casual workers registered a decline in wage inequality with a sharper decline for rural female casual workers.

We may recall that the inter-quantile dispersion ratio showed an increase in wage inequality for the urban casual female workers for the whole period for P90/P10 as well as P90/P50 whereas the Gini coefficient show no change. In that sense, the Gini ratio that takes into account the entire range of distribution has a greater significance.

Gini coefficient as a measure of inequality

Gini coefficient is the most widely used single measure of inequality. It is based on Lorenz curve, a cumulative frequency curve that compares the distribution of wage earnings with the uniform distribution that represents equality. The Gini coefficient ranges from zero (complete equality) and one (complete inequality). It is also represented as percentage ranging from 0 to 100. The Gini coefficient is defined as follows:

$$Gini = \frac{\sum_{i=1}^{n}\sum_{j=1}^{n}|w_i - w_j|}{2n^2\overline{w}}$$

Where n the number of observations in the sample is, $\overline{w}$ is the average wage, w_i is the wage of individual i and w_j is the wage of individual j.

Table 6.2: Wage inequality (Gini coefficient) trends

Group	1993-94	2004-05	2011-12
Rural Regular Male	0.39	0.46	0.44
Rural Regular Female	0.48	0.54	0.52
Rural Casual Male	0.27	0.25	0.24
Rural Casual Female	0.25	0.23	0.21
Urban Regular Male	0.38	0.46	0.47
Urban Regular Female	0.45	0.54	0.54
Urban Casual Male	0.28	0.27	0.27
Urban Casual Female	0.30	0.29	0.29
All wage workers	0.48	0.50	0.48

6.4. Decomposition of wage inequality

In order to understand the contribution of different factors affecting wage inequality, we decompose wage inequality to 'within' and 'between' group inequality components by using Theil index (A brief description of Theil index is given in the Box). The first task was to decide on the number of categories within the universe of wage workers in the country.

Decomposition of inequality

To assess the contribution different sub groups on inequality, we used Theil decomposition in our analysis. It decomposes overall inequality (I) into within group inequality (I_W) and between group inequality (I_B).

$$I = I_W + I_B$$

To decompose Theil measure of inequality (I), let w be total wage earnings of the total wage workers, w_j is the wage earnings of a sub group, N is total wage worker population and N_j is the population in the subgroup. Theil index (I) is defined as:

$$I(Theil) = \sum_{i=1}^{N} \frac{w_i}{N\bar{w}} ln\left(\frac{w_i N}{\bar{w} N}\right) = \sum_{i=1}^{N} \frac{w_i}{W} ln\left(\frac{w_i N}{W}\right)$$

$$= \sum_j \left(\frac{w_j}{w}\right) I_j + \sum \left(\frac{w_j}{w}\right) ln\left(\frac{w_j/w}{N_j/N}\right)$$

$$= \quad (I_W) \quad + \quad (I_B)$$

The first component measures within group inequality (I_W) and the second component measures between group inequality (I_B). It can be seen in percentage terms such as $R_W = (I_W/I)$*100 which explains the percentage of inequality explained by between group differences and $(100 - R_W)$ is the percentage of inequality explained by within group differences. By increasing the number of mutually exclusive subgroups, one can account for the effect of wider range of structural factors.

Starting with some basic characteristics, the following six groups were formed. The details are given below:

Our analysis based on these groupings relates to two time points i.e. 2004-05 and 2011-12 since the five social group-wise data are not available for 1993-94 (due to clubbing of the Others and OBC in one group). As one can see, the largest set is Group 4 where the workers with the first three characteristics (rural-urban, male-female, regular-casual) are further differentiated by social group and education that gives 160 mutually exclusive worker groups. Once the classification is introduced the stark differences in wage rates are experienced between the high paid and the lowest paid in the Indian labour market. Appendix Table 6.A1 reports real daily wage rates in a descending order. It shows that urban regular male workers in socially advantageous category having graduate and above level of education earn the highest wages at an average daily wage rate of 548 rupees a day in 2011-12. The lowest paid is the urban casual female Muslim with secondary education who earns 41 rupees a day which gives a ratio of 13.4 meaning that the highest paid in this grouping received a wage equivalent to 13.4 times the wages of the lowest paid in 2011-12. Two diagrams (Figure 3 and 4) depicting this range in terms of money wages in the Indian labour market are instructive to note.

Table 6.3: Construction of groups for decomposing inequality

Group	Description of specification	No. of worker groups
Group 1	1. Location (Rural and Urban), Gender (Male and Female) and Labour status (Regular and Casual) (2x2x2)	8
Group 2	1. Location, Gender and employment type and education (Low Education, Middle, Secondary and Graduate and above) (2x2x2x4)	32
Group 3	2. Location, Gender, employment type and social group	40

	(2x2x2x5)	
Group 4	2. Location, Gender, employment type, Social group and Education (2x2x2x4x5)(Large Set)	160
Group 5	2. Location, Gender, employment type, Education and social group (Small Set)	76
Group 6	2. Location, Gender, employment type, Education, age and social group (Small Set of 76x2)	152

It is also noticed on table 6.A1 that the highly paid workers are graduates across all social categories which highlights the role of education in cutting across the social hierarchy even though differences in wages are found between social groups among highly educated. The lowest paid are the female workers irrespective of education, location and socio-religious group.

While observing the changes from 2004-05 to 2011-12, the data shows that the real wages have reported a positive growth except for a few groups, mostly regular female workers in rural areas as well as urban, across different education levels and belonging to different social groups who have reported a negative growth rate of real wages during this period.

We have found in some of the categories wage rates converge and we clubbed different category of workers together to make a shorter list called Group 5. For example, wage rates of rural casual female workers irrespective of education and social group identity show very little disparity. And also in the case of urban casual female workers. Therefore, these two groups were taken without differentiating across education and social group identity. After clubbing such similar groups we arrived at a smaller group of 76 presented in Table 6.5.

Figure 6.2: Daily wages of rural women in different social and educational groups (in INR)

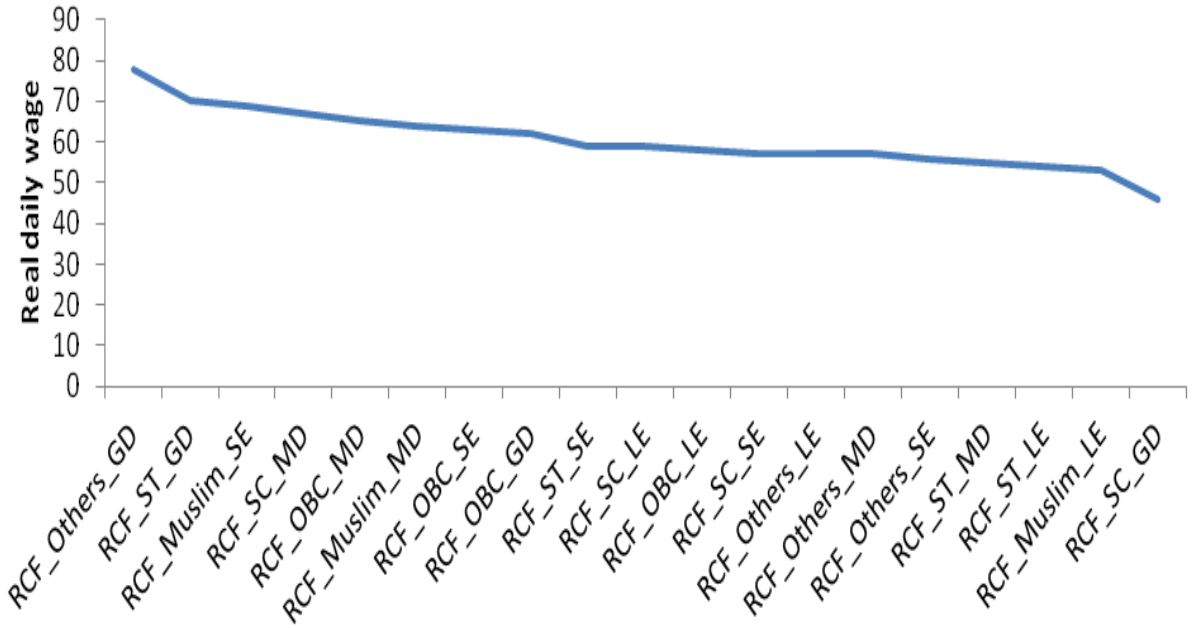


Table 6.4 presents the decomposition results for different group specifications. The results reveal that when we take worker group interaction according to location, gender and labour status (table 6.4, row 1), only 27 percent of the wage inequality can be attributed to between group and majority is explained within worker categories in 2011-12. It was 34 in 2004.

We elaborate the base group by adding education as a differentiating variable. When that is done, the explanatory power of the between group inequality increases significantly from 34 to 52 per cent in 2004-05 and 27 to 43 per cent in 2011-12. There is a significant reduction in the explanatory over time signifying that other factors may have played a bigger role in inequality in 2011-12.

From the descriptive statistics in Chapter 4 we know that social group identity is also an important differentiating factor in wages. This could play a role in itself in the form of social discrimination in wages. Or this could interact with education since access to education has a social dimension due to historical exclusion and contemporary barriers that works through other factors such as income. Therefore, we first introduce social group identity as a differentiating variable without education and then introduce both of them.

When social group is added to Group 2 without taking into account educational levels, the explanatory power increases only by four per cent in both the years. It could therefore be surmised that social group identity may be playing an indirect role in wage inequality through access to education. And it is well established that educational backwardness is higher the more socially disadvantaged a group is. However, when both education and social group identity are introduced, as in Group specification 4, the explanatory power enhances considerably. In 2004-05 it increased by 16.5 per cent and in 2011-12 it increased by almost the same of around 14.6 per cent.

Table 6.4: Inequality decomposition (Theil)

Group specification 1: Location, gender and labour status		
Description	2004-05	2011-12
Overall wage inequality	0.445	0.438
Within group inequality	0.296	0.320
Contribution (%)	**66.46**	**73.04**
Between group inequality	0.149	0.118
Contribution (%)	**33.53**	**26.96**
Group specification 2: Location, gender, labour status and education.		
Description	2004-05	2011-12
Overall wage inequality	0.4452	0.43816
Within group inequality	0.215	0.2482
Contribution (%)	**48.38**	**56.65**
Between group inequality	0.230	0.190
Contribution (%)	**51.62**	**43.35**
Group specification 3: Location, gender, labour status, and social group		
Description	2004-05	2011-12
Overall wage inequality	0.445	0.438
Within group inequality	0.277	0.302
Contribution (%)	**62.25**	**68.99**
Between group inequality	0.168	0.136
Contribution (%)	**37.75**	**31.00**
Group specification 4: Location, gender, labour status, social group and educational levels		
Description	2004-05	2011-12
Overall wage inequality	0.445	0.438
Within group inequality	0.208	0.238
Contribution (%)	**46.78**	**54.42**
Between group inequality	0.237	0.200
Contribution (%)	**53.22**	**45.59**

We had noted earlier that the total number of groups increases from the initial 8 to 160 when education and social group identity are introduced. This is a large number indeed, and we brought it down to 76 by clubbing those categories where the variation in wages was not significant and the type and location of work was the same (e.g. rural casual and urban casual). We therefore used this smaller set (see Appendix Table 6.A2) with the same characteristics as the earlier one. What one finds here, in Table 6.5, is that there is only a marginal reduction in the explanatory power for both the years (1.3 per cent). Therefore, not much has been lost by using this smaller set of 76 groups.

Table 6.5: Inequality decomposition (Theil):

Group specification 5: Location, gender, labour status and education and social group (Smaller Set)		
Description	2004-05	2011-12
Overall wage inequality	0.445	0.438
Within group inequality	0.214	0.244
Contribution (%)	**48.13**	**55.75**
Between group inequality	0.231	0.194
Contribution (%)	**51.87**	**44.25**
Group specification 6: Location, Gender, Labour status and education, social group and age (Smaller Set).		
Description	2004-05	2011-12
Overall wage inequality	0.445	0.438
Within group inequality	0.184	0.218
Contribution (%)	**41.38**	**49.79**
Between group inequality	0.261	0.220
Contribution (%)	**58.62**	**50.21**

Experience is cited as a factor in wage inequality because of its association with labour productivity. To test this, we incorporated age as a factor by differentiating the workers: those between 15 and 35 years and 36 and 60 years. The results suggest that the explanatory power increases by 7 and 6 per cent for 2004-05 and 2011-12 respectively.

As in the case of wage determination, the question of the role of social identity raises some interesting points, here too. Social group identity raises the between group inequality by almost seven percentage points in the larger set and by 7.2 percentage points in the smaller set when combined with education. Without factoring in education, its explanatory power is quite small. This once again affirms the point argued earlier, that social identity does directly influence wage inequality — only to a small extent, however, because it functions largely through education. Access to education becomes a crucial first step in reducing wage inequality. The second step, as noted earlier, is access to employment especially in terms of quality of jobs. What we find in wage inequality, as in wage determination, is the third step. We therefore have to view this wage inequality against the background of low access to higher education, quality of employment and then wages as revealed in Table 4.10 below.

6.5. Wage inequality: Some insights from a disaggregation of wage workers

We give, in Figures 6.3 and 6.4, a graphic presentation of the money wages of the larger set (160 groups) and the smaller set (76 groups) of wage workers in the Indian labour market. This disaggregated picture helps us to identify the groups of workers who are at the bottom of the inequality scale. Measurement of inequality by Gini coefficients or similar measures gives us an idea of inequality. Decomposition measurements such as Theil Index help to identity the main factors that are responsible for such an inequality. And none of these can help us in identification of those who are at the bottom of the inequality scale. However, such identification and their measurement is critical to policy making. Keeping this mind, our larger grouping of 160 differentiates workers by location, gender, labour status, social group and levels of educational achievement. The group averages for wages give us an idea of the unequal nature of wages earned. By applying the recommended National Minimum Wage periodically worked out by the Government of India, we can identify the number of groups and their share in total employment who do not receive at least this national minimum wage. The results are highly significant from the point of poverty and inequality.

In 2004-05, the national minimum wage was Rs. 66 per day. Applying this threshold of wages, we find that there were 68 identifiable groups constituting 53 per cent of the total wage workers in the country who could not secure at least a wage equivalent to the national minimum wage. These groups, the wages they received and their share in total wage employment are given in Table 6.7.

Figure 6.3: Money wages of workers differentiated by location, labour status, gender, social group and education (in INR)

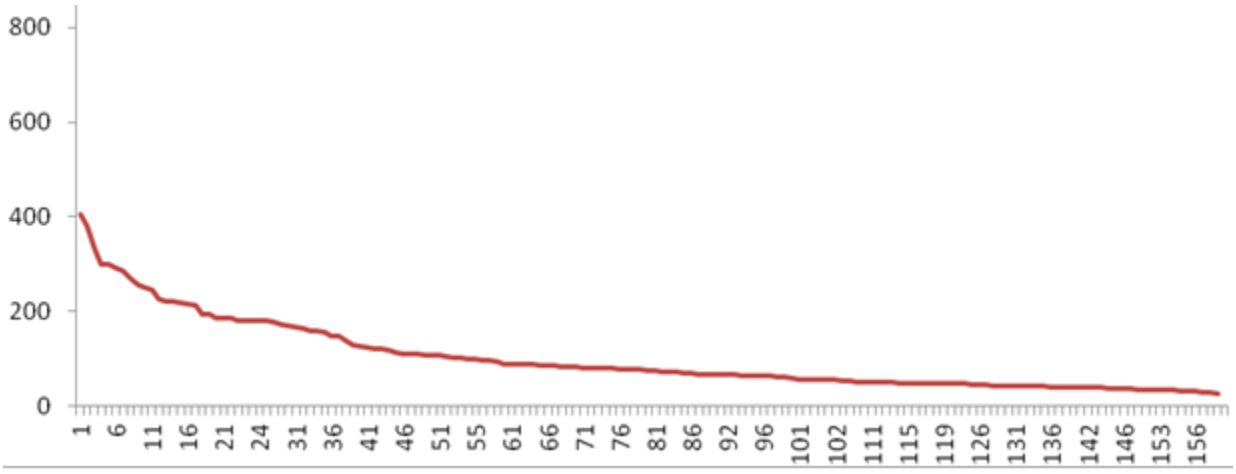


Figure 6.4: Money wages of workers differentiated by location, labour status, gender, social group and education, 2011-12 (in INR)

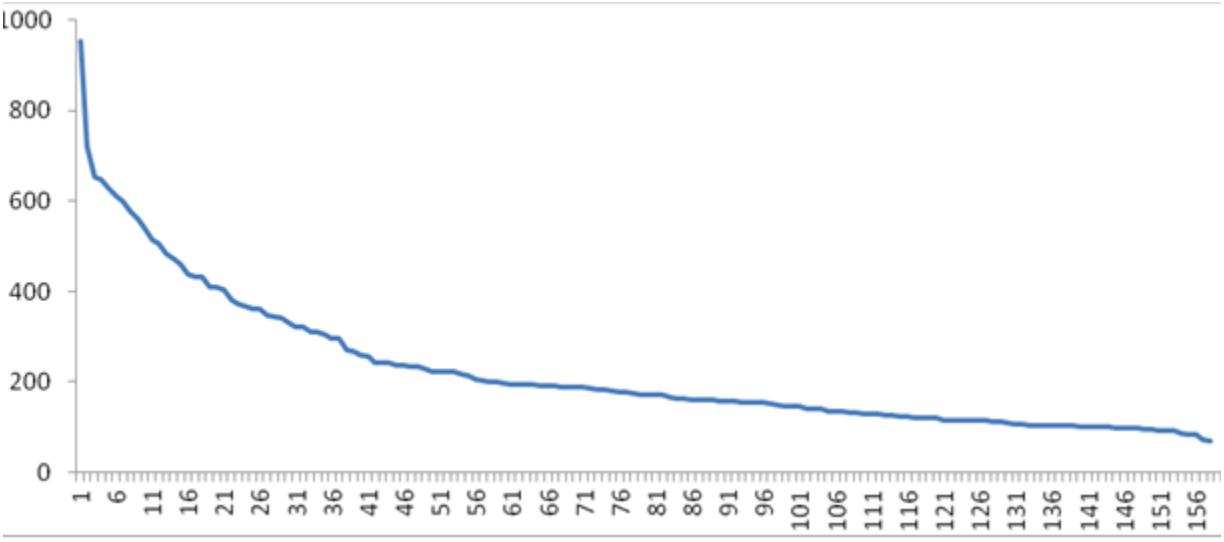


Table 6.6: Groups of workers receiving daily wages below the National Minimum Wage (INR 66) 2004-05

Group	Emp %	Wage (INR/day)
UR Female_SC_LE	0.59	65
UR Female_Others_LE	0.35	57
UR Female_OBC_MD	0.15	54
UR Female_ST_LE	0.08	51
UR Female_Muslim_LE	0.13	44
UR Female _OBC_LE	0.51	43
Sub-total	**1.81**	
UC Male_ST_LE	0.20	64
UC Male_ST_SE	0.02	51
Sub-total	**0.22**	
UC Female_Others_MD	0.03	49
UC Female_Others_LE	0.18	44
UC Female_Others_SE	0.01	44
UC Female_OBC_GD	0.00	40
UC Female _OBC_SE	0.01	56
UC Female _OBC_MD	0.08	49
UC Female__Muslim_GD	nil	na
UC Female_Muslim_SE	0.00	33
UC Female _Muslim_MD	0.02	26
UC Female_ Muslim_LE	0.11	51
UC Female _SC_GD	0.00	30
UC Female _SC_SE	0.01	38
UC Female _SC_MD	0.03	49
UC Female_SC_LE	0.46	45
UC Female _OBC_LE	0.57	44
UC Female_ST_MD	0.01	31
UC Female_ST_LE	0.14	42
Sub-total	**1.66**	
RR Female_Others_MD	0.07	56
RR Female_Muslim_MD	0.02	49
RR Female_ST_LE	0.16	48
RR Female_Others_LE	0.15	47
RR Female_OBC_MD	0.12	44
RR Female _SC_MD	0.07	43
RR Female _OBC_LE	0.48	37
Sub-total	**1.07**	
RC Male_Others_GD	0.02	50
RC Male_Others_MD	0.78	65
RC Male_Others_LE	2.30	56
RC Male_OBC_GD	0.06	65
RC Male_OBC_SE	0.86	64
RC Male_OBC_LE	9.07	56
RC Male _Muslim_LE	3.20	56
RC Male _SC_GD	0.04	59
RC Male_SC_SE	0.79	61
RC Male_SC_MD	1.94	61
RC Male_SC_LE	9.77	54
RC Male_ST_GD	0.01	47
RC Male_ST_SE	0.15	48
RC Male_ST_MD	0.49	47
RC Male_ST_LE	4.00	46
Sub-total	**30.60**	
RC Female _Muslim_GD	0.00	50
RC Female _Others_GD	0.00	50
RC Female _ST_SE	0.01	48
RC Female_Muslim_MD	0.03	45
RC Female _Others_SE	0.05	41
RC Female SC_LE	0.36	40
RC Female _Muslim_LE	0.04	40
RC Female _ST_GD	0.00	40
RC Female SC_MD	0.32	40
RC Female _Muslim_SE	0.00	40
RC Female_Others_MD	0.11	40
RC Female _Muslim_LE	0.71	37
RC Female _SC_LE	5.43	36
RC Female _ST_MD	0.13	35
RC Female _OBC_LE	5.73	35
RC Female _Others_LE	1.35	35
RC Female _ST_LE	2.72	34
RC Female _SC_SE	0.12	34
RC Female_OBC_MD	0.41	34
RC Female _OBC_SE	0.13	33
RC Female _SC_GD	0.00	30
Sub-total	**17.65**	
Grand Total	**53.01**	

Table 6.7: Groups receiving daily wages less than 1.25 times the National Minimum Wage (Rs.83) 2004-05

Group	Emp %	Wage (Rs/day)
UR Female_ST_MD	0.01	82
UR Female_Others_MD	0.12	81
UR Female_SC_MD	0.08	80
Sub-total	**0.21**	
UC Male_Others_LE	0.54	81
UC Male_SC_MD	0.34	78
UC Male_OBC_LE	1.36	76
UC Male_Muslim_MD	0.19	74
UC Male_SC_LE	1.16	72
UC Male_SC_SE	0.17	72
UC Male_ST_MD	0.03	69
UC Male_Muslim_LE	0.81	67
UC Male_SC_GD	0.01	66
Sub-total	**4.61**	
UC Female _ST_GD	0.00	68
Sub-total	**0.00**	
RR Male_OBC_LE	1.40	82
RR Male_SC_LE	1.00	80
RR Male_ ST_LE	0.37	77
RR Male_Muslim_LE	0.42	77
Sub-total	**3.19**	
RR Female_ST_MD	0.04	66
Sub-total	**0.04**	
RC Male_Muslim_MD	0.43	80
Rural CM_Others_SE	0.36	73
Rural CM_Muslim_GD	0.01	70
Rural CM_OBC_MD	2.04	68
Rural CM_Muslim_SE	0.13	67
Sub-total	**3.05**	
RC Female _OBC_GD	0.00	79
Sub-total	**0.00**	
Grand Total	**11.10**	

What this exercise shows is the number of groups of workers by taking their group average wage. This is not the same thing as the incidence of workers not receiving the recommended National Minimum Wage. The results of this exercise, reported in Chapter 8, show that in 2004-05, 78 per cent of male workers and 96 per cent of women workers did not receive the national minimum wage. By 2011-12, these figures came down to 39 and 56 per cent respectively.

Comparing the results of 2004-05 and 2011-12, we find that there has indeed been a decline in the share of workers not able to secure the National Minimum wage (see Table 6.9 and 6.10). In 2011-12, the national minimum wage was INR122. The share of groups that do not get this wage declined from 53.1 percent in 2004-05 to 18.89 per cent in 2011-12. But then those at just above this level i.e. 1.25 times NMW rose from 11.10 per cent to 25.96 per cent in 2011-12. As in the case of poverty the movement is from a low wage regime to a less low wage regime.

Table 6.8: Groups of workers not getting the National Minimum Wage of INR122 in 2011-12

Group	Emp %	INR/day
Urban Regular Female_Others_LE	0.32	121
Urban Regular Female_ST_LE	0.06	115
Urban Regular Female_SC_MD	0.14	114
Urban Regular Female_Muslim_LE	0.16	99
Sub-total	**0.68**	
Urban Casual Female_SC_LE	0.28	115
Urban Casual Female_OBC_LE	**0.48**	**114**
Urban Casual Female_Others_SE	0.03	114
Urban Casual Female_ST_LE	0.12	106
Urban Casual Female_OBC_SE	0.05	106
Urban Casual Female_ST_MD	0.01	104
Urban Casual Female_SC_SE	0.02	103
Urban Casual Female_Others_LE	0.12	102
Urban Casual Female_Others_MD	0.03	92
Urban Casual Female_Muslim_LE	0.14	91
Urban Casual Female_Muslim_SE	0	72
Urban Casual Female_ST_SE	0	71
Sub-total	**1.28**	
Rural Regular Female_Others_LE	0.12	88
Rural Regular Female_SC_LE	0.26	84
Sub-total	**0.38**	
Rural Casual Male_ST_LE	3.27	120
Sub-total	**3.27**	
Rural Casual Female_SC_MD	0.32	120
Rural Casual Female_Muslim_MD	0.04	116
Rural Casual Female_OBC_MD	0.49	115
Rural Casual Female_OBC_SE	0.33	112
Rural Casual Female_OBC_GD	0	111
Rural Regular Female_ST_MD	0.05	108
Rural Regular Female_OBC_LE	0.36	105
Rural Casual Female_ST_SE	0.03	105
Rural Casual Female_SC_LE	3.54	104
Rural Casual Female_OBC_LE	3.99	104
Rural Regular Female_OBC_MD	0.18	103
Rural Casual Female_Others_MD	0.13	102
Rural Casual Female_Others_LE	0.81	101
Rural Casual Female_Others_SE	0.06	101
Rural Casual Female_SC_SE	0.2	100
Rural Regular Female_ST_LE	0.12	99
Rural Casual Female_ST_MD	0.15	98
Rural Casual Female_ST_LE	1.89	97
Rural Regular Female_Muslim_LE	0.1	95
Rural Regular Female_Others_MD	0.09	95
Rural Casual Female_Muslim_LE	0.66	93
Rural Casual Female_SC_GD	0.01	83
Sub-total	**13.28**	
Grand Total	**18.89**	

Table 6.9: Workers not getting 1.25 times the NMW i.e. INR 153 in 2011-12

Group	Emp %	INR/day
Rural Casual Male_OBC_LE	8.43	151
Rural Casual Male_Others_LE	2.00	148
Rural Casual Male_SC_LE	8.49	147
Rural Casual Male_Muslim_LE	3.53	145
Rural Casual Male_ST_SE	0.35	128
Rural Casual Male_ST_MD	0.66	125
Sub-total	**23.46**	
UR Female_Muslim_MD	0.04	145
UR Female_SC_LE	0.53	141
UR Female_ST_MD	0.01	134
UR Female_OBC_MD	0.17	131
UR Female_OBC_LE	0.52	124
Sub-total	**1.27**	
UC Female_SC_GD	0	140
UC Female_OBC_GD	0	135
UC Female_Muslim_MD	0.01	133
UC _Female_OBC_MD	0.07	130
UC Female_SC_MD	0.02	122
Sub-total	**0.10**	
RR Female_SC_MD	0.07	136
RR Female_Muslim_MD	0.03	129
Sub-total	**0.10**	
RC Female_Others_GD	0	140
RC Female_ST_GD	0	126
RC Female_Muslim_SE	0.03	123
Sub-total	**0.03**	
Grand Total	**25.96**	

Note: 0 values indicate employment share is less than 0.05 per cent.

What are the core characteristics of these groups of workers in India? In 2004-05, rural workers constituted 93.04 per cent of the total workers who belonged to this group of what we call the 'low wage regime'. By 2011-12, the share of rural workers increased to 98.96 per cent. In terms of labour status, casual workers constituted 94.57 per cent in 2004-05; this has now increased to 99.54 per cent.

But there is a significant social dimension to this low wage regime. In 2004-05, those groups which could not secure a NMW consisted of 53 per cent SC and ST workers followed by 34 per cent from OBC; the latter accounting for a much higher proportion than their share in wage workers. In 2011-12 the share of SC and ST increased marginally to 54 per cent and that of OBC declined marginally to 31 per cent. More than this social dimension, the gender dimension is perhaps sharper, with women constituting 94 per cent in 2004-05 but rising to 96.7 per cent in 2011-12. Therefore, the regime of low wages consists of predominantly poor women from socially disadvantaged groups working as casual workers mostly, if not only, in rural areas.

However, a much more predominant characteristic is that of education. In 2004-05 97.7 per cent consisted of workers with not more than middle level of education mostly with Low Education (illiterates and not more than primary level of schooling); this share rose to 99.15 in 2011-12.

Taking all these characteristics into consideration what we find is that poorly educated poor women from socially disadvantaged background working as casual workers in rural areas make up the most vulnerable category of Indian wage labour, having to work for a regime of low wages that does not match the recommended National Minimum Wage by the Government of India.

Just as there is a long tail in wage distribution in India, there is a short head at the top occupied by highly educated workers i.e. those with at least a graduate degree. They work out to a little less than 9 per cent of the total wage workers.

Those at the top end belong to a single category of urban male regular workers with at least a graduate level of education, belonging to the socially privileged group. They account for close to just four per cent of the total wage workers. We think this is an important statement on the wage inequality situation in India. Equally important to note is the fact that the second top end group consists of only women from the abovementioned group. This indicates that there is a section of women who are distinctly different from both the less privileged men and women in all other groups.

Viewed through this detailed classification of workers, taking into account their inherited and acquired characteristics, we would say that India is characterized by a system of wage polarity that reflected its socio-economic polarity. In this sense the situation is one of a co-existence of a 'high wage regime' along with a 'low wage regime'. While studies focusing on the low wage workers and their conditions of work are fairly large, there is a relative dearth of research and analysis of the characteristics as well as the dynamics of the 'high wage regime' in India. In between these two poles lie the vast mass of India's workers, differentiated by a number of characteristics through which the less socially privileged, with less education and a rural location, cluster towards the bottom pole.

Appendix to Chapter 6

Table 6.A1: Daily earnings of wage workers by location, labour status, gender, social group and education (INR per day). Real wages at constant prices (2004-05) – (larger group)

		2004-05				2011-12	
Sl No	**Group**	**Emp (%)**	**Wage**	**Sl No**	**Group**	**Emp (%)**	**Wage**
1	UR Male_Others_GD	3.01	405	1	UR Male_Others_GD	3.77	548
2	UR Male_ST_GD	0.09	380	2	UR Female_Others_GD	1.21	416
3	RR Male_Others_GD	0.83	331	3	UR Male_OBC_GD	2.15	377
4	UR Male_OBC_GD	1.11	301	4	UR Male_Muslim_GD	0.33	373
5	UR Male _Muslim_GD	0.25	300	5	UR Male_ST_GD	0.26	361
6	UR Female_Others_GD	0.99	291	6	UR Male_SC_GD	0.65	352
7	UR Male_ SC_GD	0.33	286	7	RR Male_Others_GD	1.00	333
8	UR Female_ST_GD	0.03	269	8	RR Male_ST_GD	0.16	320
9	Rural RM_ST_GD	0.11	257	9	RR Male_Muslim_GD	0.16	312
10	UR Male_ST_SE	0.20	252	10	UR Female_ST_GD	0.06	312
11	Rural RM_Muslim_GD	0.11	247	11	RR Male_OBC_GD	0.84	287
12	Rural RM_SC_GD	0.26	227	12	RR Male_SC_GD	0.34	282
13	UR Female _OBC_GD	0.29	222	13	UR Female_SC_GD	0.17	279
14	UR Female _Muslim_SE	0.05	222	14	UR Female_OBC_GD	0.61	272
15	RR Male_OBC_GD	0.62	219	15	UR Male_ST_SE	0.32	265
16	UR Male _Others_SE	2.88	217	16	UR Male_Others_SE	2.70	248
17	UR Female_SC_GD	0.06	214	17	UR Female_ST_SE	0.05	248
18	RR Male_Muslim_SE	0.25	194	18	RR Female_ST_GD	0.03	244
19	UR Female _Muslim_GD	0.06	194	19	UR Female_Muslim_GD	0.10	236
20	UR Female _ST_SE	0.03	186	20	RR Male_ST_SE	0.23	228
21	UR Female _Others_SE	0.54	186	21	RR Female_Others_GD	0.27	226
22	UR Male _SC_SE	0.73	185	22	UR Female_Others_SE	0.38	219
23	RR Male_ST_SE	0.21	181	23	UR Male_SC_SE	1.12	209
24	RR Male_Others_SE	1.33	180	24	RR Female_Muslim_GD	0.04	208
25	RR Female _ST_GD	0.02	180	25	RR Female_SC_GD	0.07	205
26	RR Female _Others_GD	0.19	180	26	RR Male_Others_SE	1.44	201
27	UR Male OBC_SE	1.90	180	27	UR Male_OBC_SE	2.36	198
28	UR Male _Muslim_SE	0.49	179	28	RR Female_OBC_GD	0.27	194
29	RR Female_Muslim_GD	0.02	172	29	RR Male_SC_SE	0.67	190
30	RR Male_SC_SE	0.61	170	30	UR Male_Muslim_SE	0.62	189
31	UR Female_SC_SE	0.15	168	31	RR Male_OBC_SE	1.61	180
32	RR Female_OBC_GD	0.13	165	32	RR Female_ST_SE	0.08	180
33	RR Female_ST_SE	0.05	160	33	UR Female_SC_SE	0.19	179
34	RR Female_SC_GD	0.04	160	34	UR Female_Muslim_SE	0.06	176
35	RR Male_OBC_SE	1.45	156	35	RR Male_Muslim_SE	0.45	172
36	UR Female_OBC_SE	0.29	149	36	UR Male_ST_MD	0.13	171
37	UR Male _ST_MD	0.10	148	37	UC Female_Muslim_GD	0.00	171
38	RR Female_Others_SE	0.30	137	38	UR Female_OBC_SE	0.38	157
39	UR Male _Others_MD	1.16	129	39	UC Female_Others_GD	0.01	154
40	UC Female _Others_GD	0.00	127	40	UR Male_Others_MD	0.98	149
41	UC Male_Others_GD	0.01	124	41	UR Male_SC_MD	0.64	148
42	RR Male_Others_MD	0.53	122	42	UR Male_OBC_MD	1.08	140
43	Urban CM Male_ST_GD	0.00	120	43	UR Male_ST_LE	0.16	137
44	UR Male _SC_MD	0.69	118	44	UC Male_Others_GD	0.02	137
45	Rural RF_OBC_SE	0.34	114	45	UR Male_SC_LE	0.75	136
46	UR Male _SC_LE	1.12	111	46	RR Female_Muslim_SE	0.09	135
47	UR Male _Others_LE	1.12	111	47	RR Female_Others_SE	0.24	135
48	UR Male _OBC_MD	1.13	110	48	UR Male_Others_LE	1.01	132
49	Rural RM_ST_MD	0.13	108	49	RR Male_Others_MD	0.51	131
50	Rural RM_Muslim_MD	0.21	108	50	UR Male_OBC_LE	1.34	129
51	Rural RM_OBC_MD	0.92	107	51	UR Male_Muslim_MD	0.41	129
52	Rural RF_Muslim_SE	0.05	105	52	RR Male_OBC_MD	0.89	124
53	UR Male _ST_LE	0.16	102	53	RR Female_OBC_SE	0.28	124
54	UR Male _Muslim_MD	0.42	101	54	UC Male_OBC_SE	0.48	124
55	Rural RF_SC_SE	0.10	100	55	RR Male_ST_MD	0.16	120

56	UR Male _OBC_LE	1.38	100	56	UC Male_Others_MD	0.25	118
57	Rural RM_SC_MD	0.48	98	57	UC Male_OBC_MD	0.59	117
58	Rural RM_Others_LE	0.67	98	58	UC Male_OBC_GD	0.05	114
59	Urban CM_OBC_GD	0.02	95	59	RR Male_Others_LE	0.44	112
60	UR Male _Muslim_LE	0.84	90	60	UC Male_SC_MD	0.43	112
61	Urban RF_Muslim_MD	0.02	89	61	RC Male_Muslim_MD	0.63	111
62	Urban CM_OBC_SE	0.30	88	62	UC Male_SC_SE	0.25	111
63	Urban CM_Others_SE	0.16	88	63	UC Male_OBC_LE	1.33	110
64	Urban CF_ST_SE	0.01	88	64	UC Male_Muslim_MD	0.26	110
65	Urban CM_Muslim_SE	0.08	86	65	RC Others_GD	0.03	108
66	Urban CM_OBC_MD	0.59	85	66	UC Male_Muslim_SE	0.14	108
67	Urban CM_Muslim_GD	0.01	85	67	UC Male_Others_SE	0.16	108
68	Urban CM_Others_MD	0.29	83	68	RR Male_SC_MD	0.46	107
69	Rural RM_OBC_LE	1.40	82	69	RR Male_Muslim_MD	0.23	107
70	Urban RF_ST_MD	0.01	82	70	RR Male_SC_LE	0.75	106
71	Urban RF_Others_MD	0.12	81	71	UR Male_Muslim_LE	0.97	106
72	Urban CM_Others_LE	0.54	81	72	RR Male_OBC_LE	1.01	105
73	Rural RM_SC_LE	1.00	80	73	UC Male_ST_MD	0.07	105
74	Rural CM_Muslim_MD	0.43	80	74	UC ST_GD	0.00	103
75	Urban RF_SC_MD	0.08	80	75	RR ST_LE	0.22	101
76	RC Female _OBC_GD	0.00	79	76	RC Male_Muslim_SE	0.32	100
77	Urban CM_SC_MD	0.34	78	77	UR Female_Others_MD	0.11	100
78	Rural RM_ ST_LE	0.37	77	78	UC Male_SC_LE	1.03	99
79	Rural RM_Muslim_LE	0.42	77	79	RC Male_Others_MD	0.73	98
80	Urban CM_OBC_LE	1.36	76	80	RC Male_OBC_SE	1.94	96
81	Urban CM_Muslim_MD	0.19	74	81	RC Male_OBC_GD	0.13	96
82	Rural CM_Others_SE	0.36	73	82	RC Male_OBC_MD	2.40	95
83	Urban CM_SC_LE	1.16	72	83	UC Male_Others_LE	0.41	95
84	Urban CM_SC_SE	0.17	72	84	UC Male_SC_GD	0.02	93
85	Rural CM_Muslim_GD	0.01	70	85	UC Male_Muslim_LE	1.01	92
86	Urban CM_ST_MD	0.03	69	86	UC Male_ST_SE	0.04	91
87	Rural CM_OBC_MD	2.04	68	87	RR Female_SC_SE	0.16	90
88	UC Female _ST_GD	0.00	68	88	RC Male_SC_SE	1.24	90
89	Rural CM_Muslim_SE	0.13	67	89	RC Male_Muslim_GD	0.01	90
90	Urban CM_Muslim_LE	0.81	67	90	RC Male_Others_SE	0.68	90
91	Rural RF_ST_MD	0.04	66	91	UC Male_ST_LE	0.25	90
92	Urban CM_SC_GD	0.01	66	92	UC Male_Muslim_GD	0.01	90
93	Rural CM_OBC_GD	0.06	65	93	RC Male_ST_GD	0.03	88
94	Rural CM_Others_MD	0.78	65	94	RC Male_SC_GD	0.07	88
95	Urban RF_SC_LE	0.59	65	95	RR Male_Muslim_LE	0.51	87
96	Rural CM_OBC_SE	0.86	64	96	RC Male_SC_MD	2.13	86
97	Urban CM_ST_LE	0.20	64	97	RC Male_OBC_LE	8.43	84
98	Rural CM_SC_MD	1.94	61	98	UR Female_Muslim_MD	0.04	84
99	Rural CM_SC_SE	0.79	61	99	RC Male_SC_LE	8.49	82
100	Rural CM_SC_GD	0.04	59	100	RC Male_Others_LE	2.00	82
101	Urban RF_Others_LE	0.35	57	101	RC Male_Muslim_LE	3.53	81
102	Rural RF_Others_MD	0.07	56	102	UR Female_SC_LE	0.53	81
103	Rural CM_OBC_LE	9.07	56	103	UC Female_SC_GD	0.00	81
104	Rural CM_Muslim_LE	3.20	56	104	RC Female_Others_GD	0.00	78
105	Rural CM_Others_LE	2.30	56	105	UC Female_OBC_GD	0.00	78
106	UC Female _OBC_SE	0.01	56	106	UR Female_ST_MD	0.01	77
107	Rural CM_SC_LE	9.77	54	107	UC Female_Muslim_MD	0.01	77
108	Urban RF_OBC_MD	0.15	54	108	RR Female_SC_MD	0.07	76
109	Urban RF_ST_LE	0.08	51	109	UR Female_OBC_MD	0.17	75
110	Urban CM_ST_SE	0.02	51	110	UC Female_OBC_MD	0.07	75
111	UC Female_ Muslim_LE	0.11	51	111	RR Female_Muslim_MD	0.03	72
112	Rural CM_Others_GD	0.02	50	112	RC Male_ST_SE	0.35	71
113	RC Female _Muslim_GD	0.00	50	113	UR Female_OBC_LE	0.52	71
114	RC Female _Others_GD	0.00	50	114	RC Female_ST_GD	0.00	70
115	Rural RF_Muslim_MD	0.02	49	115	UR Female_Others_LE	0.32	70
116	UC Female _SC_MD	0.03	49	116	UC Female_SC_MD	0.02	70
117	UC Female _OBC_MD	0.08	49	117	RC Male_ST_MD	0.66	69
118	Urban CF_Others_MD	0.03	49	118	RC Female_Muslim_SE	0.03	69
119	Rural RF_ST_LE	0.16	48	119	RC Male_ST_LE	3.27	67
120	Rural CM_ST_SE	0.15	48	120	RC Female_SC_MD	0.32	67
121	RC Female _ST_SE	0.01	48	121	UR Female_ST_LE	0.06	66

122	Rural RF_Others_LE	0.15	47	122	UR Female_SC_MD	0.14	66
123	Rural CM_ST_MD	0.49	47	123	UC Female_SC_LE	0.28	66
124	Rural CM_ST_GD	0.01	47	124	UC Female_OBC_LE	0.48	66
125	Rural CM_ST_LE	4.00	46	125	UC Female_Others_SE	0.03	66
126	Rural CF_Muslim_MD	0.03	45	126	RC Female_OBC_MD	0.49	64
127	UC Female_SC_LE	0.46	45	127	RC Female_Muslim_MD	0.04	64
128	Rural RF_OBC_MD	0.12	44	128	RC Female_OBC_SE	0.33	62
129	Urban R_Muslim_LE	0.13	44	129	RC Female_OBC_GD	0.00	62
130	UC Female _OBC_LE	0.57	44	130	UC Female_ST_LE	0.12	61
131	UC Female_Others_LE	0.18	44	131	UC Female_OBC_SE	0.05	61
132	UC Female_Others_SE	0.01	44	132	RR Female_ST_MD	0.05	60
133	Rural RF _SC_MD	0.07	43	133	UC Female_ST_MD	0.01	60
134	Urban RF _OBC_LE	0.51	43	134	RR Female_OBC_LE	0.36	59
135	UC Female_ST_LE	0.14	42	135	RC Female_ST_SE	0.03	59
136	RC Female _Others_SE	0.05	41	136	UC Female_SC_SE	0.02	59
137	RC Female SC_LE	0.36	40	137	UC Female_Others_LE	0.12	59
138	RC Female _Muslim_LE	0.04	40	138	RC Female_SC_LE	3.54	58
139	RC Female _ST_GD	0.00	40	139	RC Female_OBC_LE	3.99	58
140	RC Female SC_MD	0.32	40	140	RR Female_OBC_MD	0.18	57
141	RC Female _Muslim_SE	0.00	40	141	RC Female_Others_MD	0.13	57
142	RC Female_Others_MD	0.11	40	142	UR Female_Muslim_LE	0.16	57
143	UC Female_OBC_GD	0.00	40	143	RC Female_SC_SE	0.20	56
144	UC Female _SC_SE	0.01	38	144	RC Female_Others_LE	0.81	56
145	Rural RF _OBC_LE	0.48	37	145	RC Female_Others_SE	0.06	56
146	Rural CF _Muslim_LE	0.71	37	146	RR Female_ST_LE	0.12	55
147	Rural CF _SC_LE	5.43	36	147	RC Female_ST_MD	0.15	55
148	Rural CF _ST_MD	0.13	35	148	RC Female_ST_LE	1.89	54
149	Rural CF _OBC_LE	5.73	35	149	RR Female_Muslim_LE	0.10	53
150	Rural CF _Others_LE	1.35	35	150	RR Female_Others_MD	0.09	53
151	Rural CF _ST_LE	2.72	34	151	UC Female_Others_MD	0.03	53
152	Rural CaF _SC_SE	0.12	34	152	RC Female_Muslim_LE	0.66	52
153	Rural CF _OBC_MD	0.41	34	153	UC Female_Muslim_LE	0.14	52
154	Rural CF _OBC_SE	0.13	33	154	RR Female_Others_LE	0.12	49
155	Urban CF_Muslim_SE	0.00	33	155	RR Female_SC_LE	0.26	47
156	Urban CF_ST_MD	0.01	31	156	RC Female_SC_GD	0.01	46
157	Rural CF _SC_GD	0.00	30	157	UC Female_ST_SE	0.00	41
158	UrbanC Female _SC_GD	0.00	30	158	UC Female_Muslim_SE	0.00	41
159	UC Female _Muslim_MD	0.02	26	159	RC Female_Muslim_GD	na	na
160	UC Female__Muslim_GD	na	na	160	UC Female_ST_GD	na	na
	Total	**100**	**98**		**Total**	**100**	**142**

Table 6.A2: Daily earnings of wage workers by location, labour status, gender, social group and education (INR per day). Real wages at constant prices (2004-05) - smaller group

2004-05			2011-12		
Group	**Emp (%)**	**Wage**	**Group**	**Emp (%)**	**Wage**
UR Male_Others_GD	3.01	405	UR Male_Others_GD	3.77	548
UR Male_ST_GD	0.09	380	UR Male_OBC_GD	2.15	377
RR Male_Others_GD	0.83	331	UR Male_Muslim_GD	0.33	373
UR Male_OBC_GD	1.11	301	UR Male_ST_GD	0.26	361
UR Male_Muslim_GD	0.00	300	UR Male_SC_GD	0.65	352
UR Male_SC_GD	0.00	286	RR Male_Others_GD	1.00	333
RR Male_ST_GD	0.11	257	RR Male_ST_GD	0.16	320
UR Male_ST_SE	0.00	252	RR Male_Muslim_GD	0.16	312
RR Male_Muslim_GD	0.00	247	RR Male_OBC_GD	0.84	287
RR Male_SC_GD	0.00	227	UR Female_OSD_OED	3.07	285
RR Male_OBC_GD	0.62	219	RR Male_SC_GD	0.34	282
UR Male_Others_SE	2.88	217	UR Male_ST_SE	0.32	265
UR Female_OSD_OED	3.00	215	UR Female_ST_OED	0.13	261
UR Female_ST_OED	0.07	214	UR Male_Others_SE	2.7	248
RR Male_Muslim_SE	0.00	194	RR Female_ST_GD	0.03	244
UR Male_SC_SE	1.00	185	RR Male_ST_SE	0.23	228
RR Male_ST_SE	0.00	181	RR Female_Others_GD	0.27	226
RR Male_Others_SE	1.33	180	UR Male_SC_SE	1.12	209
RR Female_ST_GD	0.02	180	RR Female_Muslim_GD	0.04	208
RR Female_Others_GD	0.00	180	RR Female_SC_GD	0.07	205
UR Male_OBC_SE	1.90	180	RR Male_Others_SE	1.44	201
UR Male_Muslim_SE	0.00	179	UR Male_OBC_SE	2.36	198
RR Female_Muslim_GD	0.02	172	RR Female_OBC_GD	0.27	194
RR Male_SC_SE	1.00	170	RR Male_SC_SE	0.67	190
RR Female_OBC_GD	0.13	165	UR Male_Muslim_SE	0.62	189
RR Female_ST_SE	0.05	160	UR Female_SC_OED	0.5	182
RR Female_SC_GD	0.04	160	RR Male_OBC_SE	1.61	180
RR Male_OBC_SE	1.45	156	RR Female_ST_SE	0.08	180
UR Female_SC_OED	0.00	154	RR Male_Muslim_SE	0.45	172
UR Male_ST_MD	0.10	148	UR Male_ST_MD	0.13	171
RR Female_Others_SE	0.00	137	UR Male_Others_MD	0.98	149
UR Male_Others_MD	1.00	129	UR Male_SC_MD	0.64	148
UR Male_SC_MD	0.69	118	UR Male_OBC_MD	1.08	140
RR Female_OBC_SE	0.34	114	UR Male_ST_LE	0.16	137
UR Male_SC_LE	1.12	111	UR Male_SC_LE	0.75	136
UR Male_Others_LE	1.00	111	RR Female_Muslim_SE	0.09	135
UR Male_OBC_MD	1.00	110	RR Female_Others_SE	0.24	135
RR Male_Others_LEMD	1.00	109	UR Male_Others_LE	1.01	132
RR Female_Muslim_SE	0.05	105	UR Male_OBC_LE	1.34	129
UR Male_ST_LE	0.16	102	UR Male_Muslim_MD	0.41	129
UR Male_Muslim_MD	0.42	101	RR Female_OBC_SE	0.28	124
RR Female_SC_SE	0.10	100	RR Male_Others_LEMD	0.95	122
UR Male_OBC_LE	1.00	100	UC Male_OBC	2.45	115
RR Male_OBC_LEMD	2.32	92	RR Male_OBC_LEMD	1.90	114
UR Male_Muslim_LE	0.84	90	RR Male_ ST_LEMD	0.39	109
RR Male_Muslim_LEMD	0.63	87	RR Male_SC_LEMD	1.21	106
RR Male_SC_LEMD	1.48	86	UR Male_Muslim_LE	0.97	106
RR Male_ ST_LEMD	0.50	85	UC Male_Others	0.84	106
UC Male_Others	0.99	83	UC Male_SC	1.73	104
UC Male_OBC	2.00	80	UC Male_Muslim	1.42	97
UC Male_SC	2.00	73	RR Male_Muslim_LEMD	0.74	93
UC Male_Muslim	1.00	70	UC Male_ST	0.37	93
RR Female_ST_MD	0.04	66	RR Female_SC_SE	0.16	90
UR Female_SC_LE	1.00	65	RC Male_OBC	12.9	88
UC Male_ST	0.00	64	RC Male_Others	3.45	87
RC Male_Others	3.46	60	RC Male_Muslim	4.48	86
RC Male_OBC	12.0	59	RC Male_SC	11.93	84
RC Male_Muslim	4.00	59	UR Female_SC_LE	0.53	81

RR Female_Others_MD	0.07	56	RR Female_SC_MD	0.07	76
RC Male_SC	13.00	56	RR Female_Muslim_MD	0.03	72
UR Female_ST_LE	0.08	51	RC Male_ST	4.32	68
RR Female_Muslim_MD	0.02	49	UR Female_OSD_LE	1.00	68
RR Female_ST_LE	0.16	48	UR Female_ST_LE	0.06	66
UR Female_OSD_LE	0.99	48	UC Female	1.40	64
RR Female_Others_LE	0.15	47	RR Female_ST_MD	0.05	60
RC Male_ST	5.00	46	RR Female_OBC_LE	0.36	59
UC Female	1.66	45	RR Female_OBC_MD	0.18	57
RR Female_OBC_MD	0.12	44	RC Female	12.66	57
RR Female_SC_MD	0.07	43	RR Female_ST_LE	0.12	55
RR Female_SC_LE	0.36	40	RR Female_Muslim_LE	0.10	53
RR Female_Muslim_LE	0.04	40	RR Female_Others_MD	0.09	53
RR Female_OBC_LE	0.48	37	RR Others_LE	0.12	49
RC Female	17.27	35	RR Female_SC_LE	0.26	47
Total	100	98	Total	100	142

Appendix 6.A3 to Chapter 6

Data and variables used in the regression equation

The study uses individual-level data from employment and unemployment surveys (July 2011- June 2012) administered by National Sample Survey Organization (NSSO), the government of India. The data contains detailed information on socio-economic and demographic characteristics of households such as household size and composition, social group, religion, monthly consumption, landholdings, demographic variables such as age, gender and marital status, education, along with detailed information on employment and unemployment and wage earnings (both industry and occupation wise). The sample is drawn through the stratified sampling method. The 68th round of data surveyed 1, 01,724 households (59,700 in rural areas and 42,024 in urban areas) and enumerated 456,999 persons (280,763 in rural areas and 176,236 in urban areas). The study covers the geographical area of all states in India except a few regions.[8] The weekly wage data is available only to regular wage/salaried and casual workers.[9] We are analysing the wage workers, which restricts our final pooled sample (the working age group of 15-60 years) to 74,604, of which 30,972 are rural male, 10,905 are rural female, 26,037 are urban male and 6,690 are urban female after dropping those workers who reported zero wages.

Regarding the factors influencing wage, we used linear specifications of age variables as a proxy for work experience. We also experimented with quadratic specification of age; the quadratic term is significant in some cases but often close to zero. However, the coefficients did not change as compared to linear specification. Hence, we only reported the most parsimonious (linear) specification. Data on education is defined by the level of completed years of schooling. Dummy variables are constructed by defining education levels into these four categories; low education describes those who have completed five years of schooling or less including illiterates, middle education refers to those having completed eight years of schooling, secondary education refers to those with 10 or 12 years of schooling and graduate and above have completed 15 years of schooling or above. The reference category is that of low education. Socio-religious affiliations of the households are captured by categorizing workers into five socio-religious categories; i.e. Schedule Caste (SC), Schedule Tribe (ST), Muslim, Other Backward Caste (OBC) and Others. Others is the reference category which consisting of Hindu upper castes, Jains, Sikhs, Christians, Zoroastrians and a few others. We define employment type by regular and casual workers. Casual dummy takes value as one if a worker is working as a casual employment and zero if in a regular employment. The variables for industry affiliations were constructed using NIC 2008 five digit industrial classification and fifteen broad industries were generated. Public administration and defence is the reference category. Furthermore, we used state dummies which constitute 29 states and union territories were clubbed together. Gujarat is the reference category.

[8] The survey covered the whole of the Indian Union except (i) interior villages of Nagaland situated beyond five kilometres of the bus route and (ii) villages in Andaman and Nicobar Islands which remained inaccessible throughout the year.

[9] NSS does not provide income earnings of self-employed workers, hence our analysis is restricted to wage workers only.

7. Wages in India: A brief state-level analysis

7.1. Introduction

Given the size of the country and its regional variations in economic performance, it is important to look at the state level picture with regard to wages just as one does for any other important economic variable. We take the nearly two decade period between 1993-94 and 2011-12. For the sake of brevity, we focus on the two labour status groups or type of employment as well as gender differences. While rural-urban differences are also important at the state level, we know that there is an increasing tendency towards rural-urban integration of labour markets due to several factors such as the flow of labour from the primary economy to the urban construction sector, trade, transport and a few other activities.

7.2. Trends and disparities

Starting with trends in the growth of real wages, we present, in Figures 7.1 to 7.4, the annual growth rates for regular as well as casual workers, for men and women separately. A number of observations can be made from these figures. First, there is considerable variation in growth in wages for both regular and casual workers and for men and women across states. It varies from 1.4 in Gujarat to 6.6 for Arunachal Pradesh for regular men workers, and the range is still higher for the woman counterparts, ranging from 0.9 in Himachal Pradesh to 8.7 in Arunachal Pradesh. For casual workers, the growth rate ranges from 2.8 in Mizoram to 5.9 in Andhra Pradesh for men and from -2.7 in Delhi to 7.7 in Jammu and Kashmir for women.

Second, the uneven growth in wages is somewhat lower for men than for women in both regular and casual work. As is the case all over India, wages of women casual workers in most states have grown faster than that of their male counterparts in both casual and regular work, especially if we ignore the states at the tail ends. Of course this wide variation reflects the structural and institutional factors at the level of the regional economy represented by states. Policy and programme interventions are also equally relevant. But what is surprising is the mismatch between aggregate economic growth and the growth in wage rates. For example, Gujarat is by now well known for the high growth performance of the economy during this period but shows one of the lowest growth rates in the wages of casual workers — both men and women — who are the most vulnerable sections among the working households. Similarly with Himachal Pradesh. In the case of Gujarat, the growth in wages for regular workers is also quite low, if not as low as that of the casual workers.

Figure 7.1: Annual growth rates in wages of Male Regular Workers (1993-94 to 2011-12)

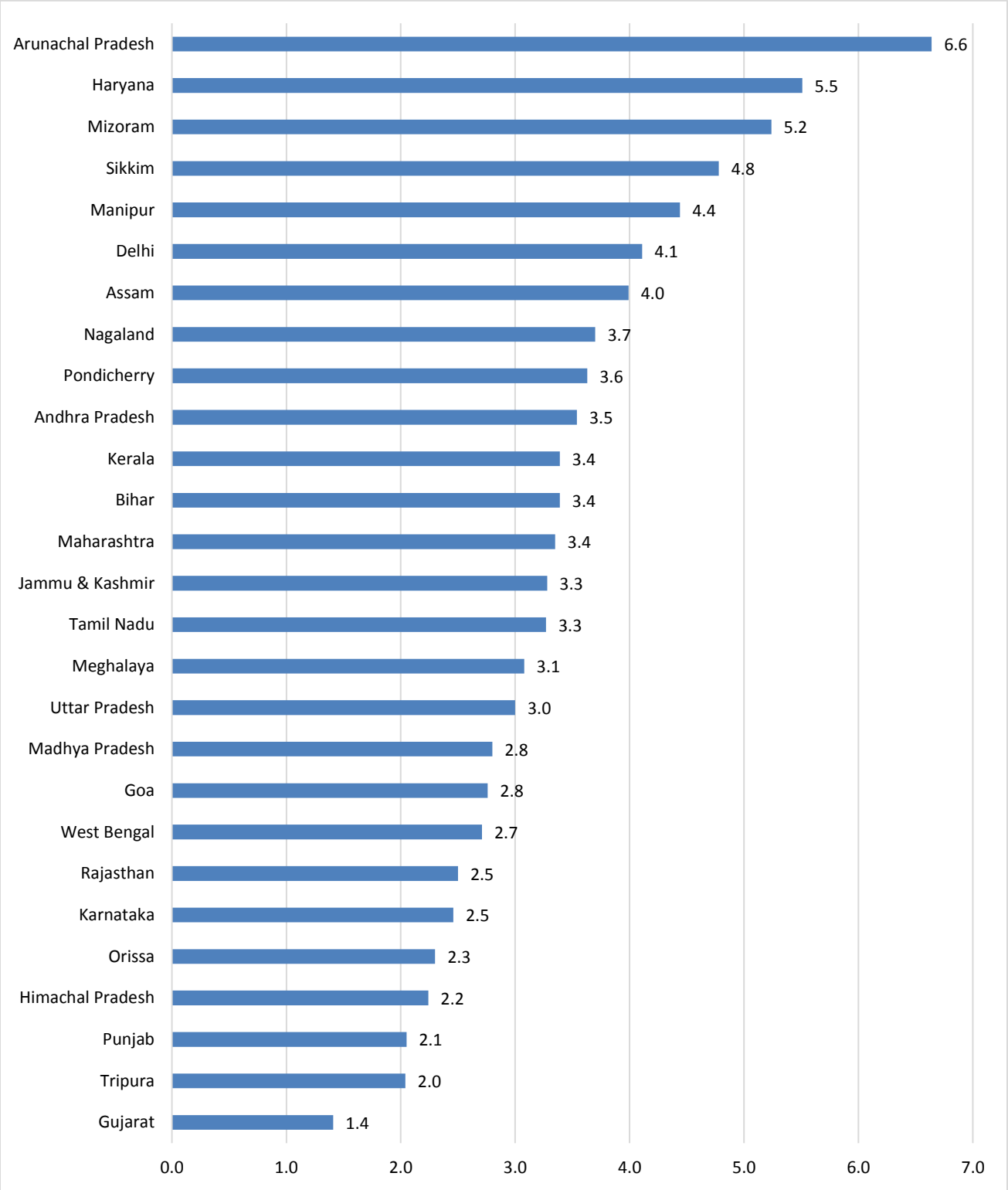


Figure 7.2: Annual growth rates in wages of Female Regular Workers (1993-94 to 2011-12)

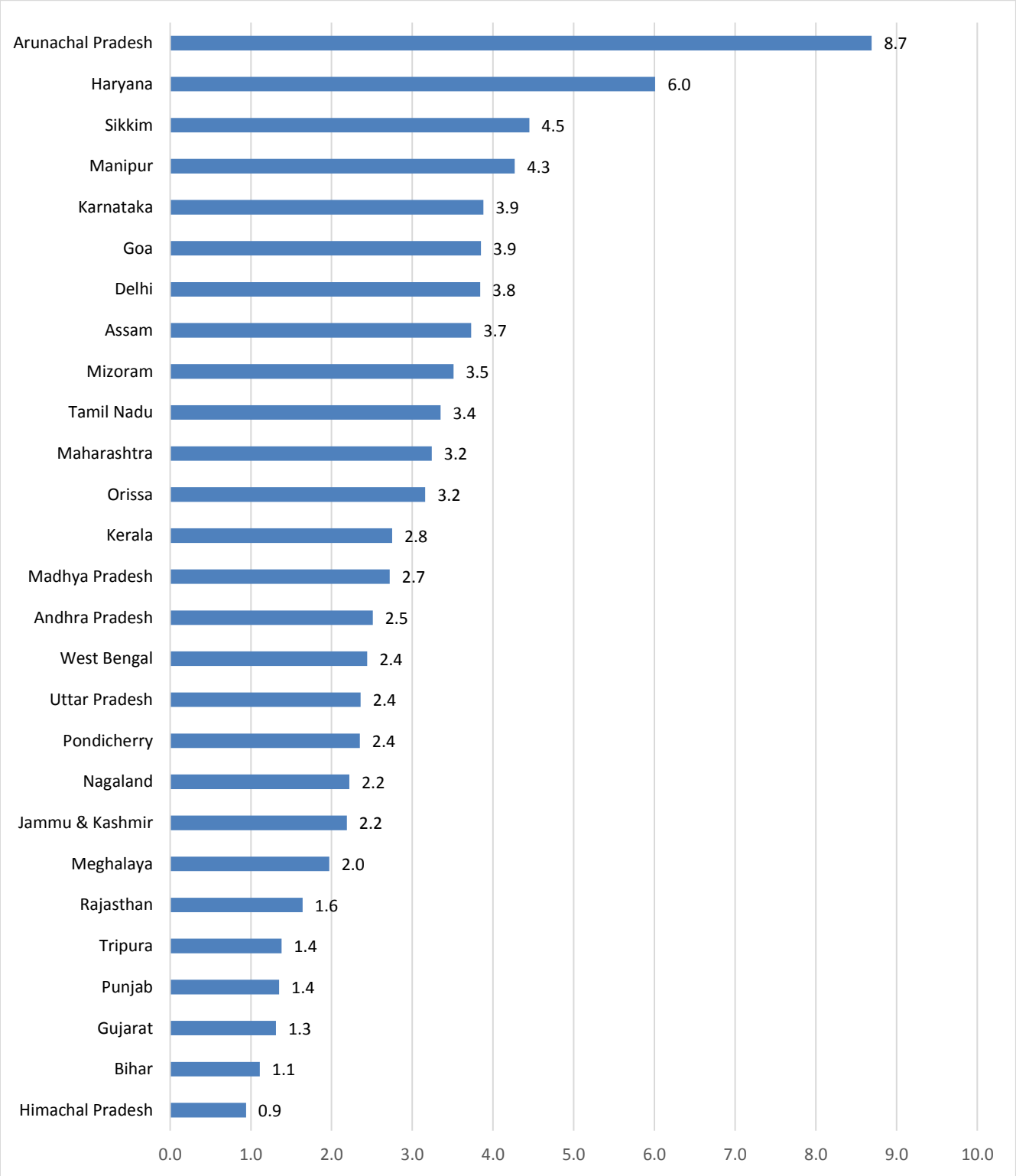


Figure 7.3: Annual growth rates in real wages of Male Casual Workers (1993-94 to 2011-12)

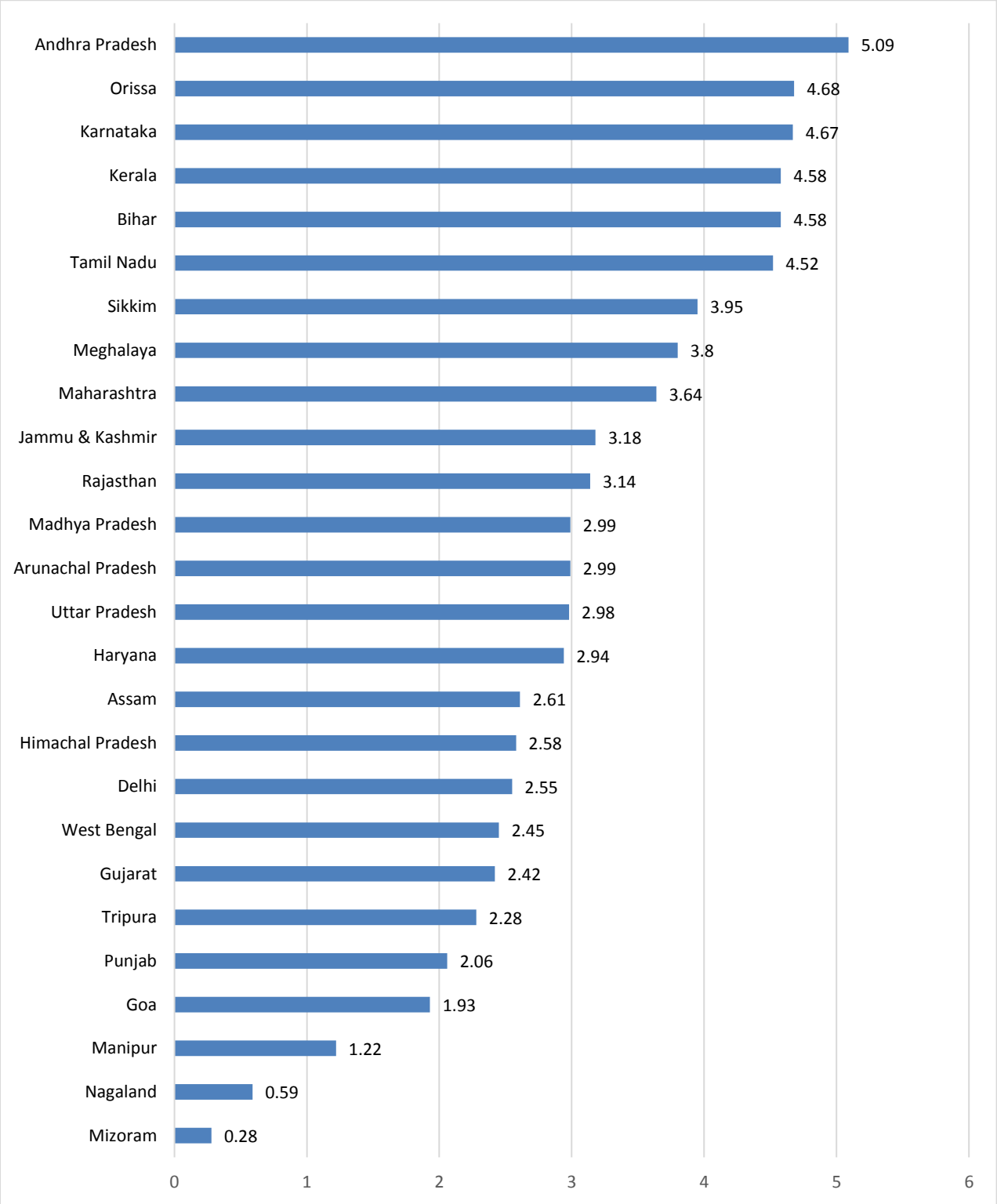
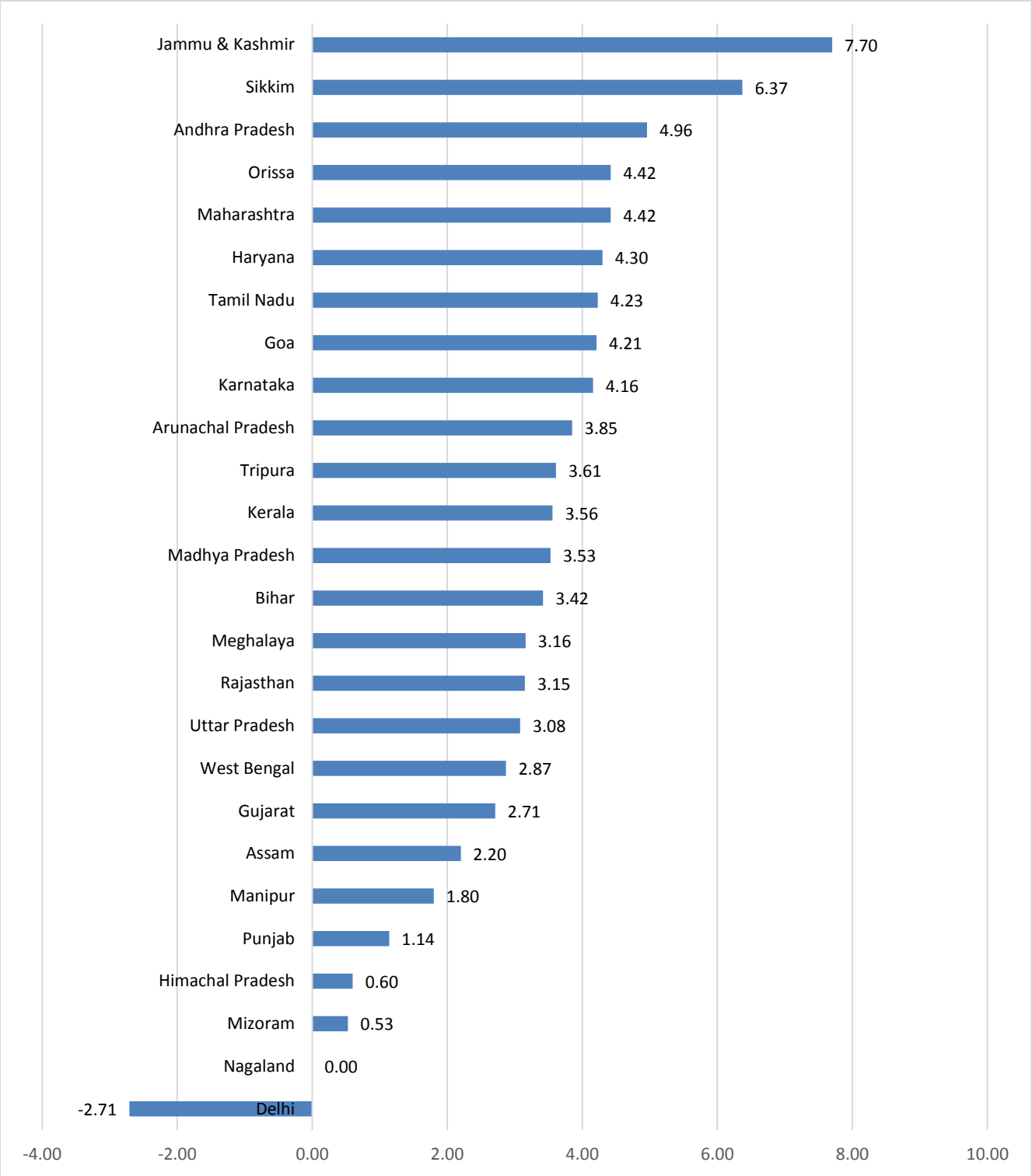


Figure 7.4: Annual growth rates in real wages of Female Casual Workers 1993-94 to 2011-12)



7.3. Toppers, middlers and laggards in wage growth

While ranking in terms of growth performance gives an idea of performance, we noted that it has to be judged against the overall economic growth performance. One can also determine the level of performance in terms of those in the top, middle and bottom segments. While there are several ways of doing it, one method is to generate levels of performance based on the comparative performance of the participants, in this case states. Here we classify the states into four levels based on the performance of growth rate in real wages paid to male workers for the period 1993-94 to 2011-12. The difference between the states with the highest and lowest growth rate is calculated and then divided by four (to get four divisions). This numerical i.e. the first one-fourth of the difference is deducted from the highest growth rate to get the Top Level range, then the second one-fourth is added and deducted to get the Upper Middle Level, the third one-fourth is then added and deducted to get the Lower Middle Level and the rest belongs to the Bottom Level. The growth rates in wages of women are then allocated according to this classification to see whether they belong to the same level of performance of male wages or not. If they do, they have a similar position as defined by the range. A vertical comparison would tell us the nature of vertical inequality across states and a horizontal comparison would tell us the nature of horizontal inequality with respect to men and women and also between regular and casual workers. The results of this exercise are presented in Table 7.1.

Table 7.1: Annual average growth rates in real wages during 1993-94 to 2011-12

Real wage rate		**Casual wage rate**	
Male	**Female**	**Male**	**Female**
	Top level [5.33 to 6.64]		
AR (6.64), HR (5.51)	AR (8.69), HR (6.01)	Nil	JK (7.70), SK (6.37)
	Upper middle [4.02 to 5.32]		
MZ (5.24), SK (4.78) **MN (4.44), DL (4.11)**	SK (4.45), MN (4.27)	AP_U (5.09), BH (4.58), OD (4.68), KR (4.67), KE (4.58), TN (4.52)	AP-U (4.96), HR (4.30), GO (4.21) MH (4.42), OD (4.42) TN (4.23), KR (4.16)
	Lower middle [2.71 to 4.01]		
AS (3.99), NG (3.70) **PO (3.63), AP-U (3.54)** **KE (3.39), BH (3.39),** **MH (3.35), JK (3.28)** **TN (3.27), MG (3.08)** **UP (3.00), MP (2.80)** **WB (2.71)**	DL (3.84), KR (3.88) GO (3.85), AS (3.73), MZ (3.51), TN (3.35), MH (3.24), OD (3.16) KE (2.75), MP (2.72)	SK (3.95), MG (3.80), MH (3.64), JK (3.18), RJ (3.14), MP (2.99) AR (2.99), UP (2.98) HR (2.94)	AR (3.85), TR (3.61) KE (3.56), MP (3.53) BH (3.42), MG (3.16) RJ (3.15), UP (3.08) WB (2.87), GJ (2.71)
	Bottom level [Less than 2.71]		
GO (2.70), RJ (2.50) **KR (2.46), OD (2.30)** **HP (2.24), PJ (2.05)** **TR (2.04), GJ (1.41)**	AP-U (2.51), UP (2.36) WB (2.44), PO (2.35) JK (2.19), NG (2.22), MG (1.97), RJ (1.64) TR (1.38), PJ (1.35) GJ (1.31), BH (1.11) HP (0.94)	AS (2.61), HP (2.58) DL (2.55), WB (2.45) GJ (2.42), TR (2.28) PJ (2.06), GO (1.93) MN (1.22), NG (0.59) MZ (0.28),	AS (2.20), MN (1.80), PJ (1.14), HP (0.60), MZ (0.53), DL (-2.71)

The results tell us that growth in wages in both regular and causal labour markets across the Indian states has been quite uneven. For men in regular work, the growth rate during the 1993-94 and 2011-12 period of nearly two decades has been the lowest in Gujarat despite the state being one of the fastest growing in terms

of state income or Gross State Domestic Product (GSDP). The best performance has come from Arunachal Pradesh, with an annual growth in wages of regular workers at 6.64 per cent per annum followed by Haryana at 5.51. In fact, these are the only two states at the top level. Mizoram, Manipur, Sikkim and Delhi are in the Upper Middle level. Another 13 states are at the Lower Middle level. Note that Bihar, MP, and UP, all have growth rates higher than the relatively more advanced states such as Gujarat, Punjab, Himachal Pradesh and Karnataka. Comparing the growth rates of wages of women in this regular category, it is seen that half the states are at the bottom including Gujarat, Punjab and Himachal Pradesh. Bihar is second from the bottom, suggesting a huge disadvantage for women in regular work in comparison to men in Bihar.

As for wages in the casual labour market, the growth in wages for women has been somewhat better than that for men. The number of states at the bottom level for men is 11 as against 6 for women. Of course, such a scenario was also suggested at the all India level (see Chapter 4) but what is significant here is the regional differentiation. Punjab and Himachal occupy the bottom level in terms of growth in wages for women, although Mizoram and Delhi present a bleak picture.

7.4. Wage levels and disparities: Regular workers

However, we need to contextualize these growth rates in terms of levels of wages so that whether this is a case of greater convergence or divergence will be known. We may also compare the levels for both men and women. Therefore, a similar exercise combining the vertical and horizontal dimensions of disparity/inequality has been attempted. Instead of growth rates, we take here the wages of male regular workers as the basis for classification according to the four levels. The results are presented in Table 7.2 for men and women, regular workers, at two points: 1993-94 and 2011-12. In addition, we have also calculated the coefficient of variation that summarizes whether the inter-state disparity has increased or decreased.

The results reveal some small surprises. For example, in 1993-94, three states are at the Top Level for regular male and female workers. Two of them are common for both men and women indicating their wage parity; in fact, Mizoram's women show a higher wage than men by around five percent. However, by 2011-12 only two states are at the Top Level for men and none for women. Among the two states, Mizoram retained its position while Arunachal Pradesh has emerged as a top performer with the second highest wage rate for regular male workers. There is no state at this level for women, indicating a decline in their ability to remain at the top along with the men at this point. In the Upper Middle Level, the number of states declined from seven to five whereas for women it increased from 3 to 4. There is a reduction in the number of states at the Lower Middle level for both men and women. What is significant to note is that in the Bottom Level, the number of states increased for both men and women, indicating the increasing disparity for the both the categories during the period 1993 to 2012. Gujarat, which registered one of the lowest growth rates, is also at the Bottom Level for both women and men, regular and casual workers, during both periods — except for men in 1993-94. This indicates a worsening of the relative position of male regular workers in Gujarat compared to their counterparts in other states. Punjab and Himachal Pradesh, which were not at the Bottom Level in 1993-94, are now at this level, suggesting a fall in their ranking as far as wages of regular workers are concerned. Another notable point is that Kerala is also at the Bottom Level as far as women are concerned in both 1993-94 and 2011-12. At the same time, men have also joined the Bottom Level in 2011-12.

Table 7.2: State-wise real wage rates of regular workers (INR per day)

1993-94	1993-94	2011-12	2011-12
Male	**Female**	**Male**	**Female**
Top Level [INR 161.5 to 178]		**[INR 387.25 to 457]**	
MN (178), NG (168) **HP (163)**	MZ (186), DL (184) NG (167)	MZ (457), AR (393)	Nil
[3]	**[3]**	**[2]**	**[0]**
Upper Middle [INR 145.0 to 161.4]		**[INR 317.5 to 387.24]**	
MG (159), MN (157) **DL (155), KR (154)** **MH (152), BH (150)** **JK (148)**	MG (157) MN (152) PJ (145)	HR (356), MN (349) NG (327), DL (325) SK (317)	DL (367), MZ (350) HR (336), MN (328)
[7]	**[3]**	**[5]**	**[4]**
Lower Middle (INR 128.5 to 144.9]		**[INR 247.75 to 317.4]**	
GO (143), TR (142) **WB (140), GJ (138)** **UP (138), RJ (137)** **SK (134), KE (133)** **HR (132), MP (131)** **PJ (130)**	JK (141) BH (131) RJ (131) HP (130)	JH (314) MH (278) MG (277) BH (276) JK (267) UK (259)	AR (306) SK (274) UK (252) NG (249)
[11]	**[4]**	**[3]**	**[3]**
Bottom [INR less than 128.5]		**[INR less than 247.75]**	
OD (127) **TN (120)** **AR (119)** **AS (117)** **PO (117)** **AP-U (112)**	SK (123), TR (117) MH (116), HR (114) GJ (109), KE (106) UP (104), GO (100) MP (92), KR (89) WB (87), AP-U (86) OD (81), TN (81) PO (74), AS (72) AR (64)	KE (245), HP (244) AS (240), KR (240) UP (237), GO (235) WB (228), PO (225) MP (217), RJ (215) AP-U (212), TR (205) OD (192), PJ (188) CH (183) GJ (178)	MG (224), JK (209) MH (208), GO (200) JH (192), PJ (185), KR (179), RJ (176), KE (174),BH (160), UP (159),CH (158) HP (154), MP (150), TR (150), TN (148), OD (143), AS (141), GJ (138), AP-U (135), WB (135), PO (113)
[6]	**[17]**	**[15]**	**[20]**
CV: 0.12	0.29	0.21	0.37

Note: Real wages are calculated by taking 2004-05 as the base. Names of states are given in abbreviated form. For full names see Abbreviations.

A word of explanation is necessary regarding the top two levels occupied by most of the north-eastern states, especially Mizoram, Meghalaya, Nagaland, Manipur in the early 1990s, and these four plus Arunachal and Sikkim in the recent period. This could possibly be due to a very low share of regular workers dominated by employees in public administration.

The main message coming out of this exercise is that as far as wages in the labour market for regular employment are concerned, the two decades of economic reforms with high economic growth are characterized by an increasing regional (inter-state) disparity in wages for both men and women. That the relative position of women in this labour market has worsened during this period adds an additional gender dimension to this scenario. For example, while 60 per cent of the states were at the Bottom Level (17 out of 27) in 1993-94, it increased to close to 75 per cent (20 out of 27) in 2011-12.

7.5. Wage levels and disparities: Casual workers

The regional dimension for casual workers is perhaps more important than it is for regular workers given the fact that more than 60 per cent (61 per cent in 2011-12) of wage workers in the country belong to this category. But it has a greater relevance to the rural economy because 52 per cent of the total wage workers are rural casual workers in 2011-12. In other words, of the total casual workers 85 per cent are in rural areas. Among ST wage workers, 75 per cent were rural casual workers in 2011-12. This is 66 per cent for SC and 54 per cent for Muslim. For OBC and the socially advantage group of Others the shares are 47 and 24 per cent respectively.

For casual workers, the picture is quite different, as given in Table 7.3. The regional disparity based on the performance of male workers show there is no state at the Top Level for women for the time periods that we have detailed. For male workers, the top level position of Mizoram and Delhi in 1993-93 has been replaced by Kerala in 2011-12. The number of states for men at the Upper Middle Level came down from five to two during the period, while for the Lower Middle level it increased from eight to 14. The number of states at the Bottom Level increased by one for men. For women there was no state at the top during both the years. In 2011-12, there was none at the Upper Middle level compared to two states in 1993-93. The number of states at the Lower Middle level declined from 14 to two, resulting in a majority of 24 states clustering at the Bottom Level. Clearly women casual workers, despite a higher overall growth rate at the national level, lost out to men in terms of their regional performance. The lowest real wage rate for men in 1993-94 was in Odisha (INR31) but there were seven states with wage rates lower than this for women. In 2011-12, the lowest wage was for MP (INR 60) for men but there were 10 states with wage rates lower than this for women.

Table 7.3: State-wise real wage rates (INR per day) of casual workers (2004-05 constant prices)

1993-94		**2011-12**	
Male	Female	Male	Female
Top level [INR 94 to 115]		**[INR 162 to 196.0]**	
MZ (115), DL (98)	Nil	KE (196)	Nil
[2]	**[0]**	**[1]**	**[0]**
Upper middle [INR 73 to 93.9]		**[INR 128 to 161.9]**	
NG (90), KE (86)	DL (88)	DL (155)	
PJ (78), GO (77), MN (73)	MZ (80)	PO (128)	Nil
[5]	**[2]**	**[2]**	**[0]**
Lower middle [Rs. 52 to 72.9]		**[INR 94 to 127.9]**	
AR (66), HR (66),	PJ (66)	MZ (121), JK (117)	SK (126)
JK (66), HP (61)	HP (61)	TN (115), AR (113)	JK (124)
TR (61), PO (58)	MN (55)	MG (113), PJ (113)	
MG (57), RJ (54)		HR (112), SK (110)	
		UK (101), GO (109), NG (100), HP (97), AP-U (95), KR (95), RJ (95)	
[8]	**[3]**	**[14]**	**[2]**
Bottom level [Less than INR 52]		**[Less than INR 94]**	
TN (51), AS (50)	KE (49), MG (43)	TR (92), MN (91)	KE (93), HR (91)
UP (45), WB (45)	AR (42), HR (42)	AS (80), MH (79)	MZ (88), AR (84)
GJ (44), KR (41)	SK (40), AS (39)	JH (78), UP (77),	PJ (81), GO (79)
MH (41), AP-U (38)	RJ (38), GO (37)	BH (73), OD (72), WB	MN (76), MG (76)
MP (35), BH (32)	PO (36), GJ (35)	(70), GJ (68), MP (60),	UK (73), PO (70), HP
OD (31)	TR (35), WB (34)	CH (54)	(68), RJ (67),

	JK (31), UP (31) TN (28), BH (27) MP (27), KR (26) AP-U (25), MH (23) OD (23)		TR (67), AP-U (61), TN (60), AS (58), GJ (57), WB (57), KR (55), UP (54), DL (54), MP (51), MH (51), OD (51), BH (50), CH (46), JH (44)
[11]	**[21]**	**[10]**	**[24]**

Figure 7.5: State-wise real wage rates C as % of R for Male worker

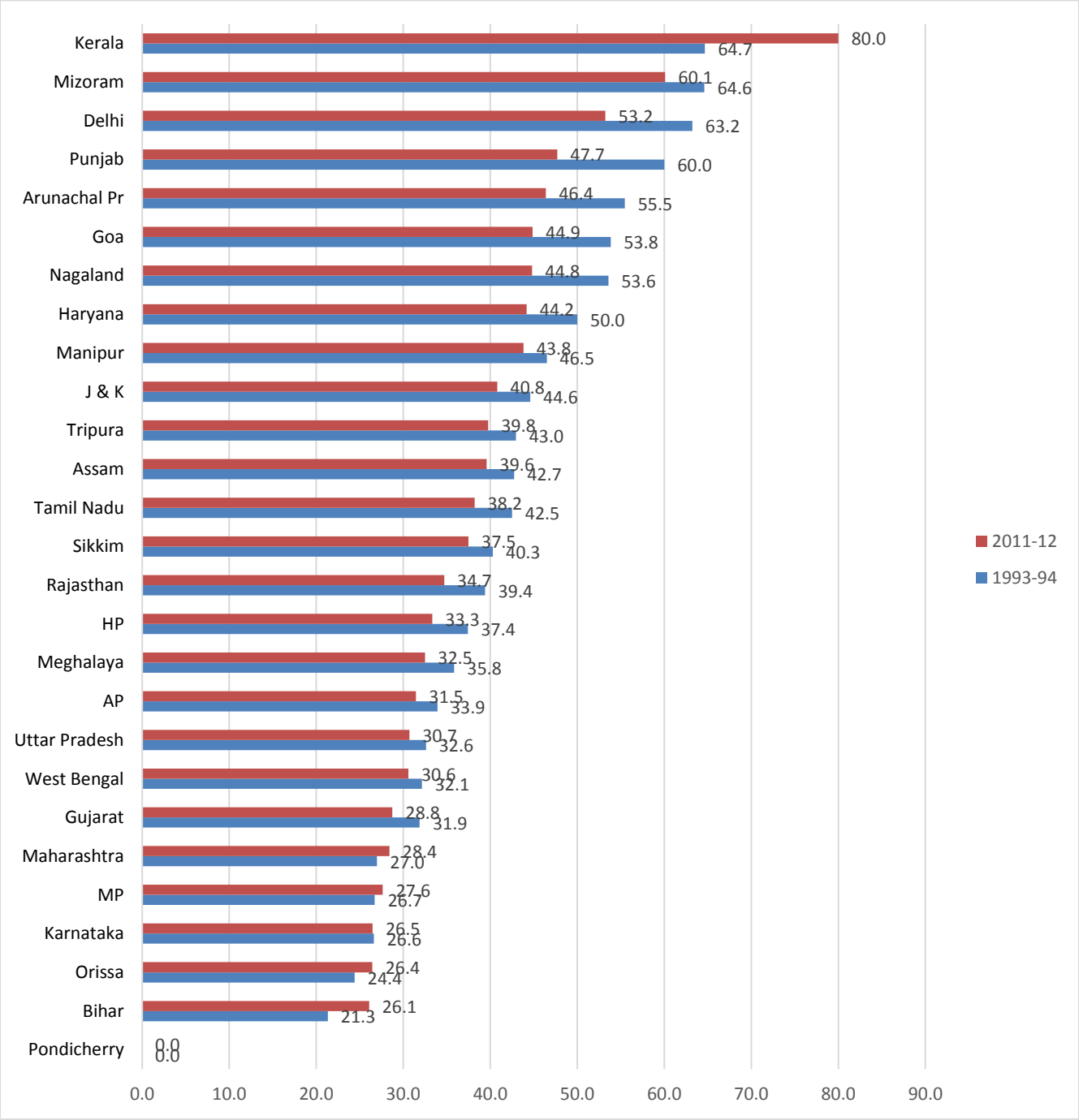
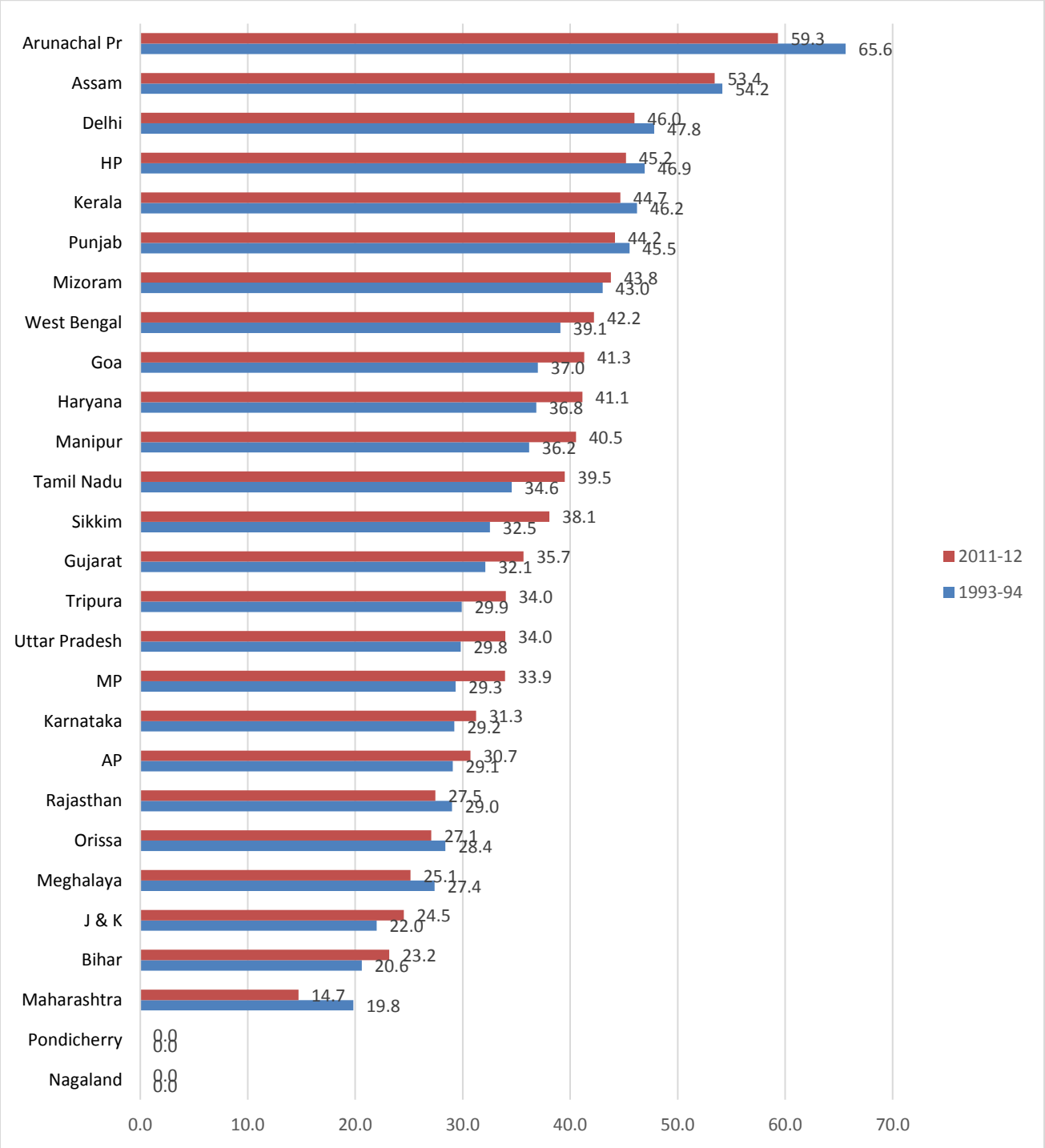


Figure 7.6: Real wages of casual as % of Regular for Female workers



7.6. Regional dimension of gender disparity in wages

Wage disparity between men and women workers across states is another marked feature of the Indian labour market. In Table 7.4, we present them in a descending order in the initial period of 1993-94. Wages of women regular workers varied from 119 per cent of men in Delhi to 58 per cent in Karnataka in 1993. By 2012, this has changed to 113 per cent of men in Delhi to just 50 per cent in Pondicherry followed by 58 per cent in Bihar. For casual workers in 1993, the disparity varied between 100 per cent for women in Himachal Pradesh to 47 per cent in Jammu and Kashmir. But by 2012, this changed dramatically to 106 per cent in Jammu and Kashmir to a mere 35 per cent in Delhi.

A few findings warrant highlighting. In 1993, women regular workers in Delhi, Punjab and Mizoram showed a wage advantage over men in regular employment by receiving a higher wage than men. By 2012, only Delhi retained this advantage. Between 1993 and 2012, women regular workers in 18 states experienced a decline in the share of wages as compared to men. This includes the high wage states of Mizoram, Nagaland, Meghalaya and Manipur. Only in five states (Haryana, Goa, Tamil Nadu, Odisha and Karnataka), there was an increase in the share of women's wages compared to men in this regular category.

As for casual workers, the top position occupied by Himachal Pradesh (with equal wages for men and women) and Delhi in 1993 was replaced by Sikkim and Jammu and Kashmir. In 13 states, women experienced a decline in the share of their wages compared to men. But in 11 other states, women experienced an increase in the share of their wages compared to men. This includes the high wage states of Kerala and Punjab. In the high wage state of Haryana, women improved their position viz-a-viz men. It is the large states where the women have improved their position that have contributed to a faster increase in casual wages of women workers for the country as a whole.

Table 7.4: Gender disparity in wages (wages of women as % of men)

Regular wage workers			**Casual wage workers**		
state	1993-94	2011-12	state	1993-94	2011-12
Disparity increased but not disadvantageous to women			**Disparity decreased and advantageous to women**		
Delhi	118.7	112.9	Jammu & Kashmir	47.0	106.0
Punjab	111.5	98.4	Sikkim	74.1	114.5
Increasing disparity and increasing disadvantage to women			**Increasing disparity and increasing disadvantage to women**		
Mizoram	104.5	76.6	Himachal Pradesh	100.0	70.1
Nagaland	99.4	76.1	Delhi	89.8	34.8
Meghalaya	98.7	80.9	Punjab	84.6	71.7
Manipur	96.8	94.0	Bihar	84.4	68.5
Rajasthan	95.6	81.9	Assam	78.0	72.5
Jammu & Kashmir	95.3	78.3	Meghalaya	75.4	67.3
Sikkim	91.8	86.4	Odisha	74.2	70.8
Bihar	87.3	58.0	Andhra Pradesh	65.8	64.2
Tripura	82.4	73.2	Karnataka	63.4	57.9
Himachal Pradesh	79.8	63.1	Pondicherry	62.1	54.7
Kerala	79.7	71.0	Tripura	57.4	72.8

Gujarat	79.0	77.5	Kerala	57.0	47.4
Maharashtra	76.3	74.8	Tamil Nadu	54.9	52.2
Uttar Pradesh	75.4	67.1	**Decreasing disparity and decreasing disadvantage to women**		
Madhya Pradesh	70.2	69.1	Gujarat	79.5	83.8
Pondicherry	63.2	50.2	Madhya Pradesh	77.1	85.0
West Bengal	62.1	59.2	West Bengal	75.6	81.4
Assam	61.5	58.8	Manipur	75.3	83.5
Decreasing disparity and increasing advantage to women			Rajasthan	70.4	70.5
Haryana	86.4	94.4	Mizoram	69.6	72.7
Goa	69.9	85.1	Uttar Pradesh	68.9	70.1
Tamil Nadu	67.5	68.5	Haryana	63.6	81.3
Odisha	63.8	74.5	Arunachal Pradesh	63.6	74.3
Karnataka	57.8	74.6	Maharashtra	56.1	64.6
			Goa	48.1	72.5

Note: Nagaland is omitted due to non-availability of data.

[Enter UK, JH and CH by taking figures from real wages tables]

7.7. Wage inequality

Here we examine wage inequality at the state level with reference to two measures. One is the inter-quantile dispersion ratio and the other is the Gini coefficient. As we noted earlier in Chapter 6, inter-quantile dispersion ratios indicate the wage difference in two percentile ends such as P90/P10 that captures the two points of tenth and ninetieth percentiles in the entire range of distribution, P90/P50 the two ends at upper half and P50/P10 capturing the two ends at the lower half. Table 7.5 present the ratios for P90/P10 and P90/P50 for regular workers and Table 7.6 presents the ratios for P50/P10 as well as the Gini coefficients. There are very few states where there has been a decline in equality for both the periods, resulting in a decline for the whole period. If we include the states which have shown a decline for the whole period despite an increase in between, the number goes up to only six states for P90/P10 and just four for P90/P50. The majority of the states show an increase in equality by this measure. In contrast, the inequality at the lower half seems to have declined for a majority of the states for the whole period; 17 states. Since the bottom half mostly consists of low paid workers this is a sign of some 'leveling up', as we mentioned before.

When the other measure of Gini coefficient is examined, as given in Table 7.5, 20 states out of 25 states record an increase in inequality. Since this measure takes into account the entire range of distribution, the Gini coefficient represents a more comprehensive measure than the inter-quantile distribution. In that sense, what is to be noted is the increase in wage inequality for regular workers in most Indian states since the economic reform.

In contrast, wage inequality among casual workers decreased for most states even by the inter-quantile dispersion ratio. 17 out of 27 states showed a decline for D9/D1; for the upper half 13 states reported a decline in wage inequality whereas another eight showed no change. For the lower half, half the states i.e. 14 out of 27 reported a decline although this is somewhat less impressive than the performance of the lower half for regular workers (see Tables 7.7 and 7.8).

The overall performance by the Gini coefficient measure shows a decline in wage inequality for casual workers in 20 out of 27 states and another three states reporting no change in inequality. Thus the increase in wage inequality is confined only to four states.

Table 7.5 : Wage inequality among regular workers

Inter-quantile dispersion ratio (P90/P10)				Inter-quantile dispersion ratio(P90/P50)			
States	**P1**	P2	P3		**P1**	P2	P3
Declining inequality in both the periods and hence a decline for the whole period				**Declining inequality in both the periods and hence a decline for the whole period**			
Goa	6.9	5.7	3.9	Arunachal	2.1	2.0	1.8
Karnataka	11.5	11.3	9.2				
Odisha	11.7	11.1	9.3	Manipur	1.8	1.7	1.6
Decline in inequality for the whole period despite an increase in P1 or P2				**Decline in inequality for the whole period despite an increase in P1 or P2**			
AP	13.0	15.3	9.1	Goa	2.3	2.4	2.1
Tamil Nadu	12.0	12.5	7.4	Tamil Nadu	3.4	4.3	3.2
Puducherry	9.7	10.4	7.0	**Increase in equality in all three periods**			

Increase in equality in all three periods				Bihar	2.0	2.9	3.9
Assam	5.9	7.4	12.2	Meghalaya	1.7	1.9	2.2
J & K	6.0	6.3	9.0	Odisha	2.3	2.6	3.7
Manipur	3.5	5.4	6.9	Punjab	2.6	4.3	4.6
Mizoram	3.1	3.2	4.7	Rajasthan	2.1	3.6	4.0
Sikkim	4.4	5.8	8.2	UP	2.2	3.7	5.2
Uttar Pradesh	7.5	11.1	14.5	West Bengal	2.5	3.7	5.0
West Bengal	9.3	12.5	14.8	**Increase in inequality for the whole period despite a decrease in P1 and/or P2**			
Delhi	6.6	8.0	8.2	AP	3.4	4.7	4.0
Increase in inequality for the whole period despite a decrease in P1 and/or P2				Assam	3.0	3.0	4.4
Arunachal	6.0	8.0	7.3	Gujarat	2.5	3.2	3.1
Bihar	9.6	12.0	11.4	Haryana	2.4	4.0	3.0
Gujarat	6.1	7.4	6.4	HP	2.5	2.4	3.2
Haryana	6.0	8.6	8.3	J & K	2.1	1.9	2.3
HP	8.2	10.0	8.9	Karnataka	2.7	3.7	3.6
Punjab	6.0	10.0	9.7	Kerala	2.2	3.2	3.2
Kerala	7.6	10.2	9.3	MP	2.3	4.0	3.9
MP	10.2	18.5	12.9	Maharashtra	2.5	3.7	3.6
Maharashtra	9.0	10.6	10.0	Nagaland	1.7	1.8	1.8
Meghalaya	4.0	7.5	6.7	Sikkim	1.5	2.3	2.2
Nagaland	3.0	3.0	3.4	Tripura	2.2	1.9	3.1
Rajasthan	7.6	10.1	8.9	Delhi	2.7	4.0	3.6
Tripura	9.4	8.3	12.9	Pondicherry	2.3	3.4	2.8

Table 7.6 : Wage inequality among regular workers

Inter-quantile dispersion ratio (P50/P10)				Gini coefficient			
State	P1	P2	P3	State	P1	P2	P3
Declining inequality in both the periods and hence a decline for the whole period				**Declining inequality in both the periods and hence a decline for the whole period**			
AP	3.8	3.3	2.3	Nil			
Bihar	4.9	4.2	2.9	**Decline in inequality for the whole period despite an increase or no change in P1 or P2**			
Goa	3.0	2.3	1.9	Arunachal P	0.43	0.35	0.35
Gujarat	2.4	2.3	2.1	Andhra Pradesh	0.47	0.53	0.47
Karnataka	4.3	3.0	2.6	Goa	0.36	0.36	0.32
Kerala	3.5	3.2	2.9	Tamil Nadu	0.46	0.51	0.44
Maharashtra	3.7	2.9	2.8	Pondicherry	0.42	0.45	0.40
Odisha	5.0	4.3	2.5	**Increase in inequality in all three periods**			
Rajasthan	3.6	2.8	2.2	HP	0.37	0.42	0.45
Tamil Nadu	3.6	2.9	2.3	Kerala	0.38	0.45	0.47
Uttar Pradesh	3.4	3.0	2.8	Maharashtra	0.41	0.49	0.50
West Bengal	3.7	3.4	3.0	Meghalaya	0.27	0.35	0.36
Pondicherry	4.2	3.1	2.5	Mizoram	0.26	0.27	0.45
Decline in inequality for the whole period despite an increase or no change in P1 or P2				Nagaland	0.24	0.26	0.27
HP	3.2	4.2	2.8	Odisha	0.42	0.44	0.47
MP	4.4	4.6	3.3	Punjab	0.37	0.48	0.49
Punjab	2.3	2.3	2.1	Rajasthan	0.37	0.46	0.47
Delhi	2.4	2.0	2.3	Sikkim	0.25	0.37	0.41
Increase in equality in all three periods				UP	0.39	0.47	0.56
Arunachal	2.8	4.0	4.1	West Bengal	0.43	0.51	0.54
Assam	2.0	2.4	2.8	**Increase in inequality for the whole period despite a decrease or no change in P1 and/or P2**			
J & K	2.9	3.3	3.9	Gujarat	0.36	0.45	0.42
Manipur	2.0	3.2	4.2	Haryana	0.38	0.51	0.50
Increase in inequality for the whole period despite a decrease in P1 and/or P2				J & K	0.35	0.34	0.42
Haryana	2.5	2.1	2.8	Karnataka	0.45	0.47	0.46
Meghalaya	2.3	4.0	3.1	MP	0.42	0.50	0.49
Mizoram	2.0	1.9	2.7	Manipur	0.28	0.30	0.30
Nagaland	1.8	1.7	1.9	Tripura	0.39	0.36	0.47
Sikkim	3.0	2.5	3.7	Delhi	0.40	0.46	0.46
Tripura	4.2	4.4	4.2				

Table 7.7: Wage inequality - casual workers

Inter-quantile dispersion ratio (P90/P10)				Inter-quantile dispersion ratio (P90/P50)			
State	P1	P2	P3	State	P1	P2	P3
Declining inequality in both the periods and hence a decline for the whole period				**Declining inequality in both the periods and hence a decline for the whole period**			
Bihar	2.5	2.4	2.3	AP	2.0	1.8	1.6
HP	2.4	2.3	2.0	Karnataka	2.0	1.9	1.6
MP	3.2	2.6	2.5	Kerala	1.8	1.7	1.5
Nagaland	7.3	2.6	2.3	MP	2.0	1.8	1.5
Punjab	2.3	2.2	1.9	**Decline in inequality for the whole period despite an increase or no change in P1 or P2**			
Tripura	2.9	2.6	1.8	Arunachal P	2.7	3.2	1.7
Decline in inequality for the whole period despite an increase or no change in P1 or P2				HP	1.7	1.4	1.5
AP	3.0	3.5	2.6	Manipur	2.3	2.0	2.0
Arunachal P	3.9	4.9	2.9	Odisha	1.7	1.7	1.4
Goa	3.6	2.5	3.3	Punjab	1.4	1.4	1.3
Haryana	10.8	2.5	2.8	Rajasthan	1.8	1.3	1.7
Kerala	3.5	4.0	3.3	UP	1.8	1.5	1.7
Manipur	4.6	2.9	3.1	West Bengal	1.5	1.6	1.4
Rajasthan	3.0	2.0	2.5	Pondicherry	2.1	1.9	2.0
Sikkim	2.2	2.5	2.0	**No change throughout or for the whole period**			
Tamil Nadu	4.0	4.0	3.8	Bihar	1.5	1.5	1.5
UP	4.0	2.5	2.5	J & K	1.4	1.4	1.4
Delhi	3.2	2.6	3.1	Tamil Nadu	2.0	2.0	2.0
Increase in equality in all three periods				Gujarat	2.0	1.6	2.0
Karnataka	3.0	3.1	3.4	Haryana	1.4	1.3	1.4
Mizoram	2.4	2.5	3.2	Maharashtra	2.0	1.8	2.0
Pondicherry	4.1	4.1	4.5	Meghalaya	1.6	1.7	1.6
Increase in inequality for the whole period despite a decrease or no change in P1 and/or P2				Nagaland	1.7	1.8	1.7
				Increase in equality in all three periods			
Gujarat	3.3	3.1	3.4	Nil			
Assam	2.2	1.9	3.0	**Increase in inequality for the whole period despite a decrease or no change in P1 and/or P2**			
J & K	2.4	2.5	2.5	Assam	1.5	1.3	1.6
Maharashtra	3.0	3.5	3.2	Goa	1.9	1.6	2.0
Meghalaya	2.1	2.9	2.8	Mizoram	1.6	2.0	1.7
Odisha	2.5	3.0	2.7	Sikkim	1.3	1.5	1.4
West Bengal	2.3	2.4	2.3	Tripura	1.3	1.5	1.4
				Delhi	1.3	1.4	2.0

Table 7.8: Wage inequality among casual workers

Inter-quantile dispersion ratio (P50/P 10)				Gini coefficient			
State	P1	P2	P3	State	P1	P2	P3
Declining inequality in both the periods and hence a decline for the whole period				**Declining inequality in both the periods and hence a decline for the whole period**			
Bihar	1.7	1.6	1.5	AP	0.25	0.25	0.23
Haryana	7.3	1.9	1.9	Bihar	0.24	0.20	0.19
Punjab	1.7	1.6	1.5	HP	0.22	0.19	0.17
Tripura	2.1	1.8	1.3	MP	0.28	0.22	0.20
Uttar Pradesh	2.2	1.7	1.5	Manipur	0.29	0.28	0.24
Delhi	2.5	1.9	1.5	Nagaland	0.27	0.25	0.22
Decline in inequality for the whole period despite an increase or no change in P1 or P2				Punjab	0.19	0.18	0.15
Goa	1.9	1.5	1.6	Sikkim	0.19	0.18	0.17
Himachal Pradesh	1.4	1.6	1.3	Tripura	0.33	0.20	0.15
Manipur	2.0	1.4	1.6	**Decline in inequality for the whole period despite an increase or no change in P1 or P2**			
Nagaland	4.3	1.4	1.4	Arunachal P	0.37	0.39	0.24
Rajasthan	1.7	1.5	1.5	Goa	0.30	0.19	0.26
Sikkim	1.7	1.7	1.5	Haryana	0.32	0.16	0.21
Tamil Nadu	2.0	2.0	1.9	J & K	0.22	0.18	0.18
No change throughout or for the whole period				Karnataka	0.28	0.28	0.26
Gujarat	1.7	1.9	1.7	Maharashtra	0.29	0.29	0.24
Increase in inequality in all three periods				Odisha	0.23	0.24	0.21
Karnataka	1.5	1.6	2.1	Rajasthan	0.27	0.19	0.20
Meghalaya	1.3	1.7	1.8	Tamil Nadu	0.30	0.28	0.29
Odisha	1.5	1.8	1.9	Uttar Pradesh	0.28	0.20	0.21
Increase in inequality for the whole period despite a decrease or no change in P1 and/or P2				West Bengal	0.22	0.23	0.19
Andhra Pradesh	1.5	2.0	1.6	**No change throughout or for the whole period**			
Arunachal Pradesh	1.4	1.5	1.7	Gujarat	0.27	0.26	0.27
Assam	1.5	1.4	1.9	Kerala	0.25	0.26	0.25
Jammu & Kashmir	1.7	1.8	1.8	Pondicherry	0.28	0.26	0.28
Kerala	2.0	2.4	2.2	**Increase in inequality for the whole period despite a decrease or no change in P1 and/or P2**			
Madhya Pradesh	1.6	1.5	1.7	Assam	0.21	0.15	0.25
Maharashtra	1.5	2.0	1.6	Meghalaya	0.22	0.22	0.24
Mizoram	1.5	1.3	1.9	Mizoram	0.23	0.21	0.24
West Bengal	1.5	1.5	1.7	Delhi	0.20	0.19	0.25
Pondicherry	1.9	2.1	2.3				

7.8. Summing up

There is considerable variation across states in both levels and growth rates in wages of both regular and casual workers. This is not merely due to differences in economic growth performance. It could also be due to a variety of factors including wage policies and institutions as well as human development levels. Wage elasticity with respect to growth in per capita income show that despite low growth, several states have witnessed high wage elasticity.

In the market for regular work, a larger number of states record a lower growth rate for women compared to men. An opposite picture is seen when we examine the growth performance in wages of casual workers. Inter-state disparity as measured by the coefficient of variation show an increase for both men and women in the case of regular workers. For men it increased from 0.12 in 1993-94 to 0.26 in 2011-12, whereas for women it increased from 0.26 to 0.37 for the same period. Therefore, in the case of the market for regular work for men, there is a high initial level of disparity and the same has continued with a marginal decline compared to men. The casual labour market for both men and women was characterized by a higher level of disparity in 1993-94, which has declined for both. For men, the coefficient of variation was 0.35 that declined to 0.29 during 1993-94 and 2011-12, whereas for women it declined from 0.41 to 0.29. In that sense, the inter-state disparity is the same for both men and women in casual work. That it has seen a decline indicates that there is some levelling for both men and women.

Gender disparity also presents a mixed picture. But in the case of regular work, 18 out of 25 states show an increasing disparity that is disadvantageous to women between 1993-94 and 2011-12. The scenario for casual work is somewhat better in the sense that the number of states showing increasing disparity to women is 13 out of 25. The situation is one of two opposing trends; in half the states women faced decreasing disparity where in the remaining half they faced increasing disparity. It is significant here to point out there in a couple of states (Delhi and Punjab) women enjoyed a higher wage rate in 1993-94 — but only Delhi could retain that position in 2011-12. In the case of casual work, Jammu and Kashmir and Sikkim have emerged as states where women enjoy a higher average wage than men in 2011-12. The Gini coefficients of inequality show an increase in inequality in 20 out of 27 states.

Inequality measures show that there has been a decline in wage inequality in regular work in the bottom half of the wage distribution as measured by D5/D1 for a majority of states (17 out of 27 states). For casual workers, the number of states is just half (13 out of 27). But the Gini coefficient measure of inequality show a decline for casual workers in 20 out of 27 states. This picture is exactly opposite of what is seen for regular workers.

In conclusion, the findings of inequality within the states show a decline for casual workers and an increase for regular workers. The increasing diversification of jobs with greater specialization and the introduction of new technologies and organization of work seem to have influenced greater inequality in the wages of regular workers. But the wages in the casual labour market characterized by poorly educated manual workers is perhaps converging within the states.

8. Wage policy I - Legislations and institutions on minimum wages

8.1. Introduction

In common with the universally recognized principles and practices, wage policy in India is based on the recognition of the twin dimension of wages as source of livelihood to the worker and cost to the employer. There is no single comprehensive document or statement that defines the contents of an Indian wage policy. It is reflected in various statements in official documents, semi-official pronouncements and resolutions, legislative enactments, reports of the committees and commissions and boards appointed by the government from time to time and judicial decisions. The basic tenets of wage policy as advanced in these processes primarily consist of the following: one, a worker must receive at least a minimum wage that meets the requirements of a reasonable minimum level of living for the worker and his/ her family; two, worker should receive a share in the prosperity of the employing enterprise and the economy in the form of rising wages; and, third, their wages should not be set as high as to adversely affect the survival and growth of the enterprise. Thus besides subsistence, criteria like the changes in cost of living, productivity and profitability have featured in wage policy statements and wage fixation processes. The issue of wage-cost inflation also found mention in some documents, but it was not taken up at the level of actual wage fixation as most of it took place at the individual industry level (in the formal sector of the economy) where macro-economic consideration like inflation did not feature as important consideration. Besides, the principle of equal wage for equal work and elimination of discrimination, especially one based on gender, is also a basic principle of the Indian wage policy.

Wage policy in India has been inspired and influenced by several national and international ideologies and developments. The Indian labour movement, which started gaining strength as part of the national movement for independence during the 1920s, clearly influenced the national political leadership to frame a progressive labour policy, in general, and wage policy, in particular in the post-independence period. Establishment of the International Labour Organisation in 1919, of which India became a founder member, and its adoption of conventions and recommendations — related to wages, like abolishing malpractices in wage payment, setting up a minimum wage level for workers with weak bargaining position, ensuring adequate living wage and just share for workers, equal remuneration for work of equal value and efficient allocation and utilization of manpower — had a major influence in the setting of wage policy and legislative framework for wages in India. Within a year of Independence, the Minimum Wages Act was passed by the Indian government and a Fair Wage Committee was appointed to recommend a framework for fixation of minimum and higher levels of wages. The Constitution of India adopted in 1952 proposed a 'living wage' as an objective the state should endeavour to achieve. Several other committees and commissions were set up subsequently to advice on labour and wage policy.

In 1973, the Planning Commission set up a committee on wage policy under the chairmanship of Professor Sukhamoy Chakravarty. It recommended measures to ensure minimum wages to workers and share of workers in growth and productivity, rationalization of wage differentials, reduction in wage disparity, provision for just compensation for inflation and health risks and protection of real wages while keeping prices stable and reducing unemployment. Another committee (Bhoothalingam Study Group, 1978) asked for rationalization of wage-differentials and wage disparities and linking of wages with productivity. Two national commissions on labour (First, 1966-1969 and second, 1999-2002) also dealt with the question of

wages among other issues concerning labour. On the question of wages, the first Commission emphasized the need for a wage policy which ensures industrial harmony, increase in productivity and workers' share in it, and, of course, workers' standard of living. It also asks to take the impact of wages on prices into consideration. The second NCL focused more on labour flexibility, technological changes and economic growth as considerations in setting wages. National Commission on Rural Labour (1991) recommended and laid down some broad guidelines for fixing the National Floor Level Minimum Wage, linking wages to capacity to pay and production and the concept of dearness allowance and bonus, towards setting up a wage structure.

The National Commission for Enterprises in the Unorganized Sector (NCEUS) also recommended a statutorily backed National Minimum Wage along with a National Minimum Social Security and a Minimum Conditions of Work to ensure the safety and health of the workers (NCEUS 2006 and 2008). The reasons for such recommendations will be spelt out later.

In this and the following chapter, we discuss the various concepts, principles, legislations and practices of wage fixation in India. Here we discuss the constitutional mandate on wage policy and government policy on wages. This is followed by a detailed discussion on minimum wages, which has an early legislative backup and potential coverage of all low-paid wage workers in the economy. In the next chapter, we discuss other legislative measures relating to wage payment and their implementation that have a direct relation to wage structure. In addition, we will also discuss the different wage setting practices, their historical evolution and the present scenario.

8.2. Concepts and approaches

8.2.1. Constitutional mandate

The Constitution of India accepts the responsibility of the state to ensure fair payment to workers and just distribution of income in the economy. This constitutional provision is clearly stated in the Directive Principles of State Policy. Article 39 directs the state to provide adequate means of livelihood and avoid gender-based discrimination in employment and payment. Article 42 mandates just and humane working conditions while Article 43 in the Constitution of India calls upon the State to secure 'work, a living wage, conditions of work ensuring decent standard of life' to all workers in all sectors. In a report like this that deals with the question of wages, an issue that is so central to the livelihood security of millions of workers in the country, it is only proper that we quote the constitutional directives, as follows:

Article 39. The State shall, in particular, direct its policy towards securing — (a) that the citizens, men and women equally, have the right to an adequate means of livelihood; and (b) that there is equal pay for equal work for both men and women.

Article 42. The State shall make provision for securing just and humane conditions of work and for maternity relief.

Article 43. The State shall endeavour to secure, by suitable legislation or economic organization or in any other way, to all workers, agricultural, industrial or otherwise, work, a living wage, conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities.

Though the provisions are in the nature of guiding principles and do not have the power of legal enforceability, they nevertheless make the intent of the constitution emphatically clear.

8.2.2. Committee on fair wages

The founding of the International Labour Organization (ILO) in 1919 and the flagging of the issue of minimum wages right from the beginning seem to have influenced thinking on this issue in India. Following the constitutional guidelines, the Central Advisory Council of the Government of India appointed a Tripartite Committee constituting of employers, employees and Government representatives called the Fair Wages Committee in 1948. The recommendations made by the Committee have been a reference and guide for successive legislations and wage fixing machinery. It defined three different levels of wages: Living Wage, Fair Wage and Minimum Wage. Among the three, **Living Wage** constituted the highest covering food, clothing, shelter, education of children, health expenditure and old age insurance. **Fair Wage**, envisaged as between the Living Wage and the Minimum Wage includes subsistence plus standard wage. It considers national income, productivity and the capacity to pay of the industry in the determination of its level. It should be set in such a way as to ensure continuation and growth of employment and to be comparable to similar occupations/ activities. A **Minimum Wage** was defined as one necessary for sustenance of life and some measure of education, medical requirements and amenities for the preservation of efficiency of worker. It is the absolute minimum below which wages should not be set.

The Committee recommended setting-up of a Wage Board for each state and a Regional Board for each industry to fix fair wages and regulate them. Based on the guidelines of the committee, successive meetings of Standing Labour Committee were held to establish a statutory wage fixing machinery. It was recommended that the statutory minimum wages should be fixed according to the provisions of the minimum wage legislation (Minimum Wages Act, 1948). It was the first such statutorily binding guideline which once fixed, has to be followed by the employer irrespective of their capacity to pay.

While the idea of Minimum Wage was operationalized by both Central and State governments, the idea of a Living Wage remains only at the definitional level. No precise Fair Wage is in vogue, and various Wage Boards fix wages taking into account the workers' needs, demands and the capacity to pay of the industry. But since the introduction of economic reforms in 1991, the functioning of the Wage Boards are in decline.

8.2.3. ILO Conventions and India

The issue of minimum wages was raised as an issue at the Peace Conference following World War I. The Treaty of Versailles that created the ILO in 1919 referred to 'the payment to the employed of a wage adequate to maintain a reasonable standard of life as this is understood in their time and country' as among the general principles guiding the future of ILO (ILO:2014 Minimum Wage Systems: IL Conference, 103rd Session, Geneva.) Subsequent work and deliberations resulted in the adoption of Convention No.26 at the 11th session of ILO conference held in 30th May 1928. This was followed by Recommendation No. 30 related to Minimum Wage Fixing Machinery. Subsequently the 34th session (6 June 1951) adopted Convention No. 99 on Minimum Wages in Agriculture. At the General Conference of the ILO in its 54th

session (3 June 1970) passed another Convention (No. 131) concerning Minimum Wage Fixation in developing countries.

Based on the conventions adopted by the ILO prior to 1956, the 15th session of the Indian Labour Conference in 1957 passed a resolution that laid down the criteria for Need-based Minimum Wage for industrial workers. According to the resolution, the following should be considered in fixing the minimum wage:

1) Standard working class family comprises three consumption units;
2) Earnings of women, children and adolescents to be disregarded;
3) Minimum food intake of 2700 calories for an average Indian adult of moderate activity;
4) Per capita clothing consumption of 18 yards per annum;
5) Housing rent to be calculated on the basis of minimum rent charged by Govt. under Subsidized Industrial Housing Scheme for low income groups;
6) Fuel, lightning and miscellaneous items of expenditure should constitute 20 percent of total minimum wage; and.
7) Another Supreme Court guideline in 1991 expressed that children's education, medical requirement and social recreational requirements should constitute another 25 percent of minimum wage.

The Minimum Wage Act, 1948 provides for States responsibility to ensure living wage for workers and decent working conditions. Furthermore, in this endeavour a National Floor-level Minimum Wage was fixed in 1991 following the recommendations of the National Commission on Rural Labour. There was no move to give statutory backing to this but it is revised from time to time and State Governments are persuaded to fix the minimum wages in their respective States above this floor level for all scheduled employments. We shall come back to this important recommendation later.

8.2.4. Planning and wage policy in India

Since independence, the growing consciousness of the importance and rights of labour has led to the recognition of the need for a wage structure with rising real wages. Special attentions were paid to both industrial and agricultural labour separately, particularly in the second, sixth and eighth five year plans. The First Five Year Plan contained some statements on wage movements and economic stability. During the plan the Minimum Wages Act fixed the minimum statutory wages for all major sectors including agricultural sector. The minimum wages were equivalent to the calculated income required to ensure minimum standard of living. However, later it was recognized that it has been far from effective for agricultural labour. Problems of fixing standard minimum wage across region and enforcement due to regional diversity and lack of organization were identified as the inhibiting factors in the working of this machinery.

The Second Plan acknowledged creation of industrial democracy and strong trade union movement as prerequisites for establishing a socialist society. It clearly outlined three important aspects of wage policy:

I. A wage policy should aim at a **structure involving rising real wages** via increasing productivity through better layout of plants, improvement in working conditions and training while assuring the minimum wage and protection to all workers.

II. Laying down **principles to bring wages into conformity with the expectations** of the working class in the future pattern of society.

III. The **settlement of wage disputes**. It envisages instituting Wage Boards consisting of equal representatives of employer, workers and an independent chairman, in individual industries in different areas. It was expected to be more acceptable dispute settlement machinery compared to the existing Industrial Tribunals with representation of the stakeholders.

It also took due cognizance of the existing gender-based discrimination in employment and wages and the need to implement the principle of equal pay for equal work and ensuring other benefits and employment generation policies. The Fourth Five Year Plan observed that the wage policy should consider price stability and link wages to productivity. It also emphasized good industrial relations.

Labour policies in the earlier plans were focused mostly on the organized sector. The Sixth Five Year Plan extended its coverage to the unorganized sector as well, including agricultural labourers, fishermen, handloom weavers, artisans etc. in rural and urban areas. Necessary amendments were promised to be made to provide such statutory provisions and State Governments were entrusted with the enforcement of the Central legislations. The objective of labour/wage policy as envisaged in the Sixth plan was to lay down criteria for fixation and revision of minimum wages and to evolve wage structure without impinging on the freedom of parties to negotiate wage agreements. It included elements like need-based minimum wages, adjusting real wages for rise in cost of living, allowances for occupational hazards, bonus, social security benefits etc. Certain factors that were considered to be important for wage fixation were capacity to pay, profitability and productivity, consumption pattern, cost of living and regional disparities. So, while on one hand it recognizes the primacy of collective bargaining, on the other hand, it also acknowledges the necessity of prescribing guidelines for fixing minimum wage for the section of labour vulnerable to exploitation. This is not only to assure minimum standard of living and improvement in poverty figures but also to ensure industrial harmony which is indispensable for economic progress, particularly in the core sectors.

Eighth and Ninth plans also stressed on safe and humane working conditions, social security benefits, improvement of productivity of labour and reducing malpractices in wage payment. Subsequent plans had very little to say on wage policy, as the concern had shifted more to the issues of labour flexibility, labour law reforms and skill formation. As part of the flexibility debate, issue of wage flexibility, specially, on minimum wages has been raised.

8.2.5. National Commissions on Labour

The first National Commission on Labour was set up on 24 December 1966 under the Chairmanship of Justice P. B. Gajendragadkar, a former Chief Justice of the Supreme Court of India. The Commission submitted its report in August, 1969 after detailed examination of all aspects of labour problems, both in the organized and unorganized sectors. It assessed the general wage policy of the government on the basis of industrial harmony, workers' level of living, changes in productivity, impact of wages on prices and share of wages in value added in manufacturing industries. With the passage of time due to changes in labour force, labour market composition, labour market dynamics and economic policy change leading to changes in domestic industrial climate and industrial relations, the need for reforms in existing labour laws was strongly felt.

The Second National Commission on Labour was set up on 15 October 1999 under the Chairmanship of Ravindra Varna, a veteran trade unionist and Gandhian social and political activist. It was particularly requested to suggest rationalization of existing labour laws in the organized sector and to provide guidelines for structuring umbrella legislation to ensure minimum level of labour protection and welfare measures covering workers in the unorganized sector. In doing so, it was supposed to allow for conditions conducive to flexibility in labour market, technological change and economic growth. It recommended a wage policy which should be based on a set of principles directed towards attaining social justice, higher employment level and capital formation and price stability. It also suggested grouping existing labour laws into five groups: industrial relations, wages, social security, safety, welfare and working conditions.

8.3. The Minimum Wages Act, 1948: An important legislative measure

As per the constitutional mandate and government policy towards labour, a number of labour laws were passed after independence. These include legislations having a major role in setting wage levels and structure. These are: The Minimum Wage Act, 1948; Payment of Wages Act, 1936, Equal Remuneration Act 1976, and Payment of Bonus Act, 1965. Of these, The Minimum Wages Act of 1948 is the most important given its coverage of the vast majority of wage labour in the Indian economy and the potential it has in terms of providing a route to escape the poverty trap to a significant section of these workers, especially those who work as casual labour. We therefore focus on this important piece of legislation in the rest of this paper/chapter with a view to assess the mechanism of wage fixation, coverage, and implementation.

8.3.1. Objectives, evolution and enactment

As discussed earlier, Minimum Wages Act, 1948, came into existence following successive meetings of Standing Labour Committee in 1943 and 1944 and Tripartite Labour Conferences in 1943, 1944 and 1945. The Standing Labour Committee prescribed the setting up of statutory Minimum Wage for an activity. A draft bill to fix the Minimum Wages was considered in 1945 and the Minimum Wages Bill was introduced in the Central Legislative Assembly on 11April 1946. It was subsequently passed in 1946 and came into force with effect from 15th March 1948. The lists of employments included in the schedule were divided into two parts—Part I consisting of non-agricultural employment and Part II consisting of agricultural employment. Both Central and State Governments are the appropriate Governments to notify scheduled employment and fix/ revise minimum wages, in their respective spheres.

Although the Directive Principles of the Constitution envisioned a universal coverage of the policy and living wage as the ultimate goal, and Fair Wages Committee recommended fair wages which should be above the minimum wage, the Act primarily focused on the Minimum Wages and to begin with, 25 employments were 'scheduled' for its coverage.

8.3.2. Salient Provisions, schedule, machinery for fixation and revision

The Minimum Wages Act, 1948 empowers the Government to fix minimum wages for employees working in scheduled employments, male or female. It provides for review and revision of minimum wages already fixed after suitable intervals not exceeding five years. Central Government is the appropriate agency in relation to any scheduled employment carried on by or under its authority or in railway administration or in relation to mines, oilfields or major ports or any corporation established under the Central Act. State governments are the appropriate Government in relation to other scheduled employments. The Central

Government is concerned to a limited extent with building and construction activities mostly carried out by Central Public Works Department, Ministry of Defense and agricultural farms under the Ministries of Agriculture and a few other departments. The bulk of such employment falls in the state spheres and state governments are required to fix/revise wages and ensure their implementation in respect of scheduled employment within their spheres. Enforcement of Minimum wages in Central sphere is secured through the Central Industrial Relations Machinery (CIRM).

Section 5 of the Act provides for two methods of wage fixation: **Committee method** and **Notification method**. Under the Committee method, appropriate governments form committees and sub-committees to recommend rates for fixing and revision of minimum wages. Whereas under the notification method, the government publishes the proposed wage rates in the Official Gazette at least two months in advance of the effective date and on the basis of advice and representations received during the due date, notifies the revised rates for the concerned scheduled employment in the Official Gazette.

Also in order to protect the fixed minimum wages against inflation, minimum wages so fixed have been linked to the Consumer Price Index for Industrial Workers after this was recommended at the Labour Ministers' Conference in 1988. This provision of Variable Dearness Allowance (VDA) as a component of minimum wages has allowed for revision of minimum wages in scheduled employment such that there is 100 percent neutralization. VDA is revised in April and October every year in the central sphere. The enforcement mechanism so far has been inspection, both at Central and State level.

Given the great deal of disparity in minimum wages across states in India, the Government of India initiated steps in 1987 to set up Regional Minimum Wage Advisory Committees. These committees were subsequently renamed as Regional Labour Ministers' Conference, which made a number of recommendations including (a) reducing the disparity in minimum wages between states of a region, setting up of an inter-state Coordination Council, and consultation with neighbouring states while fixing/revising minimum wages. However, there is hardly any evidence to suggest that these recommendations are being seriously followed.

8.3.3. Coverage

The Minimum Wages Act of 1948 does not discriminate between workers in the organized or formal or unorganized or informal sector; it also does not discriminate between permanent/temporary and casual/regular workers. In that sense, it has the widest reach. But in actual practice, this reach has been limited by the condition that it is applicable to only those employments which the appropriate government incorporates in the Section 27. Originally, the Act was made applicable to 25 employments including agriculture, in Central and State schedules. As per the provisions in the Act, appropriate governments can add new employments to the schedule and revise the wages. As of 2013 there are 45 scheduled employments in the Central, 1466 in the States and 188 in Union Territories (see Table 8.1). As such there is a complex web of 1699 employments with minimum wages in many of which a further differentiation is made for regions and skill levels. Section 3 of the Act stipulated that for inclusion of any employment in the schedule i.e. there should be at least 1000 employees engaged in such employment in the state. According to the Report on the Working of the Minimum Wages Act, 1948 (2013) there were in total 375 types of scheduled employments for which minimum wage rates have been fixed/ revised by the States/Union Territories. As so, many activities remain excluded and thus the Minimum Wage Act is not applicable for such occupation.

It may be noted that the Act only lays down the procedure for fixing and revision of minimum wages, but does not define the basis and level. It is generally understood that the wage fixing authorities will consider the principles laid down in the resolution of the 15th Indian Labour Conference, though they may not always be able to fully follow. As a result, one finds very large variation in minimum wage rates for the same employment/occupation across states, not necessarily always reflecting the differences in cost of living. For example, minimum wages for agricultural labourers as on 31.12.2011 varied between Rs 80 in Arunachal Pradesh and Rs 92 in Odisha to Rs 170 in Mizoram and 178 in Haryana. In 2013, the revised minimum wages for agriculture varied from Rs.80 in Arunachal Pradesh, Rs.126 in Odisha to Rs.269 in Karnataka.

Table 8.1: Coverage of employments under the Minimum Wages Act of 1948 as on 2013

Sl. No.	Government	NEP*	Remarks
1	Arunachal Pradesh	30	Uniform minimum wages (Rs.80/-) No DA
2	Assam	105	Uniform minimum wages (Rs.141.42/-) + DA 6.14
3	Bihar	88	Uniform minimum wages (Rs.168/-) + DA Rs.8
4	Chhattisgarh	46	Uniform minimum wages (Rs.132/- + DA Rs.66.57) but Rs.147 + 53.07 for 7 employments.
5	Delhi	29	Uniform rate Rs.311 - No DA
6	Goa	21	Uniform minimum wages (Rs.150/-) No DA (For Agriculture Rs.225)
7	Gujarat	54	Almost Uniform (With DA) Rs. 210-218 except 4 (< Rs. 210) and 3(> Rs. 210)
8	Haryana	50	Uniform minimum wages (Rs.205.44 - no DA)
9	Himachal Pradesh	12	Uniform minimum wages (Rs.150- no DA)
10	Jammu & Kashmir	28	Uniform minimum wages (Rs.150- no DA)
11	Jharkhand	88	Uniform minimum wages (Rs.127 + 40.17 = 167.17)
12	Madhya Pradesh	38	Uniform - Rs.118 + 94 =212
3	Central government	45	Differential rates with Dearness Allowance (DA)
14	Andhra Pradesh	73	Differential rates with DA
15	Manipur	15	Uniform minimum wages (Rs.122.10 - No DA)
16	Meghalaya	28	Uniform minimum wages (Rs.100 - No DA)
17	Mizoram	1@	Uniform minimum wages (Rs.220 - No DA)
18	Nagaland	54	Uniform minimum wages (Rs.115 - No DA)
19	Odisha	84	Uniform minimum wages (Rs.150 - No DA) (Agr. Other than ploughing Rs.126/-)
20	Punjab	71	Uniform minimum wages (Rs.240.64 - No DA)
21	Rajasthan	62	Uniform minimum wages Rs.166 - No DA (except 6 sch.)
22	Sikkim	26	Uniform minimum wages (Rs.200 - No DA)
23	Uttar Pradesh	64	Uniform Rs.100 + 100 + DA (except 3 sch., Agr., Tanneries & bangles)
24	Karnataka	79	Differential rates with DA
25	Kerala	73	Differential rates with DA
26	Maharashtra	67	Differential rates with DA
27	Tamil Nadu	73	Differential rates with DA
28	Tripura	22	Differential rates with DA
29	Uttarakhand	58	Differential rates with DA
30	West Bengal	56	Differential rates but no DA
31	Union Territories	188	Some uniform rate and some differential rate with DA.

Note: * Number of employments included in Section 27 of the Minimum Wages Act. @ All employments are reported as covered in this state. Source: Labour Bureau 2013.

As can be seen in Table 8.1, two thirds of the states in India (i.e. 20 out of 30) follow a uniform minimum wage; 13 out of this 20 do not have the dearness allowance. In four states, all in the north-east (Arunachal Pradesh, Manipur, Meghalaya and Nagaland), the uniform minimum wage is below the recommended National Minimum Wage rate of Rs.137 in 2013. In most cases the uniform minimum wage rates of many states are less than the minimum wages in states with differential rates and dearness allowances. It would appear that setting a uniform wage rate is hardly a manifestation of ensuring effective enforceability, which we shall see later. We will also see later that the prevailing wages are greater than the minimum wages in a few states, especially in the north-east states, which points to the lack of interest in revising minimum wages on a periodic basis.

A closer examination of 1699 minimum wage rates given in the 2013 report of the Labour Bureau (Labour Bureau 2013) revealed that only a miniscule of scheduled employments in the larger States of India had a minimum wage less than the recommended NMW of Rs.137. The exception to this was the notified minimum wages in the smaller States in the north-east and in some cases Puducherry. However, given the large number of minimum wages across the country, it would be extremely difficult to find out how many of the respective workers do not get the stipulated minimum wages. We therefore take the recommended NMW as a threshold to see the gap in ensuring a basic minimum wage. This is done for the all India picture with respect to 2004-05 and 2011-12 based the unit level data from the NSSO's Employment and Unemployment Surveys. State level scenarios have also been constructed but for 2011-12 for casual workers as well as casual works in agriculture and non-agriculture separately for rural and urban areas (see Tables 8.A1 to 8.A4 given in the Appendix to this chapter). The NMW rate for 2012 was worked out by taking the annual growth rate between the declared NMW of Rs.110 in 2010 and Rs.137 in 2013. This worked out to Rs.122.08 in 2012. Since an overwhelming majority of the minimum wage rates in the country exceeded the recommended NMW rate we are eminently well placed to apply this as a basic threshold. The results, presented in Table 8.2, are quite revealing.

Table 8.2: Percentage of casual workers in agricultural (rural) receiving less than the National Minimum Wage Rate of INR 66 in 2004-05 and INR 122.08 in 2011-12

Rural						
	Agriculture		**Non-Agriculture**		**Combined**	
Year	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
2004-05	87	97	60	88	78	96
2011-12	47	68	28	53	39	56
			Urban			
2004-05	77	97	45	83	49	88
2011-12	37	65	31	27	28	59

Source: For 2004-05, NCEUS (2008) based on computation of unit level data. For 2011-12: Computed from the unit level data of the NSS xxth Round.

First of all, the findings show that till very recently i.e. 2005, an overwhelming majority of casual workers, to whom the minimum wage setting is of considerable significance, did not get the recommended National Minimum Wage rate. The only exception was the casual male workers in urban areas where close to half of them failed to get. This situation seems to have improved considerably within less than a decade. In 2012, the situation changed significantly for the better for male workers. However, while the situation for female workers improved a majority of them continued not getting the NMW rate except those casual workers in urban non-agriculture.

This picture of some positive change has to be tempered, however, by a sharp regional variation in states that have now emerged as best performers with only a small percentage (say less than 10 percent) not getting the NMW and those where a majority (above 50 per cent) still do not get this minimum wage. As mentioned earlier, the detailed tables are given in the Appendix to this chapter (Tables 8.A1 to 8.A4). Below we summarize, in Table 8.3, the percentage shares of casual workers (in both agriculture and non-agriculture) not getting the recommended NMW in 2011-12 by states by classifying them as those in the first quarter, second quarter and those where a majority (51 percent and above) do not receive.

What the above results bring out is the gap between the notification of the minimum wages and the ground reality of a significant share of workers not getting even the floor level wage. States that perform reasonably well (say less than 25 percent not getting the NMW) favour mainly the male workers. The majority of the female workers seem to be highly disadvantaged in a number of states. Among the major states only four states — Jammu and Kashmir, Kerala, Haryana and Punjab — stand out as favourable to women casual workers in this respect along with the two north-eastern States of Nagaland and Sikkim. It is interesting to see that the northeastern states come out quite well in this test despite the fact that the notified minimum wages in many of them are far below the NMW. This seems to be a case of administrative lethargy or lack of priority in managing periodic revision of minimum wages as observed earlier.

Table 8.3: Percentage Share of casual workers not receiving the National Minimum Wage rate of INR 122.08 in 2011-12 in India's states

Male workers	Female workers
Less than 25 per cent	**Less than 25 per cent**
Sikkim (1.6), Kerala (2.9), Delhi (3.3), Punjab (5.6), Mizoram (11.2), J&K (11.6), Uttarakhand (12.4), Pondicherry (13.4), Arunachal Pradesh (13.7), Haryana (14.4), HP (14.8), Meghalaya (15.0), Nagaland (15.2), Rajasthan (19.6), Tamil Nadu (19.7), Manipur (21.8), Tripura (22.0), Undivided Andhra Pradesh (23.5)	Nagaland (0.0), J&K (4.1), Sikkim (8.8), Kerala (15.8), Manipur (18.2), Haryana (19.0), Punjab (21.6)
Between 26 and 50 per cent	**Between 26 and 50 per cent**
Karnataka (26.2), Goa (29.1), Assam (34.3), Jharkhand (36.2), Maharashtra (41.0), UP (43.5), Bihar (46.0), Odisha (46.8)	Rajasthan (25.4), Arunachal Pradesh (27.1), Tripura (28.2), Mizoram (30.4), Meghalaya (39.5), Odisha (43.1), HP (48.0), Pondicherry (48.4), West Bengal (49.2)
51 per cent and above	**51 per cent and above**
West Bengal (51.0), MP (56.6), Gujarat (61.8), Chhattisgarh (71.1)	UP (50.6), Uttarakhand (51.8), Goa (51.9), Jharkhand (55.0), Undivided AP (59.4), Chhattisgarh (60.9), Tamil Nadu (61.6), Delhi (64.3), Bihar (65.0), Gujarat (66.7), Maharashtra (67.1), Assam (69.2), Karnataka (76.0).

Source: Same as Table 2.

Given such a scenario, it would be instructive to understand the working of the system at the state level. This we do with reference to some states.

8.4. Selected state-level experiences

8.4.1. State of Andhra Pradesh (Undivided)[10]

Background

When we speak of the State of Andhra Pradesh here, it refers to the States of Telangana and Andhra Pradesh that came into being on 2 June 2014. The former State of Andhra Pradesh was in fact was formed on November 1, 1956, and came into being by merging the states of Andhra and the state of Hyderabad (the predecessor to the present state of Telangana). In 1960 the then existing two sets of rules viz. Andhra Minimum Wage Rules and Hyderabad Minimum Wage Rules gave way to the Andhra Pradesh Minimum Wage Rules, 1960. However, there were only two categories under the Schedule of Employments till 1978 which then rose to three and to 15 by 1984. During the next year, 14 new employment categories were added and since then, by a process of incremental annual addition, the number reached 65 by 2014. Until 2006, the Schedule of Employment did not include any category of agricultural employment but since then it increased to eight by 2014. Therefore, the process of coverage in terms of the primary requirement of notifying an employment under the Schedule has been a long one and it is likely to continue for some more time.

Fixation of minimum wages

The former state of Andhra Pradesh has followed the principles and guidelines given at the national level for fixing the minimum wages in its Schedule of Employment. First, it has accepted the five recommendations of the 15th Indian Labour Conference 1957 mentioned earlier. Second, it also accepted the Supreme Court's suggestion to include a Variable Dearness Allowance (VDA). Third, it seems to have implicitly accepted the National Floor Level Minimum Wage (non-statutory) because by 2013 there was no minimum wage that was fixed below this wage rate (i.e. INR137 in 2013). Fourthly, it is moving towards fixing differential minimum wages recognizing the skill differences.[11] For fixing the minimum wages in agriculture, each district has been classified according to three Zones based on the level of agricultural development with Zone I at the top followed by Zone II in the middle and Zone III at the bottom.

The method for fixing the minimum wages is that of the Notification Method (the other being the Committee Method) as provided in the Minimum Wages Act of 1948. It starts with notification of the proposal for fixation or revision of minimum wages in the Official Gazette followed by a waiting period of two months for receiving representations, if any, from the employers or employees. If there are representations, the Minimum Wages Advisory Board (not in existence for the last several years) is consulted before final notification. The minimum wages thus notified becomes effective from the date of publication. By and large, revisions are carried out every five years for employments where VDA has been accepted and wherever this is not accepted revisions are carried out every two years. A notable consequence of the periodic revisions is that the gap between the minimum rate and the maximum rate has widened rather than reduced. For example, in 2001 the minimum rate was Rs.26 per day and the maximum rate Rs.79 i.e. the latter was 204 per cent higher than the former. This gap increased to 385 per cent in 2013. Acceptance of VDA began only in 1989 at the central government level and it was implemented in Andhra Pradesh in 1991 excluding the agricultural employments. Agricultural workers had to wait another two

[10] This section is based on a background paper prepared by D. Narasimha Reddy (2015).

[11] In 2006, the Planning Commission had suggested a wage differential of 15 per cent between unskilled to semi-skilled, and semi-skilled to skilled workers.

decades before including VDA in their minimum wage fixation. This perhaps points to the politically weak bargaining power of the largely unorganized agricultural workers.

Coverage

This is like an 'area of darkness'. No reliable estimates are available regarding the number of workers covered. However, the Labour Department has submitted details of the number of establishments covered to the Government of India through the Labour Bureau. It shows a coverage of 143,495 establishments in 2001 and 244,553 in 2012 that is highest ever reported. However, the percentage of establishments submitting returns was reported at 4.36 per cent in 2001 and just 2.01 percent in 2012. The average daily employment shown is quite perplexing; it shows 192,714 in 2001 and 866,173 in 2012. But in 2011 the average daily employed persons shown was 3,184,614 i.e. 3.7 times the figure in 2012. It is difficult to identify establishments in the agricultural sector and one can only assume that the minimum wages are applicable to all workers in it. Information gathered from the Labour Department revealed that the number of villages covered was 26,614 with estimated workers of 9.82 million in 2005 and 11.6 million in 2014.

Implementation machinery

The Department of Labour is the principal agency for implementing the minimum wages. In the case of agricultural employments, officers from the revenue departments as well as excise department (for toddy tapping) are enlisted for inspection. Similarly, in the case of employment in public motor transport, services of the motor vehicle inspectors are utilized. The overall staff strength in the Labour Department was 285 in 2002 and 294 in 2012 but it declined sharply in 2013 to 172. Given the vast agricultural sector as well as the non-agricultural employments under the Minimum Wages Act one hardly needs to point out the inadequacy of the staff strength in the Labour Department. However it should also be pointed out that in an era of fiscal consolidation governments in India (both central and state) have been experiencing very little of growth in recruitment. Therefore, this needs to be viewed as part of a general trend in government employment.

The inadequacy and inability of inspection are revealed from the figures collected for the number of claims in the non-agricultural and agricultural sector respectively. In 2004, the total number of claims in the non-agricultural employments was 21,884, out of which 15,324 were disposed of benefiting 19,228 workers. In 2014-15, the total claims were 12,770 of which 3,921 were disposed of benefitting just 7,153 workers. In the agricultural sector, the total claims in 2004 were a mere 231 of which 88 were disposed benefitting 232 workers. Since 2012 no new claims were received/recorded. The overall picture is one of lack of information that could be due to inadequacy as well as inability in terms of inspection and monitoring.

Apart from shortage of staff, there is also a climate against inspections. Furthermore, the Labour Department officials says that they have to deal with a plethora of minimum wages in a given employment depending on skill, zone and category of work and so on. As much as 20 to 40 categories of workers are found in each scheduled employment demanding considerable time and effort in terms of revision and implementation. Workers are also often said to feel discriminated when they do not see much difference in the work performed in certain operations differentiated by minimum wages. To overcome these problems and issues, the then Government of Andhra Pradesh constituted a Committee for Simplification and Rationalization of Fixation and Revision of Wages for the Schedule of Employments under the Minimum Wages Act 1948. The Committee is reported to have recommended simplification by (i) rationalizing the existing schedule of employment into four categories, (ii) rationalizing technical categories of workers into four skill levels, (iii) rationalizing non-technical categories into four groups, (iv) fixing minimum wages

for three administrative territories (municipal corporations, municipal towns and other places), and (v) adding, as suggested by the Supreme Court in 1991, 25 per cent of the minimum wages for education, health, etc. These recommendations seem to have been inspired by the system prevalent in the State of Maharashtra.

Now that there are two new states carved out of the former Andhra Pradesh, the fate of these recommendations will depend on the priority and initiative of the new two state governments on the question of minimum wages. It must however be said that the recommendations are worth considering since they would be much easier for workers to comprehend and official system to implement.

8.4.2. Maharashtra[12]

Background

The State of Maharashtra came into being in 1960 after bifurcating the bigger State of Bombay into Maharashtra and Gujarat. Rules pertaining to minimum wages were framed in 1963. One of the first employments to include them was the composite mills (large factories), involving dyeing and printing. Workers in these industries were unionized and 80 percent of the cloth was produced in the composite mills. The introduction of minimum wages is reported to have prevented undercutting by having small units which were paying very low wages. However, the situation changed from the 1980s with a regressive trend towards setting up of small power loom units. Currently 75 per cent of cloth production takes place in the power loom sector. The number of employments in the schedule was gradually increased and it stands at 67 in 2013.

An important recent inclusion in the Minimum Wage Act is that of domestic workers, a large majority of whom are women. An Act came into being in 2008 but it took three years to set up a committee to implement the law. A Domestic Workers Welfare Board was also formed in 2011 intended to provide various assistance to the registered domestic workers. The organization of these workers under the Molkarin Sanghatana in several districts as well as the national campaign by the National Campaign Committee for Unorganised Workers and the National Women's Commission seems to have both directly and indirectly worked in favour of legislation. To this should also be added that six states (Karnataka, Kerala, undivided Andhra Pradesh, Bihar, Rajasthan and Jharkhand) have already included domestic workers under the Minimum Wages Act. It has been reported that there are nearly 12 lakh domestic workers in Maharashtra.

Fixation of minimum wages

Notification method is the principal route adopted by the Government of Maharashtra to fix minimum wages. Initial notification is followed by representations from stakeholders and others which are then vetted by the Minimum Wages Advisory Board before final notification. Minimum wages for notified employments are fixed according to three zones or areas viz., Municipal Corporations, Municipal Councils and Areas other than the above two. For agriculture there are five zones. For each zone, minimum wages are fixed for unskilled, semi-skilled and skilled workers. Ever since the Supreme Court judgment in 1991, the Maharashtra government has also accepted the principle of VDA that has to be revised every six months. Minimum wage rates for the scheduled employments are revised periodically and made available through the website of the Labour Department. The rates relate to basic wages plus a dearness allowance on a

[12] This section is based on a note on 'Minimum Wage Fixation and Wage Setting Practices at Local/Enterprise Level in Mahrashtra' prepared by Srinath Jagannathan.

monthly basis. For workers receiving daily rates, the advice is to divide the monthly rate by 26 to get the daily rate.

The institution of a less complicated system of minimum wage categories is something the State of Maharashtra has to strive for. However, some of its notified minimum wages are less than the recommended NMW. Of the 67 scheduled employments all but two have minimum wages above the NMW. But the sector with the highest number and share of workers namely, agriculture, find itself with a minimum wage that is not even three-quarters (73 per cent) of the NMW and constitutes one of the lowest minimum wages not just in Maharashtra but in the country itself in 2013.[13]

Coverage

In terms of coverage, data is quite sparse as in the case of most states in India. The number of establishments covered was reported as 3.13 million but strangely the number of employees given was 2.97 million. In 2013, the number of establishments covered was 1.29 million with a total employment of 3.98 million (Labour Bureau 2013). There are no separate statistics for the coverage in agriculture but one has to assume that it covers all agricultural workers.

Despite being one of the richest states in India (in per capita terms) as well as having a high level of industrialization and urbanization, Maharashtra's record in ensuring payment of prescribed minimum wages (or anywhere near that) is quite low. As we have seen in Table 8.3, Maharashtra is in the company of states with a high share of workers not able to secure even the national (floor level) minimum wage that is significantly lower than the notified minimum wages for 63 out of 67 scheduled employments. In 2012, 41 per cent of male casual workers received wages that were below the NMW. For women casual workers the share was as high as 67 per cent, thereby pointing to sharp gender discrimination in wages weighed against women workers.

Implementation machinery

In terms of the total staff strength there has been a sharp reduction in the Labour Department. The reported staff strength in 2010 was 605 and it declined to almost half at 319 in 2013. This seems to be a general trend in most states thereby taking out whatever little clout the Labour Department had in inspecting and monitoring the implementation of minimum wages as well as a number of other duties.

General comments

The case of power loom workers in Maharashtra requires a mention here. The basic pay for most sections of workers varies from INR 3000 to 6000 plus a dearness allowance that varies from close to 2000 to 3000. However, in the case of power loom workers, the basic pay has not been revised for the last three decades; it now stagnates at INR 230 to 350 with a dearness allowance of around INR 6300. Field investigations revealed several concerns and anxieties. A trade union activist pointed out that "there are several employers in the power loom sector employing more than 200 workers but many do not pay more than 60 percent of the minimum wage rate. Hours of work often extend to 12 hours a day. Many migrant workers are compelled to work under such conditions because their alternative is much lower wage in their villages". An official pointed out that "when there were composite mills, the existence of minimum wages prevented the growth of smaller units with lesser pay. With the decline of large factories, the situation has changed

[13] The employment is the cotton ginning and processing which has a lower than the NMW (INR122 in 2013).

for the worse for the workers". Some union activists said that workers who join trade unions are targeted for violence and bribery and other methods of influencing leaders of worker organizations are not uncommon. All these experiences points to the highly unfavourable ground reality in enforcing the minimum wages.

8.4.3. Kerala

Kerala is known as a state with relatively high wage rates in the unorganized sector. Such an impression is mainly due to the ability of workers in the informal/unorganized sector to secure wages higher than their counterparts in most, if not all, other parts in India as we noted in Chapter 4. However, such a situation is the result of a complex interplay of several factors: early organization of workers into trade unions, their political affiliation resulting in influencing the state governments to constitute effective wage-setting institutions, relatively high literacy and education of the work force and the enactment of a set of labour laws and regulations at the national level and their implementation at the state level. The first Minimum Wage Committee in Kerala dates back prior to the formation of Kerala in 1956. The first committee was formed in 1952 as a result of struggles by cashew workers by the then Government of Travancore-Cochin which later became part of the expanded state of Kerala. Since the Minimum Wages Act is also beneficial to the unorganized/informal sector workers, the institution of Minimum Wage Committees in Kerala need to be seen as part of a process of evolution of a number of formal labour institutions governing wages and working conditions in the unorganized or informal sector of the economy. These are the Industrial Relations Committees (an institution borrowed from the organized sector), Workers Welfare Fund Boards and the emergence of strong trade union organizations[14].

As of 2013, the Government of Kerala included 73 employments under the Section 27 of the Minimum Wages Act of 1948; subsequently five more have been added (Paper products, Foot wears, Private financial institutions, Photography and videography and Mid-Day Meals in Schools) bringing the total to 78. There is a high degree of public awareness about minimum wages and an active culture of organized struggles to secure them whenever the system fails to abide by the law.

Fixation

The fixing of the minimum wages is based on the principles and guidelines laid down by the 15th Indian Labour Conference as discussed earlier. In additional the principle of VDA as well as the Supreme Court judgment on adding 25 per cent for education and health is also accepted. The system of Minimum Wage Advisory Board (MWAB) is taken quite seriously in Kerala with periodic reconstitution and a schedule of work. The MWAB is reconstituted every three years and the current one was formed in 2014. It consists of 37 members with 16 each from the constituency of workers (trade unions) and employers and five officials including the chairperson. Based on a set of notified employments identified by the Labour Department, the Board constitutes sub-committees (with Board members as well as experts) and examines the existing minimum wage structure. It collects evidence through a series of sittings from the stakeholders. Such sittings are given media coverage through advertisements and information to the trade unions and employers' organizations. The active participants are the direct stakeholders viz., trade unions and employers' organizations. Through an interactive process a consensus is arrived at on the new minimum wage rates which are later recommended to the state government. What is interesting in the Kerala system is that there is provision for enhancing rates over and above the minimum to workers with longer years of

[14] For an account of the functioning of the Welfare Fund Boards see Kannan (2002) and for a detailed history of trade unionism see Nair (2006). For a history of the economic, social and political context of early mobilization of the largely unorganized rural workers see Kannan (1988).

experience. There is no link to productivity because the concept of minimum wages refers to the absolute minimum required.

The revised minimum wages are then notified by the state government for public response. Based on representations received and further perusal, final notification is issued by the government, valid for three to five years as specified. Upon completion of the term, trade unions take up the question of revision and set the system in motion once again.

The MWAB does not deal with those employments for which Industrial Relations Committees exist. This includes two Industrial Relations Committees for agricultural work in Palakkad and Kuttanad, the two prominent rice-growing regions in Kerala[15].

Coverage

While the system of fixation of minimum is quite impressive, statistics on coverage is a disappointing one as in the case of most other states in India. In 2013, the Government of Kerala reported 161,957 establishments covered under the Minimum Wages Act but only 2.5 per cent of them submitted their annual return. The employment figures of reporting establishments work out to an average employment size of 22 workers per establishment (Labour Bureau 2013). In the case of agriculture one has to assume that there is registration of establishments but all the workers all eligible for the minimum wages notified. There are also other occupations where the notion of 'establishments' does not apply; for example, tree climbing (e.g. coconut and arecanut pluckers) and loading and unloading work.

Our test of whether the casual workers — the most poor and vulnerable among the work force — are able to get at least the NMW in 2012 revealed (see Table 8.3) that in Kerala an overwhelming majority are able to secure the same. The percentage of casual workers not getting at least the NMW was only around 3 per cent in 2012 for men and 16 per cent for women workers. Although women workers in Kerala came out much better than their counterparts, in most other states the gap between them and the men should be seen as a mark of the persistence of gender discrimination in the labour market. Moreover, despite the average wage secured being higher than the NMW, women's wages were considerably lower than that of men in the casual labour market; 50 percent that of men in rural areas and 54 per cent in urban areas in 2011-12. However, in absolute terms wages of women casual workers in Kerala was the highest (Rs.121) in rural areas and second highest (Rs.129) — after Jammu and Kashmir — in urban areas[16] among the larger states.

Implementation

As of 2013, Kerala reported a total staff strength of 258 officials in the Labour Department. Although this represents one of the high worker-to-official ratios, there is hardly any way to gauge the adequacy from the point of implementation of several labour laws. If one goes by the number of inspections in 2013 (32,268), the per capita inspections works out to 130 for 248 officials (leaving ten top officials). When this issue was discussed with some of the retired officials, they were unanimous in their view that in Kerala the trade unions are quite vigilant in monitoring the implementation of minimum wages; that factor acts as a deterrent should there be temptation to default.

[15] To call them 'industrial' may be a misnomer but such is the bureaucratic practice that once a nomenclature is accepted, it is applied to all.

[16] For regular workers the gender gap is found to be considerably lower than that in rural areas. In 2011-12 it was 64 per cent and 83 per cent in rural and urban areas respectively. These were computed from unit level data from 2011-12 NSS Round.

However, the gender disparity in minimum wage fixing looks problematic, since employments dominated by women workers have lower minimum wages than those dominated by male workers. For example, minimum wages in 2013 for women-dominated cashew factory workers was INR 221 compared to the male-dominated coir manufacturing at INR 268 i.e. 18 per cent less. Similarly, women-dominated tea plantation workers' minimum wage was INR 172 compared to male rubber tappers at INR210. There is a general opinion that trade unions have not accorded anywhere near equal status to women workers be it in fixation of minimum wages, election of office bearers or sensitive to women-specific working conditions and problems. When this reached an extreme point, women workers revolted in masses as was witnessed in the two recent cases of tea plantation workers in Idukki district (in 2015) and hospital nurses across Kerala (in 2012). In the first case the flash strikes and organization by nearly ten thousand plantation workers in Munnar gave a jolt to established trade unions and their political parties. The state machinery quickly swung into action and started negotiations but through the IRC which did not have any women representatives. However, the agitating women workers were made to accept the IRC-mediated negotiations and finally a settlement was reached to hike the wages by 30 per cent. This shows that 'discrimination can be fought, on women's terms' (Jain 2015)

The agitation by nurses in private hospitals in Kerala in 2012 was sparked by a case of violence against a staff nurse in a private hospital. It became a major agitation, joined by 8 to 10 thousand nurses for effective implementation of minimum wages, revision of wages and reasonable working conditions. The established trade unions had not taken much interest in organizing the nurses dominated by women although they were working with very low wages and long working hours. Working for low wages in this sector is a consequence of the educated unemployment aspiring for service sector jobs. In this case, there was the added attraction of emigration to other countries once a nurse has had some experience. This struggle also witnessed a certain shock to established political unionism. The nurses formed a new organization called United Nurses Association with members from all over India, as their agitation had reverberated across the country with similar demands. As the civil society in Kerala was quite sympathetic to the plight of the agitating nurses, the Government of Kerala acted fast by appointing a committee that gave a report towards improving work conditions and revised the minimum wages. This became the basis for further negotiations in the Industrial Relations Committee leading to implementation of the new but revised pact.

General comments

In the Kerala context one must note that there is a strong element of collective bargaining in wage setting, including minimum wages and hence the notification method is only a consequence of the consensus arrived at through tripartite negotiations.

A recent but novel initiative started by the Government of Kerala relates to what is called Wage Protection System. Under this system, salary and allowances of employees governed by minimum wages will be directly credited to the bank account of the employees by the employers. The Labour Department will monitor the system through an understanding with the banks. This was in response to several complaints by employees in private educational institutions, hospitals and shopping malls about lower than minimum wages agreed by their employers. The WPS is an idea borrowed from the one existing in the United Arab Emirates where a large number of workers from Kerala are employed. When the idea was mooted the state government sent a delegation to study the functioning of this system which later recommended its adoption. Ever since it was mooted in 2011, it took four years to introduce the system by formally amending in 2015 the Kerala Minimum Wages Act to allow for this electronic WPS. The system is in its initial stages starting with private educational institutions, textile and jewellery shops and construction sector. The benefit is likely to be largely to the regular employees of these establishments. In the case of casual workers, a similar scheme is in operation only in the public employment programme of MGNREGS.

8.5. A National Minimum Wage

The concept of a National Minimum wage has been advanced and debated from time to time. The National Commission on Rural Labour (1991) and more recently National Commission for Enterprises in the Unorganized Sector (NCEUS) also known as Arjun Sengupta Commission (2005-09) made a strong plea for a statutory national minimum wage as a floor below which no worker should be paid. The objective of a national minimum wage is to fix a statutory minimum level of payment covering the basic need of a standard family of four consumption units, and to reduce inequality in such standards across the states. While uniform national level wage policy is desirable, it is not easy to concretize given the differences in costs and local conditions which play a major role in fixing wages. In July 1987, following the recommendations of Indian Labour Conference held in November, 1985, five Regional Minimum Wages Advisory Committees were set up. These committees were entrusted with the task of reducing inter-state disparities in minimum wages in a region and recommended coordination among neighbouring states in fixing/ revising minimum wage rates. Five Regional Minimum Wage Advisory Committees are: Eastern Region, North Eastern Region, Southern Region, Northern Region and Western Region.

Another bid to achieve this goal of uniform minimum wages is the concept of National Floor Level Minimum Wage introduced in 1991, based on the recommendations of National Commission on Rural Labour (NCRL). It was fixed at Rs 35/- per day in 1996 and with subsequent adjustment to rise in price indices the Central Government revised it several times. In 2013, the NMW was notified at Rs.137. The current rate stands at Rs 160 per day since 01.07.2015. Although it does not have any statutory backing, States are persuaded to fix and revise their minimum wages for scheduled employment and activities above or at least at par with the National Floor Level Minimum Wage. The subject has again come under discussion among the stakeholders, government, workers and industry with the trade unions demanding a statutory national minimum wage.

8.6. Issues in implementation

It goes without saying that mere legal provision of minimum wages need not guarantee its access to the intended workers, especially in countries where the enforcement system is weak (see e.g. Jones 1997). As we have seen earlier, the Indian situation is characterized by a plethora of minimum wages both nationally and within states with periodic revisions. Most of them now exceed the recommended National Minimum Wage rate. And yet the effectiveness in implementation is far from satisfactory, to put it modestly. Enforcement seems to be disproportionately left to the officials of the Labour Department through inspections. If violations are detected, prosecutions follow, resulting in fines. It is well known that the regime of labour inspections is widely perceived as ineffective in ensuring payment of minimum wages. Factors include inadequacy of staff and vehicles, widespread rent-seeking behavior of officials in the form of corruption, absence or weakness of trade unions at the enterprise/local level or, in many cases, even at the state level, the threat of job loss for workers in a context of poverty and lack of alternative job opportunities, low level of education and so on. These factors have prompted further thinking and research in this area leading to formulation of a set of strategies for effective implementation of minimum wages. For example, Benassi (2011), following the insights in compliance theory, comes out with three approaches ranging from ‘soft’ to ‘hard’ ones viz. (a) persuasion, (b) management, and (c) enforcement.

Persuasion is a soft approach involving interactions between officials and employers persuading the former to abide by the minimum wage laws. Also, 'supportive public discourse' in society. Persuasion could involve convincing the employers of the benefits of paying minimum wages through improved productivity and commitment to work on the part of workers. Management approach would stress on clear rule setting, a participative process of wage setting (e.g. tripartite committees), information dissemination to the stakeholders and capacity building for enforcement officials, employers and workers and their organizations. Enforcement approach could take a 'hard' view of implementation and that is where inspection assumes importance. But inspection has to be followed by deterrent punishment in cases of default; otherwise, effectiveness is lost. However, the reliance on this approach in India has been met with many difficulties and challenges including understaffing, lack of training, rent-seeking and many others mentioned earlier.

There is indeed a strong case for deploying all three approaches because this could produce a useful synergy, resulting in more effective implementation. However, in the case of India, as in the case of most other developing economies, there is need to recognize the structural barriers and the consequent need for a wider approach linking with policies intended for human development and livelihood security including social security. In the first place, workers should be in a position to refuse work when the wages offered are below the minimum wage. That means their reserve price should be at least equal to the minimum wage. In a situation of everyday poverty, this is impractical in several contexts as well as groups, if not all. Low wage workers are mostly asset-less or asset-poor and hence do not have the staying power. This is where anti-poverty policies and schemes have a crucial role to play. Effective public distribution of essential commodities at subsidized prices, social assistance in the form of old age pensions and subsidized consumption for children (e.g. supplementary nutrition and mid-day meals) could provide a measure of fall back and increasing the reserve price of the laboring poor. Here the effective implementation of minimum wages itself could contribute to reducing poverty as empirical studies have shown with reference to selected developing countries (see Saget 2001) as well as a more recent study on India (see Belser and Rani 2010)[17] Health care is a crucial item of expenditure and it could be catastrophic to poor labour households and therefore the provisioning of public health care is also a form of strengthening the staying power or increasing the reserve price of labour. The second structural barrier is the low level of education and any effort in adult non-formal education of such workers would enhance their awareness about minimum wage rules and regulations as indeed on an array of work and employment related legislation and other support mechanisms. The third is the presence of effective organizations of workers. This is a great challenge in the Indian context, with a sizeable presence of casual workers in many employments. While national level trade unions are addressing this issue, there are challenges involved in forming effective local level trade unions and their role in workers' education, dissemination of information, negotiations with employers and an overall climate to sustain their employment through enhanced productivity as well as payment of wages that should, at the least, abide by the minimum wage legislation. In fact, it is this larger approach that has been advocated by commissions that dealt with this issue. In particular, the NCEUS made focused recommendations in the form of (a) a National Minimum Wage below no state should set wages for employments included in the Schedule, (b) a National Minimum Social Security addressing health care, old age and death/accident, (c) strengthening of the National Rural Employment Guarantee Scheme, and (d) a minimum conditions of work ensuring no child or forced labour, safety and other basic requirements. The

[17] "Our findings show that for salaried workers, the fact that they are being paid below the minimum wage currently increases the probability of being poor by 9 to 10 per cent. For casual workers, not receiving the national minimum wage raises the probability of being poor by anywhere between 7 to 10 per cent. Similarly, complete compliance or enforcement of state-level minimum wages would reduce the probability of wage-earners being poor by 3 to 6 per cent. The marginal effects of the probit estimates also bring out that minimum wage is the third most important factor in reducing the poverty risk for the wage-earner household after education and location, if extended to all workers. Clearly this is a significant effect and strongly suggests that minimum wages, whether national or state level, may help in lifting a significant number of low-income families out of poverty." (Belsar and Rani 2010:20).

NCEUS contended that such a package will ensure the creation of a 'social floor' for the vast mass of workers in the informal sector constituting 82 to 84 per cent of India's workforce. At the same time, the NCEUS acknowledged the need for enhancing productivity of the micro and small enterprises that dominate the Indian economy as well as agriculture (NCEUS 2009: 358)[18].

[18] These proposals were elaborated in great detail in its Report on Social Security for Unorganized Workers (2006), Report on the Conditions of Work and Promotion of Livelihoods (2007/8). On specific analysis and recommendations pertaining to promotional measures in micro enterprises and in agriculture see, NCEUS (2007 and 2008).

Appendix to Chapter 8

Table 8. A1: Percentage of casual workers in Agricultural sector receiving less than National Minimum Wage (INR 122.08) (2011-12) Rural

Sl.no		Male		Female		Total
1	Mizoram	0.0	Mizoram	0	Mizoram	0
2	Pondicherry	0.8	Goa	0	Goa	1.7
3	Manipur	3.6	Punjab	6.8	Punjab	4.3
4	Punjab	4.2	Kerala	7.8	Manipur	5.6
5	Kerala	5.1	Haryana	9.2	Kerala	6.0
6	J & K	11.1	Arunachal	20.2	J & K	11.1
7	Arunachal	11.5	Rajasthan	32.9	Arunachal	15.1
8	Goa	17.1	Tripura	34.9	Haryana	18.4
9	Haryana	20.7	Manipur	35.7	Rajasthan	28.2
10	H P	20.8	Odisha	47.1	Tripura	33.8
11	Meghalaya	23.3	Meghalaya	50.9	Meghalaya	35.4
12	Tamil Nadu	24.7	Chhattisgarh	56.8	Pondicherry	38.3
13	Rajasthan	25.5	W Bengal	57.8	Uttaranchal	43.5
14	AP	28.4	UP	58.8	Tamil Nadu	44.4
15	Karnataka	31.3	MP	60.6	H P	45.9
16	Uttaranchal	32.3	H P	62.4	AP	49.4
17	Tripura	33.6	AP	68.4	Karnataka	51.4
18	Assam	48.1	Jharkhand	70.1	Odisha	52.5
19	Maharashtra	48.6	Gujarat	71.8	Assam	55.4
20	Bihar	53.5	Pondicherry	74.5	W Bengal	56.4
21	Odisha	54.4	Assam	77.3	Bihar	56.6
22	W Bengal	56.2	Tamil Nadu	77.3	UP	57.5
23	UP	57.3	Maharashtra	77.9	Maharashtra	61.7
24	MP	64.9	Karnataka	78.3	MP	63.5
25	Jharkhand	66.9	Bihar	85.3	Chhattisgarh	66.3
26	Gujarat	71.6	Uttaranchal	96.1	Jharkhand	68.2
27	Chhattisgarh	74.4	Delhi		Gujarat	71.6
28	Sikkim	100	Sikkim		Sikkim	100
29	Nagaland	100	Nagaland		Nagaland	100
30	Delhi		J & K	NA	Delhi	
	All India	47.4	All India	68.3	All India	54.2

Source: Computed from unit level data from NSS 68th Round.

Table 8.A2: Percentage of casual workers in agricultural sector receiving less than National Minimum Wage (INR 122.08) (2011-12) Urban

Sl.no	Male		Female		Total	
1	Punjab	0	Arunachal	0	Uttaranchal	0
2	Uttaranchal	0	Goa	0	Arunachal	0
3	Arunachal	0	Meghalaya	5.1	Meghalaya	2.6
4	Meghalaya	0	Kerala	10.4	Punjab	3.4
5	Kerala	6.9	Odisha	17.6	Kerala	7.4
6	Haryana	8.4	UP	30.6	Haryana	8.4
7	Odisha	13.4	Manipur	32.2	Mizoram	13.8
8	Mizoram	13.8	MP	53.4	Odisha	15.1
9	Assam	19.5	Tripura	59.7	Assam	19.5
10	Tamil Nadu	23.1	AP	65.5	J & K	26.2
11	J & K	26.2	Tamil Nadu	66.4	Goa	30.7
12	Pondicherry	33.9	Karnataka	70.2	Pondicherry	33.9
13	Karnataka	35.6	Gujarat	71.8	UP	34.9
14	UP	36.3	Chhattisgarh	71.9	Tamil Nadu	37.5
15	Bihar	37.8	Maharashtra	79.3	Bihar	40.1
16	AP	38.5	H P	100	Manipur	40.7
17	Goa	42.1	Punjab	100	MP	47.1
18	Manipur	42.2	Rajasthan	100	Karnataka	51.9
19	MP	43.9	Bihar	100	AP	54.8
20	Maharashtra	64.3	W Bengal	100	W Bengal	66.9
21	Chhattisgarh	64.8	Delhi	NA	Chhattisgarh	67.5
22	Gujarat	66.4	Mizoram	NA	Gujarat	68.5
23	W Bengal	66.8	Jharkhand	NA	Maharashtra	73.8
24	Rajasthan	71.1	Uttaranchal	0	Tripura	76.1
25	Tripura	84.6	Haryana	0	Rajasthan	78.7
26	Delhi	0	Sikkim	0	H P	100
27	Sikkim	0	Nagaland	0	Delhi	NA
28	Nagaland	0	Assam	0	Sikkim	NA
29	Jharkhand	0	Pondicherry	0	Nagaland	NA
30	H P	0	J & K	0	Jharkhand	NA
	All India	37.0	All India	64.5	All India	47.2

Source: Computed from unit level data from NSS 68th Round.

Table 8. A3: Percentage of casual workers in non-agricultural sector receiving less than National Minimum Wage (INR 122.08) (2011-12) Rural

Sl.no		Male		Female		Total
1	Delhi	0	Mizoram	0	Sikkim	3.9
2	Kerala	1.3	J& K	2.4	Kerala	5.6
3	Sikkim	1.6	Sikkim	11.7	Uttaranchal	7.6
4	Punjab	6.2	Bihar	19.9	Punjab	8.0
5	Uttaranchal	6.7	Kerala	24.0	Delhi	8.7
6	Arunachal	10.0	Arunachal	24.5	J& K	11.7
7	Meghalaya	11.0	Haryana	28.1	Arunachal	12.3
8	Haryana	11.6	Rajasthan	31.6	Haryana	12.9
9	J& K	12.2	Pondicherry	32.1	Meghalaya	13.4
10	Andhra Pradesh	13.7	Manipur	33.4	Karnataka	20.4
11	Karnataka	14.1	Meghalaya	37.8	Rajasthan	20.6
12	HP	14.6	Andhra Pradesh	41.4	Andhra Pradesh	20.8
13	Tamil Nadu	15.9	Punjab	45.0	HP	20.9
14	Rajasthan	17.9	Madhya Pradesh	51.7	Pondicherry	25.4
15	Goa	19.3	Odisha	54.8	Tripura	25.7
16	Tripura	20.2	HP	57.7	Manipur	26.6
17	Manipur	22.8	Uttaranchal	59.2	Nagaland	27.5
18	Pondicherry	22.9	Maharashtra	59.8	Bihar	29.0
19	Assam	26.2	Tripura	60.5	Assam	29.2
20	Maharashtra	26.6	Assam	60.9	Mizoram	29.4
21	Nagaland	27.5	Karnataka	62.0	Tamil Nadu	32.5
22	Bihar	29.1	Goa	64.3	Maharashtra	33.0
23	Jharkhand	34.3	Tamil Nadu	65.4	Jharkhand	36.1
24	Mizoram	36.4	West Bengal	70.7	Uttar Pradesh	39.1
25	Uttar Pradesh	37.3	Jharkhand	71.7	Goa	41.4
26	West Bengal	41.2	Gujarat	72.6	West Bengal	43.3
27	Odisha	42.1	Uttar Pradesh	80.4	Odisha	44.3
28	Gujarat	43.1	Chhattisgarh	93.9	Gujarat	47.0
29	Madhya Pradesh	52.2	Delhi	100	Madhya Pradesh	52.1
30	Chhattisgarh	71.0	Nagaland		Chhattisgarh	77.4
	All India	28.2	All India	52.6	All India	31.4

Source: Computed from unit level data from NSS 68th Round.

Table 8. A4: Percentage of casual workers in non-agricultural sector receiving less than National Minimum Wage (INR 122.08) (2011-12) Urban

Sl.no		Male		Female		Total
1	Sikkim	0	Pondicherry	2.6	Sikkim	0
2	Nagaland	0	Himachal Pradesh	4.8	Nagaland	0
3	Mizoram	0	Delhi	6.3	Mizoram	1.0
4	Delhi	3.5	Jammu & Kashmir	9.4	Delhi	3.6
5	Meghalaya	4.7	Mizoram	12.5	Jammu & Kashmir	7.0
6	Kerala	4.7	Manipur	25.4	Pondicherry	7.3
7	Jammu & Kashmir	6.7	Bihar	34.2	Kerala	10.5
8	Punjab	7.5	Haryana	37.3	Meghalaya	12.1
9	Pondicherry	8.1	Andhra Pradesh	39.8	Punjab	12.5
10	Uttaranchal	9.0	Kerala	40.4	Uttaranchal	13.4
11	Tripura	9.0	Tamil Nadu	49.8	Haryana	14.7
12	Tamil Nadu	12.3	Rajasthan	54.5	Tripura	15.3
13	Haryana	13.5	Meghalaya	58.6	Manipur	16.8
14	Andhra Pradesh	13.8	Goa	61.8	Himachal Pradesh	17.6
15	Manipur	16.3	Uttar Pradesh	65.3	Tamil Nadu	18.6
16	Arunachal Pradesh	16.8	Sikkim	65.7	Andhra Pradesh	19.0
17	Himachal Pradesh	18.5	Karnataka	66.1	Arunachal Pradesh	24.7
18	Rajasthan	21.1	Madhya Pradesh	68.8	Rajasthan	25.4
19	Karnataka	23.6	Odisha	69.8	Karnataka	31.0
20	Maharashtra	25.7	Maharashtra	71.0	Maharashtra	34.0
21	Jharkhand	26.5	Punjab	78.2	Jharkhand	34.3
22	Odisha	32.1	Tripura	79.9	Bihar	34.8
23	Gujarat	33.1	Gujarat	81.6	Odisha	37.7
24	Bihar	34.8	West Bengal	83.0	Uttar Pradesh	43.0

25	Assam	37.7	Jharkhand	87.4	Gujarat	43.5
26	Uttar Pradesh	41.6	Assam	90.0	Assam	43.6
27	Goa	44.3	Chhattisgarh	91.2	Goa	46.0
28	Madhya Pradesh	44.7	Uttaranchal	93.1	Madhya Pradesh	46.5
29	West Bengal	48.4	Arunachal Pradesh	NA	West Bengal	53.0
30	Chhattisgarh	57.9	Nagaland	NA	Chhattisgarh	67.9
	All India	27.4	All India	62.3	All India	32.3

Source: Computed from unit level data from NSS 68th Round.

9. Wage policy II - Other legislations and wage setting institutions

9.1. Introduction

In the last chapter we focused, on the basis of an overall review of the wage policy setting, on the design and functioning of The Minimum Wages Act, 1948 which has turned out to be one of the main foundational pillars of labour legislation in India despite several flaws in implementation. In this paper/chapter, we focus on the other three important legislations governing wages as well as those wage-setting institutions that have come to stay, arising out of the organization of workers into trade unions as well as legislations that have adopted the tripartite model of wage settlement.

9.2. Payment of Wages Act, 1936

9.2.1. Objectives and salient provisions

This Act was passed a little more than a decade before India became independent. It arose out of a recommendation of the Royal Commission on Labour (1929). Taking advantage of the conditions of poverty of the vast mass of laboring poor, employers in many employments, including factories and establishments, resorted to delayed payment of wages, deductions in the name of quality of output or presumed violations of norms, fines on petty mistakes or presumed mistakes and so on. The Act sought to provide a cure for such malpractices, the brunt of which was mostly borne by the low-paid labouring poor. As such The Payment of Wages Act was passed in 1936 to regulate the manner and frequency of payment of wages and ensure regular payment without delay and arbitrary deduction in the form of fines and penalties. According to the Act, employers cannot withhold wages earned by workers nor can they make any unauthorized deduction. Payment must be made before expiry of a specified day after the last day of the wage period. In case of those acts or omissions, which have been approved by an appropriate authority, fines are imposed but they are not to exceed an amount equal to three per cent of wages payable. Under the Act, workers or their trade unions can file a claim before the Authority if payment of wages is delayed or wrongful deductions are made. An appeal can also be filed against the order of the Authority. The salary in factories/establishments employing less than 1000 workers is required to be paid by 7th of every month and in other cases by 10th day of every month. Payments have to be in cash and not in kind.

9.2.2. Coverage and extension over the years

This Act initially applied to all workers whose wages on the basis of wage-period average were less than or equal to sixteen hundred rupees per month. It has been revised several times to extend its coverage. In 2005, with the amendment in the Payment of Wages Act, the wage ceiling was extended to INR 6500 per month, and later to INR 10,000 per month in 2007. At present the ceiling stands at INR 18,000 per month since 2012. A ceiling on wages for inclusion under the Act therefore means that the Act is intended to protect the interests of the low wage workers who usually are from poorer households vulnerable to exploitation.

As for the coverage of establishments, the Act was applicable, till 1963, to all the factories as defined under Section 2 (m) of the Factories Act, 1948 i.e. factories which employ 10 or more workers using power and

20 or more workers not using power. However, in 1964, the coverage was extended to the factories under Section 85 of the Factories Act, 1948[19].

9.2.3. Implementation machinery and experience

Section 14 of the Act provides for inspection method for the implementation and supervision of the Act. It specifies that an Inspector of Factories appointed under section 8 of the Factories Act, 1948, shall be an Inspector for the purposes of this Act in respect of all factories within the local limits assigned to him. The State Government is entrusted with the task of appointing Inspectors for the purposes of this Act in respect of all persons employed upon a railway to which this Act applies. However, the State Government may appoint other persons, as it thinks fit to be Inspectors for the purpose of this Act, by notification in the Official Gazette.

How effectively the inspection system works every year can only be gauged by the statistical returns the state governments send to the Labour Bureau for consolidation. There seems to be a certain lack of seriousness in sending statistical returns on a regular basis by several states. The Labour Bureau states, last year, that, 'The data is based on the Returns received from the responding states/UTs only. Returns for the year 2012 was not received from the following states/UTs despite several reminders' (Labour Bureau 2015b:9). There were 10 states (Arunachal Pradesh, Gujarat, Jharkhand, Madhya Pradesh, Meghalaya, Manipur, Nagaland, Punjab, Sikkim and Uttar Pradesh) and one Union Territory (Dadra & Nagar Haveli) which did not send the returns. Four states (Bihar, Chhattisgarh, Maharashtra, Mizoram) and Union Territory (Lakshadweep) sent what the Labour Bureau terms 'defective' returns. Based on the returns sent by the remaining 16 states and 3 Union Territories, the Labour Bureau reported that 177,723 establishments were covered under the Act; however, only 11 per cent of them submitted annual returns.

In general, the impression one gets is that there is a big gap between the intentions of the Act and its implementation across the country.

9.3. Equal Remuneration Act, 1976

Common sense and logic would demand that there should be equal remuneration to workers, irrespective of their gender, race or caste, if they are performing the same or similar tasks requiring the same effort, time, skill and responsibility. However, the real world situation is characterized by several labour market and outside-labour market discriminations and the one stubborn discrimination is the disparity in wages between men and women performing the same or similar tasks. The discrimination works at two levels; one, by segmenting jobs earmarked for women and men and two, discrimination on some ground even when the tasks performed are the same or similar. Wage discrimination could also be between men and men as well as women and women as we have seen in Chapter 4.

There has been international attention to counter this situation. The ILO came out with two Conventions on this subject; the first was in 1951 on Equal Remuneration (Convention No.100) and another one in 1958

[19] The Labour Bureau, Ministry of Labour and Employment, Government of India however states in its 2012 report that 'due to incomplete response, data in respect of factories under Section 85 have not been included in the statistics of earnings till 1982' (Labour Bureau 2012:2).

(Convention No.111) against discrimination in employment and occupation. The United Nations General Assembly adopted a Convention on the Elimination of all forms of Discrimination against Women (CEDAW) in 1979 and recognized 'pay equity' as a right of women.

9.3.1. Objective

The Directive Principles of State Policy in the Indian Constitution had declared, under Article 39, 'the State shall direct its policy towards securing equal livelihood opportunities and equal pay for all citizens, both men and women'. However, it took almost three decades for this directive to become a law in the form of The Equal Remuneration Act, 1976.

There are two major objectives which this Act intends to implement. First, it provides for equal wages for work of same and similar nature to male and female workers. And second, it protects discrimination against women employees in recruitment, promotion and training, unless it is forced by law. Thus, it protects the right of women of equal opportunity and treatment at workplace.

9.3.2. Coverage

The Act is implemented by the Central Government in relation to employments which are either directly carried on by Central Government or under the authority of the Central Government or a railway administration, or related to a banking company, a mine, oil field or major port or any corporation established by or under a Central Act. In respect of all other employments in establishments which are not within the ambit of the Central Government, the implementation rests with the State Governments.

The Act, though applicable to all workers and employers irrespective of the nature of work and size of enterprise, does not specifically define an establishment to which it is applicable, but makes reference to the definition of employer as provided by section 2 of the Payment of Gratuity Act, 1972. Thus, it applies to establishments employing ten or more workers.

9.3.3. Implementation

Implementation mechanism for the Act includes (i) appointment of an Advisory Committee by the appropriate government (i.e. both the Central and State Governments) to advise on employment opportunities and nature of employment for women; (ii) Labour Officer or officer of similar rank for hearing and deciding claims and complaints regarding violation of the Act; and (iii) Inspectors to investigate whether the rules made under the Act are being complied with by the employers. As in the case of The Payment of Wages Act, 1936 the implementation of this Act is also quite ineffective given the continuing large gaps between the wages of men and women workers as we have shown in Chapter 4.

9.4. Payment of Bonus Act, 1965

9.4.1. Concept: Deferred wage/profit sharing

There are two concepts of the bonus as discussed in the policymaking and academic discourse, i.e. bonus as profit sharing and bonus as deferred wage. According to the profit sharing theory, a bonus should be linked to the profit of the establishment and to be paid to the employees only when it makes profit; whereas

deferred wage concept considers a bonus as a part of the wage which should be paid to the employees irrespective of the profits of the establishment. In this approach, bonus is seen as a means to reduce the gap between 'living wage' and the currently paid wage.

The Payment of Bonus Act, 1965 provides for payment of bonus to persons employed in certain establishments with minimum and maximum limits. The Act makes it a statutory right of the worker to get a minimum bonus (8.33 % of wages/ salary) irrespective of the profits of the employer and a bonus proportional to the wage (with a maximum of 20 % of wages/ salary) if the allocable surplus exceeds the amount of minimum bonus as set by the Act. Bonus is to be paid on an annual basis, within a period of eight months of the closure of financial year.

9.4.2. Coverage: Enterprise/ workers

This Act applies to all factories, and establishments in which twenty or more persons are employed on any day during an accounting year. Also an establishment to which this Act applies continues to be governed by the Act even if the number of workers at any time falls below twenty. It covered initially all employees whose wages are less than INR 3500 rupees per month, skilled or unskilled, working in any industry. However, later in 2007, with the amendment of the Act those workers whose average monthly salary is up to ten thousand rupees are eligible for a bonus.

Every employee who has worked in an establishment for at least thirty working days in a year is entitled to receive a bonus from employer in that accounting year subject to the condition that he is not dismissed from service for fraud or other inappropriate conduct as mentioned in the Act, leading to some kind of loss to the establishment.

9.5. Wage setting institutions and practices

9.5.1. Historical developments

9.5.1.1. Collective bargaining

The history of collective bargaining in India can be traced back to early 1920s. Bargaining in industries was at a very nascent stage at that time and it was not very common to regulate labour management relations. The need for collective bargaining and hence trade union movement as dispute settlement mechanism in industrial sector arose with the advent of factory system in India. This mechanism of settlement of disputes related to wages and other employment related benefits and working conditions is specific to organized labour sector, leaving the majority of workers in the unorganized/non-unionized sector. The trade union movement in the early 20th century has been instrumental in creating the awareness and establishing the foundation for collecting bargaining. So we turn to a brief outlining of the origin and evolution of collective bargaining in India.

The modern factory system set its foot in India during 1850s with the establishment of Cotton Mills in Bombay and Jute Mills in Calcutta. However, industrialization could make any significant progress only after 1920s. This brought into being a new class of workers who were wage earners. Along came the changes in working environment, new line of production and miseries of factory system, e.g. excessive hours of work, poor working and housing condition, high death rate etc. Initially the workers had no say in

the wage fixation process and had to be content with the amount negotiated individually or as fixed by the management which were mostly exploitative. The growing consciousness among the workers and concern among some social workers and philanthropists led to the formation of first Bombay Factory Commission in 1875 and few other committees to enquire into worker's problems. Afterwards, some workers' associations were formed in industries in Bombay, Ahmedabad, Madras and other parts of pre-independent India. N.M. Lokhandey, MK Gandhi, BP Wadia are some leaders who played crucial roles in the initial phase of the movement. The movement progressed at a greater pace after World War I with the influence of war, upsurge of nationalist movement, Russian socialist revolution and establishment of ILO. The Indian Trade Union Act, 1926 provided recognition of unions and union activities.

There were instances of prolonged and large scale strikes by trade unions, especially in the cotton textile industry in Bombay and Kanpur and jute mills in Calcutta and tea plantation in Assam during the 1920s and 1930s which resulted in a significant increase in wages and improvement in conditions of work. The Bombay Industrial Dispute Act of 1938, created an atmosphere conducive to the growth of collective bargaining in the country. The establishment of bodies like Indian Labour Conference and the Standing Labour Committee in 1942 created an environment much needed for the success of collective bargaining in the country. The Bombay Industrial Relations Act, 1946 incorporated the provision of settlement of industrial disputes by conciliation officers and the Board of Conciliation. The Industrial Disputes Act 1947, allowed the Works Committee in addition to the other settlement authorities which further paved the way for growth of mutual negotiations in industries.

In the first five-year plan (1951-56), it was stated that the workers right of association, organization and collective bargaining was to be accepted without reservation as the fundamental basis of mutually satisfactory relationships. The Industrial Policy Resolution of 1956 further declared that in a socialist democracy, labour is a partner in the common task of development. A Code of Discipline in Industry was adopted in 1958 by the Indian Labour Conference, which affirmed the principle to settle all future differences, disputes and grievances by mutual negotiation, conciliation, and voluntary arbitration. The Code helped to facilitate the process of collective bargaining by placing a moral obligation on employers to recognize trade[20] unions as bargaining agents. But in the absence of any statutory backing it turned out ineffective. This led to the continuation of collective bargaining as per the guidelines of Industrial Dispute Act, 1947. Between 1961 and 1967 recognition was secured for 48 trade unions in the center and for 268 unions in the states. The Inter-Union Code of Conduct was also agreed upon during the same period, under which the four central labour organizations agreed that every employee should be free to join the union of his choice and no coercion should be exercised in the matter. Also, there should be no dual membership of unions and the ignorance and backwardness of workers should not be exploited by any organization.

From 1970 onwards collective bargaining took a more general form. It widened its scope from plant or enterprise level to the industry or the national level. With the constitution of Joint Wage Negotiating committee (JWNC) for the steel industry at the national level, collective bargaining became centralized. A bipartite, national apex body was set up in 1975 by the Government to address the general problems of industrial relations in the private sector. On the recommendations of the national apex body, National Industries Committees were set up. In the post-reform period (1990's onwards), however, the situation has reversed. There are hardly any industry level negotiations, either regionally or nationally. Most of the bargaining takes place at the enterprise level.

[20] Trade unions usually mean association of workers. But employer's associations are also regarded as trade union.

9.5.2. Dispute settlement machinery under the Industrial Dispute Act, 1947

The Industrial Dispute Act (IDA) provides for settlement machinery for any industrial disputes including that relating to wages. In fact, a fair percentage of disputes have been related to wages. According to the Indian Labour Statistics (2011), 17.9 % of industrial disputes and 21.2 % of industrial disputes were related to wages and allowances during 2008 and 2009 respectively. Besides, 3.6 % and 4.9 % of industrial disputes were related to bonus in the respective years.

Any dispute may be settled either through negotiations with state intervention or without state intervention. Industrial Dispute Act makes provision for the investigation and settlement of such industrial disputes. As provided by the Industrial Dispute Act, 1947 following are the five dispute settlement machinery in industrial sector in India. They are 1. Works Committee, 2. Conciliation, 3. Court of Inquiry, 4. Adjudication and 4. Voluntary Arbitration.

a. Works committee

The Act directs the appropriate government to make the employer constitute a Works Committee in enterprises with hundred or more workers. The committee should have representatives of employers and at least equal number of representatives of employees. The objective of setting up such bipartite committee is to promote good industrial relation by bipartite negotiation.

b. Conciliation

Conciliation refers to involvement of an independent third party which mediates and promotes settlement of a dispute. The representatives of the two parties — employers and employees — are brought together before a third party to discuss and arrive at a mutual agreement. The role of this third party is only to facilitate the process and not to impose any decision. Conciliation is a state intervention to settle industrial dispute. The conciliation process may take place either by appointment of Conciliation officers or Boards of Conciliation. In a Board, the chairman is an independent person and other members are representatives of disputing parties in equal numbers and are appointed on the basis of recommendation of the parties.

c. Court of inquiry

The central or state government may constitute Court of Inquiry for inquiring into the matter related to industrial dispute. The chairman and members of the board are independent persons and are appointed as required.

d. Adjudication

Adjudication is a process of industrial dispute settlement by state intervention via involvement of judiciary. Here the legal authority appointed is usually a Judge of High Court or equivalent authority. The settlement made is binding on the parties. Industrial Dispute Act provides for three-tier adjudication machinery.

e. Labour Court

The appropriate government may constitute one or more Labour Courts by official notification for the adjudication of industrial disputes related to matters specified in the Second Schedule. It consists of only one person of the rank of Judge of High Court.

i. Industrial Tribunal

The appropriate government may constitute one or more Industrial Tribunals for the adjudication of industrial disputes related to matters specified in Second Schedule or Third Schedule. It relates to wages, compensatory or other allowances, bonus, PF, profit-sharing, conditions of work, retrenchment and other issues.

ii. National Tribunal

Though the Labour Courts and Industrial Tribunals are formed by State or Central government, the National Tribunals are constituted by Central government only for the adjudication of industrial disputes involving industrial establishment situated in more than one state, affected by the dispute. It consists of only one person of the rank of Judge of a High Court. An order appointing a Labour Court, Tribunal or National Tribunal also specifies the period within which the judgment or award has to be submitted to the appropriate government.

The Central or State government may refer a dispute to a Board for assisting settlement of dispute. After the investigation, the Conciliation Officer (CO) is required to submit the report within fourteen days of the commencement of conciliation proceedings. If no settlement is reached, the government may refer the case to the Board or Court or Tribunals. If the dispute is referred to the Board, it is the duty of the Board to investigate the matters and induce the parties to come to a fair settlement. It is supposed to submit the report of its proceedings within two months of its commencement. If the dispute is still not settled it may be referred to direct judicial intervention or adjudication. A dispute thus referred to the Labour Court/ Tribunal/ National Tribunal is preceded expeditiously and report has to be submitted within six months or any specified period. Also the appropriate government has the power to transfer the proceeding under this Act pending before an adjudication authority to another Court or Tribunal for quick proceeding and award.

e. Voluntary arbitration

Arbitration is a process in which an independent third party listens to the parties in dispute, investigates the case and takes decision which is binding on the disputing parties. There are two types of arbitration: Voluntary Arbitration and Compulsory Arbitration.

In Voluntary Arbitration, the appointment of arbitrator or arbitrators is by mutual consent of the disputing parties and the dispute is referred to arbitration before it is referred for adjudication. Here the arbitrator acts only when the dispute is referred to him/her. Whereas in Compulsory Arbitration the arbitrator is appointed irrespective of the consent of the disputing parties and the respective parties has to comply with the decision of the arbitrator. Compulsory Arbitration is adopted when the parties fail to come to a settlement by bipartite negotiation or voluntary arbitration. Section 10A of Industrial Dispute Act provides for voluntary reference of disputes to arbitration. It also states that in case no decision is reached at by the arbitrators, another person will be appointed as umpire whose decision will be taken as the arbitration award for the dispute. This, however, did not change the situation, and tripartite wage boards became the principal machinery of wage fixation since 1957.

9.5.3. Wage Boards

9.5.3.1. Constitution and functioning

Wage Boards are tripartite committees formed by government constituting of representatives of employers, representatives of workers and independent members representing the public. The Wage Boards are

entrusted with the task of recommending wages, compensation, gratuity, number of hours of work and revisions in wages from time to time for a particular industry they are appointed for. Of these, wage fixation is the primary objective of the Board. In principle it is supposed to work out a wage structure based on the recommendations of Committee on Fair Wages. However, it also takes into account other criteria like need to maintain industrial production, adjust wage differential such as to provide incentives to workers for skill improvement, due allowance for fair return to capital, ensure fair allocation to depreciation and reserve, remuneration to management and prices. Representation of three parties in the Board fulfils the objective of improving industrial relation through negotiations and participation in determining wages and employment conditions. Though the history of Wage Boards in India is much older, the first such wage board was set up by the government in 1957 in cotton textile and sugar industries.[21] It was the consequence of Bombay Industrial Relations (Amendment) Act, 1948 which was the first such legislation to include provision for establishing Wage Board for any industry covered by the Act.

Wage Boards were constituted with the idea of providing for a wage fixing machinery for the organized labour sector which was at a very nascent stage of development and didn't have adequate bargaining power during the 1950s and 1960s. Though the reference has been made before, it was only in the second plan that the need for industrial wage boards was emphasized as wage dispute settlement machinery. This was also discussed in the 15th Indian Labour Conference in 1957, after which different Wage Boards were appointed for different industries. However, all the wage boards were not statutory and so their recommendations were not binding by law. Only the Wage Boards for journalists and non-journalist newspaper and news-agency employees were statutory in nature. Due to this the relevance of non-statutory Wage Boards has declined over time and the last such board was setup in 1966 (with the exception of sugar industry).[22] Cement, jute, rubber plantation, coal mining, ports, tea, coffee, leather goods, iron and steel, limestone are some other industries for which the Wage Boards had been set up during this period. In many industries, the appointment of Wage Boards has been the result of demands and pressures on the part of workers' associations and trade unions.

Recognizing the regional variations in condition of industry and cost of living, most Wage Boards adopted a region-cum-industry approach in determining wage levels and structures. They dwelt in detail upon the concept of need-based minimum wages, as propounded by the 15th Indian Labour Conference in 1957 and adopted a rather some version of it for minimum level of wages. Beyond that they generally maintained the historical relativities among different levels of occupations and employments. Among other criteria, the capacity of industry to pay was hotly debated in terms of its concept and measurement and adopted by different Boards in one form or other. They generally accepted the principle of periodical adjustment of wages to the rise in cost of living, in the form of dearness allowance, with hundred percent neutralization of rise in Consumer Price Index at the lowest level and progressive decline in its extent at higher levels of wages.

9.5.3.2. Present status of Wage Boards

As discussed, the importance of the non-statutory Wage Boards has gradually declined over a period of time and no non-statutory Wage Board has been set up after 1966. Wage Boards in various industries like rubber, cement, jute, cotton, sugar, tea coffee etc. has been abolished. This was also recommended by the second National Commission on Labour in 2002. The trade unions, having grown in strength in these industries, were supposed to be able to negotiate their wages with the management. The only statutory

[21] The Wage Board for the said industry was non-statutory in nature.

[22] In the sugar industry the last Wage Board was constituted in 1985,

Wage Board is for journalist and newspaper employees. The Working Journalists and other Newspaper Employees (Conditions of Service) and Miscellaneous Provisions Act, 1955 provides for regulation of conditions of service of working journalists and non-journalist newspaper employees continues. Since 1955, six Wage Boards has been constituted under this Act. The Section 9 and 13 C of the Act, provide for constitution of two Wage Boards for fixing/revising rates of wages in respect of working journalists and non-journalists newspaper employees, respectively.

There have been a number of petitions demanding its abolition which argued that due to significant socio-economic changes in the Indian economy particularly after liberalization, the need for such institutions has disappeared. The journalist and newspaper employees are now paid fair wages and compensation to attract and retain skilled and qualified individuals in order to sustain in the competitive environment. They stressed on the invalidity of the Act as being outdated as most of the Wage Board decisions has been invalidated. However such petitions have been rejected and the provision for Wage Boards to look after the wage related issues and other conditions of work of newspaper employees are still being regulated through the Act. The Government of India constituted two Wage Boards (Majithia Wage Boards), one for working journalists and other for non-journalists newspaper employees in 2007 as sixth Wage Board under the Chairmanship of Justice Majithia as per the provisions of the Act. The recommendations of the Board were accepted by the Government.

9.6. Collective bargaining at industry/ enterprise level

At present, collective bargaining takes place at three levels. National-level industry bargaining takes place in core industries usually owned by central government or having a major role as employer. Some of them are banks, coal, oil, and ports. In these industries the pay scales of government employees are determined by pay commissions and wage rates for some industries are determined by Wage Boards.

Industry-cum-regional level bargaining is more practiced in sectors dominated by private sector enterprises like cotton, jute, sugar, tea plantation etc. Here, the decisions related to basic wage rates and other benefits are taken at the industry level while certain incentives and allowances are decided at the regional level, taking into account the needs and circumstances of the workers. However, over the past few decades the practice of region-cum-industry level bargaining has declined.

Collective bargaining at enterprise or plant level is now more common in private sector. In these plants there is no uniform bargaining procedure, it depends on the management and trade union (unions) in the plant. On the one hand, this kind of decentralized bargaining in one hand may reduce the bargaining power of the union and may be adversely affected in case of managerial crisis; on the other, it could help in faster resolution of issues and higher wage rate depending on the capacity to pay of the establishment. But there are also situations where managements seek to avoid collective bargaining either through weakening trade unions or opposing the presence of unions. These are matters of empirical investigation to which we now turn.

9.7. Wage fixing practices at the enterprise level: State level experiences

9.7.1. Andhra Pradesh (Undivided)[23]

The information and analysis presented here is based on a study carried out for this report (Reddy 2015). Thirty enterprises were covered in the study spread across four districts viz. Hyderabad, Ranga Reddy, Medak and Mahabubnagar. Therefore, the study area covers the present state of Telangana. The main source of information was the Human Resources (HR) division of enterprises (or those dealing with wages and employee relations in the case of small enterprises), and the information included type of the products, size of employment broadly in terms of permanent and temporary categories, and the wage fixing process followed.[24] This information was supplemented by the unions or workers in these enterprises. The size of the thirty units vary widely from a mere 10 workers in one case to 9507 in another unit. The information given is broadly of two categories of workers viz. permanent and contract. Contract workers would include the entire range of workers like temporary, casual, trainees and learners, apprentices and 'fixed period workers', who do not seem to have any employment or social security. The skill levels within permanent and temporary workers vary. For the sake of convenience and also based on the industry perception, the permanent workers are classified into four levels viz. (i) Highly Skilled, (ii) Skilled, (iii) Semi-Skilled, and (iv) Unskilled. Among the 'contract' workers, there is no reporting of 'Highly Skilled' and hence only three categories.

9.7.1.1. Some Basic Characteristics

With this expectation, the enterprises are grouped into five size-classes, as shown in Table 9.1. The majority of the units (17) are in the relatively lower size classes of less than 300 workers, while the rest are distributed in the larger size-classes. What is somewhat surprising is that size has no relation with the composition of the permanent and contract workers. On the contrary, the largest (>1000) enterprises have the highest (65 per cent) proportion of contract employees, while even in the smallest size category (10-100) permanent workers constitute majority share.

The highest proportion of contract workers are in the Electrical and Electronics category (66.43 per cent). It is because of the two large units Bharat Heavy Electricals Limited, a public sector unit, and Toshiba, a private sector unit, respectively employing 63 to 75 per cent in the category of contract workers. But within the electrical category, the other relatively smaller units have the majority of workers in the permanent category. Chemical and Pharma units also have a high proportion of workers in the contract category. By contrast, the 'General Engineering' group of enterprises have the highest proportion (75 per cent) in the

[23] This section is based on the background paper by Reddy (2015).

[24] One of the toughest tasks faced by a researcher working on labour and industry related issues is in seeking information at the enterprise level. There are many narratives by researchers on the difficulties faced in collecting information from the Human Resource or any other branch of the management, even if it is clear that information sought is in no way relates to confidential issues, and the information sought lies within the territory of that which the enterprise is obliged to submit regular returns on, which are in the public domain. They shirk even to share annual reports which are published for circulation. The experience of the present study is no different. About 45 enterprises had to be approached to succeed in reaching the sample target of 30 enterprises. First, there were instances where they insisted on a letter from the Commissioner of Labour directing them to share information, when it was quite obvious this would be difficult to obtain through the bureaucracy. Then, there were outright refusals to entertain any visitor or researcher seeking any information. In some cases they would politely decline saying, they had no power to share any information without the permission of senior management, which seems like an abstract entity. And some would ask for a schedule or a questionnaire suggesting that they would fill and return it, but one would realize after a few visits that nothing was going to come. Some enterprises provided the wrong information deliberately, even down to the number of employees, which upon verification with the unions or other sources turned out to be misleading. Of course, there were a few exceptions where the information was forthcoming without much persuasion. In any case, without the help of the unions in most of the enterprises the task could not have been completed.

permanent category, followed by 'Food and Beverages' (64 per cent), 'Automobiles'[25] (57 per cent) and 'Others' (57 per cent), and this is in spite of the fact that enterprises in 'General Engineering' and 'Automobiles' are relatively small units.

In the determination of the level of wages and the type of employment, the expectation is that skill levels play an important role. Ideally, information on the skill-wise distribution of number of workers and the levels of their wages/salaries would be helpful in the analysis of the skill-wage linkages. But the enterprises did not provide skill-wise strength of employees; what they did provide was information on the existing categories of skills under permanent and temporary type of employment as well as the wage levels. In the majority of enterprises there is no employment under 'High Skilled' category even in the permanent category. In all enterprises, except two out of thirty, there exists a 'Skilled' category of employment. The two exceptions are in the 'Others' group, both belonging to building materials, one providing fly ash bricks where wages are paid per group on piece rate basis, and the other engaged in wood work and furniture. And in both these units there is no permanent employment, but all are in the casual but not even written contract category. A little over half of the enterprises (17 out of 30) employ 'Semi-Skilled' category under permanent type of employment. There are relatively a few enterprises (only seven out of 30) that employ 'Unskilled' under permanent employment. There are no 'Unskilled' permanent workers in 23 out of 30 units. Most of the units — 23 out of 30 — employ 'Unskilled' workers as contract workers. One broad observation that could be made out of this analysis is that most of the 'Skilled' or 'Semi Skilled' are in permanent employment, the 'Unskilled' mostly ending up as contract employees.

9.7.1.2. Type of employment and range of wages of permanent and temporary workers

There are wide variations in the wages not only between the different levels of skills but also for the same skill in different enterprises. Also, there are differences in wages between permanent and contract employees for the same skill within the same enterprise. Table 1 provides a summary statement of the range of wages for different skill levels for permanent and contract workers in enterprises belonging to different industrial groups. For instance, for 'High Skilled' the lowest level of wage at the starting level varies from Rs. 12,000 per month in 'Chemical and Pharma' units to Rs. 23,000 in 'Others' category, which is almost twice that of the lowest level.[26] A similar variation of 100 per cent is found at the highest level, and similar variations are found in the case of 'Skilled', 'Semi-Skilled' and 'Unskilled' categories as well. The inter-industry and intra-industry variations in the wages for the same category of workers are prevalent not only in the case of permanent workers but also in the case of contract workers.

Table 9.1: Type of enterprises and range of wages for permanent and contract Workers (in INR)

Sl. No.	Name of the units	No. of Units	Permanent				Contract		
			High Skilled (A)	Skilled (B)	Semi-Skilled (C)	Un-skilled (D)	Skilled (B)	Semi-Skilled (C)	Un-skilled (D)
I	Automobile	3		8,500-20,000	7,000-12,000			7,000-10,000	7,000-9,000
II	Chemical and pharma	4	12,000-30,000	8,000-28,000	6,800-25,000	5,500-23,000			5,000-13,890
III	Electronic / electrical	4	23,536	7,500-30,000	8,300-21,407	7,500	15,800	12,000-13,500	6,500-10,500
IV	Food and beverages	5	21,000-60,000	11,800-40,000	7,800-19,000	11,200-18,500	7,860	7,860	6,900
V	General engineering	3	35,000	11,500-27,500	10,000-20,000	15,000			6,000-9,000

[25] The 'Automobiles' here refer to automobile components and servicing only.
[26] Here wages are all inclusive monthly wages, not the scale of pay.

VI	Others	11	23,000-45,000	6,000-30,000	6,500-20,000	12,000	7,200-14,000	5,300-12,000

Note: Range of wages include total monthly emoluments including a dearness allowance. The range includes the minimum total wages at the entry point to the wages at senior level indicating the upper limit.
Source: Annexure II.

9.7.1.3. Methods of fixation of wages

From the sample survey of enterprises in Andhra Pradesh certain broad features of the methods of wage fixation emerge. First, the method of collective bargaining is widely prevalent, but the bargaining is confined to the unions of permanent workers and the wage agreements are confined to permanent workers alone. Unionization of contract workers is not encouraged by the management, and there are wage agreements which clearly state that it shall be applicable to permanent workmen, and 'shall not apply to temporary/contract workmen, casuals, Trainees & Learners, Apprentices under the Act and Fixed Period Employees …' Second, collective bargaining is confined to enterprise level and almost all collective bargaining agreements are enterprise-based agreements. There are no industry level bargaining agreements applicable to the local or regional enterprises in Andhra Pradesh. It was also clarified by the Commissionerate of Labour in the state that it was the relative wages prevailing in different types of industries in the region rather than the industry-wide wages across regions that influence the wage fixation.

Table 9.2 shows the methods of fixation of wages in enterprises under different groups of industries. Out of the thirty units surveyed, two units do not have permanent employees and hence it leaves only 28 units with permanent employees out of which three are public sector units where wage determination is based on a combination of 'pay revision committee' for executive employees, and collective bargaining for non-executive category. In the case of permanent employees of the rest of all the 25 enterprises wages are fixed through collective bargaining, and the agreements thus reached are valid for three years. In the case of contract workers, there is no recognition of unions and therefore no formal channel of bargaining. In 28 out of the 30 enterprises, the wages of contract workers are linked to statutory minimum wages fixed by the state. Any deviation from the statutory minimum wages is likely only at the contractor level but not at the enterprise level. In the case of two units, the wages of contract workers are fixed by management discretion and are less than the statutory minimum wages.

Table 9.2: Type of enterprises and method of fixation of wages

Sl. No.	Name of the unit	Permanent			Contract	
		Through collective bargaining with unions at plant level	No collective bargaining, but through Minimum Wages Act	Role of government/ pay revision committee	No collective bargaining, but through Minimum Wages Act	Any other method
I	Automobile	3			3	
II	Chemical and pharma	3		1	4	
III	Electronic / Electrical	2	1	1	4	
IV	Food and beverages	3	1	1	5	
V	General engineering	3			3	
VI	Others	11			9	2
	All	25	2	3	28	2

9.7.1.4. Role of unions in the fixation of wages

The above analysis shows that enterprise level collective bargaining is the method widely prevalent in fixing wages of permanent workers in most of the enterprises studied. Unions play a vital role in preparing a charter of demands for negotiation every three years, of which wages occupy the primacy of place. Of the thirty sample units, all except four units have workers' unions which actively participate in collective bargaining. Of the four units where there are no unions, two are small enterprises which employ of 10 to 20 workers, all of whom are on casual or contract basis. Of the other two, one enterprise is relatively new and the efforts to form unions are still in early stages, and the other is facing the management resistance towards formation of a union.

The response of the unions and workers was unanimous: their success in achieving better wages was largely due to the efforts of the workers' unions. Particular mention was made of the payment of Variable Dearness Allowance (VDA), which was rarely extended automatically once it was announced, but had been achieved through union efforts and workers' mobilization. In one case, the VDA was not paid for years until a union was formed and workers were united in demanding better wages. Of the thirty enterprises surveyed only five have reported that wage levels were less than the minimum wages, and of this five, three are the ones without unions.

9.7.1.5. Role of government in wage fixation

The role of the Commissionerate of Labour is largely confined to inclusion of certain employments periodically in the Schedule under the Minimum Wages Act, fixing and revising minimum wages, notifying every quarter the increase in the VDA based on the changes in the Consumer Price Index (CPI) and enforcement of the minimum wages through regular inspections. Besides, the Commissionerate of Labour also provides conciliation officers whenever there was an impasse in the negotiations and help in reaching a collective agreement. But the general feeling among the workers and unions is that the state machinery is not effective in enforcing minimum wages and that there has been a bias in favour of management when dealing with the grievances of workers. In the sample units, the role of Labour Department is seen as largely confined to notifying the wage agreements reached by unions and managements through collective bargaining.

9.7.1.6. Role of comparing wages in other enterprises in the area

There is no explicit evidence as to the role played by the comparison with other units in fixing wages. However, based on the broad responses of the unions and workers in the enterprises surveyed, comparison with the prevailing wages for similar skill levels in other enterprises in the region appears to influence the wage agreements in many enterprises. Evidence summarized in Table 9.3 show that in the case of the industrial group 'Food and Beverages' and 'General Engineering', there does not seem to be any such comparative consideration. But in fixing wages in 12 units there appear to be comparative consideration of wages in other industries in the region. There are almost an equal number of units which report that there is no comparison with the wages in other industrial units in the region in fixing the wages, which means in these enterprises the considerations are more local and enterprise-specific than the regional or industrial.

Table 9.3: Type of enterprises and wages in comparison with other units

Sl. No.	Name of the Unit	Similar to Other Units of the Same Industry	No Comparison with other Units in the Industry	Not Reported
I	Automobile	2	0	1
II	Chemical and pharma	3	0	1
III	Electronic / Electrical	1	3	0
IV	Food and beverages	0	5	0
V	General Engineering	0	2	1
VI	Others	6	5	0
	All	12	15	3

9.7.1.7. Role of qualifications, skills and experience in fixing wages

There are graded differences in the fixations of wages across the skills within an enterprise. But there are, as shown earlier, variations across the enterprises in the wage levels for similar skills. There appear to be certain skill, qualification and experience bias depending on the nature of industrial enterprise. Table 9.4 gives some indication of the priority in fixing wages and the preferences. For instance, in public sector enterprises like BHEL, Hindustan Fluorocarbons and Telangana Foods, the wage levels reflect the high priority given to qualifications. Similar high preference and higher wages are associated with qualifications in 'Chemical and Pharma' enterprises. But in 'General Engineering' and a range of other private companies 'Skill and Experience' commands a premium in wages. But in the case of some units like explosives and tobacco neither the skill nor qualifications have preferences and thus also end up as low wage enterprises.

Table 9.4: Type of enterprises and basis for fixing wages for individual worker

Sl. No.	Name of the unit	Based on skill	Based on skill and experience	Qualification	Based on labour market
I	Automobile	1	2	0	0
II	Chemical and pharma	1	2	1	0
III	Electronic/ Electrical	1	1	2	0
IV	Food and beverages	1	3	1	0
V	General engineering	0	3	0	0
VI	Others	3	6	1	1
	All	7	17	5	1

9.7.1.8. Statutory minimum wages and the actual wages

There is a widely shared view that statutory minimum wages are not being effectively enforced and that this leaves a large proportion of workers under the schedule of employments uncovered. There is also yet another equally widely shared view that the methods of fixation of statutory minimum wages do not reflect larger changes in the economy and hence result in the levels of the minimum wages which do not keep pace with the overall rising incomes. The result is the actual market wages turn out to be much higher than the statutory minimum wages.

As shown earlier, the minimum wages in each schedule of employment is complex in structure, making it difficult to check with each category whether the actual prevailing wages are more or less. To overcome this complexity a simple method was adopted in this study. Unions or workers in each industry were asked whether the prevailing wages in their respective units were higher or equal or less than the statutory wages.

The test for the response is that no union or worker would report wages at a level higher than received, and especially if the reports suggest that actual wages are higher than the statutory then it is certain to be genuine. Table 9.5 presents a summary of these responses. It shows that in the case of permanent workers, in 22 out of thirty units the actual wages are higher than the statutory minimum wages. In another three units, it is equal to the statutory minimum. It is only in five units that wages paid are less than the statutory wages. Of these five, there are no unions in three and in the other two there have been confrontation with the unions. This again goes to prove the critical role of unions in wage fixation and getting it implemented. It also shows that by and large minimum wage is no longer an issue in the case of permanent workers and most of them are more concerned about other benefits like social security.

In the case of 'contract' workers, the question of the level and enforcement of minimum wages becomes an issue. Even in the case of 'contract' workers the actual wages are equal to or more than the minimum wages in 21 out of thirty enterprises. The nine enterprises are relatively smaller ones, four of them without any unions.

Table 9.5: Type of enterprises and wages compared to minimum wages

Sl. No.	Name of the unit	Permanent			Contract		
		> Minimum wages	= Minimum wages	< Minimum wages	> Minimum wages	= Minimum wages	< Minimum wages
I	Automobile	3	0	0	0	3	0
II	Chemical and pharma	3	0	1	0	3	1
III	Electronic / Electrical	2	1	1	0	3	1
IV	Food and beverages	3	2	0	0	2	3
V	General engineering	3	0	0	0	2	1
VI	Others	8	0	3	1	7	3
	Total	22	3	5	1	20	9

9.8. Maharashtra[27]

The State of Maharashtra is important for several reasons in terms of understanding India's economic growth and development. As such, it also occupies a position of crucial importance in terms of wage setting practices including collective bargaining. Since the launching of economic reforms in the country in 1991, the industrial relations scenario has undergone significant changes in the country as well as in Maharashtra. Earlier, the failure of the long drawn out strike of textile workers against the closure of mills in Mumbai was followed by a decline of political unions and the emergence of independent unions and a later decline of the capacity of unions in general. The establishment of Special Economic Zones, the state government's policies to attract capital by relaxing labour law implementation, and the emergence of informal workers in the formal sector contributed to a climate that are still not favourable to the collective bargaining process for securing fair wages and working conditions in an otherwise growing economy. A study of the impact of labour regulation on industrial development and employment in Maharashtra concluded that the state is now characterized by a 'slowdown in union activity, virtual withering away of strikes, dominance of lockouts, and high litigation' (Sundar 2008).

[27] This section has drawn from a note, based on field visits, prepared by Srinath Jagannathan.

The field investigations in Maharashtra were mostly of a qualitative nature through discussions with trade union activists, officials from the Office of the Labour Commissioner and Industrial Relations managers in selected medium and big enterprises. Around 30 enterprises were thus covered, including the pharmaceutical sector, automobile sector, consumer goods sector, textile sector and engineering sector. Spread across Maharashtra, the size of the enterprises varied from small to large. While factories were spread across Maharashtra, the corporate headquarters of these enterprises were located in Mumbai.

One-third of the enterprises reported that wages were set through collective bargaining agreements. However, the broad trends from conversations with industrial relations managers suggested that industrial enterprises want to avoid collective bargaining processes to the extent that is possible. Even when enterprises had the capacity to pay higher wages compared to minimum wages as for example in the pharmaceutical sector, managements prefer to pay the minimum wages and transfer the savings in labour cost to R&D activities. But those engaging in collective bargaining processes view it as part of their strategy to build a strong culture of operational excellence on the shop floor although labour costs may be somewhat higher than enterprises without collectively bargained agreements. Smaller firms generally avoid collective bargaining by paying differentiated wages on the basis of actual work effort or productivity. Other medium scale enterprises avoid collective bargaining by paying differentiated wages to a small proportion of workers on the basis of their skills, experience and qualifications. However, data collected on standard operational wage rates in this sample of 30 enterprises did not show much variation between those paying minimum wages and those paying above minimum wages (see Table 9.6). It is quite possible that those enterprises where collectively bargained agreements exist and pay wages that are only marginally higher than the minimum wages (shown as maximum wage per day in Table 9.6) may have other clauses in the agreements concerning non-wage aspects such as safety and social security as well as working conditions.

Table 9.6: Standard occupational wage rates used in industrial enterprises in Maharashtra

Sl No	Occupation	Minimum wage per day (INR)	Maximum wage per day (INR)	(4) as % of (3)
(1)	(2)	(3)	(4)	(5)
1	Assembler	331.34	338.06	102
2	Checker	262.23	268.04	102
3	Driller	354.16	395.20	112
4	Driver	324.40	326.45	101
5	Electrician	301.54	305.72	101
6	Fitter	285.67	357.55	125
7	Gas Cutter	342.00	372.40	109
8	Helper	222.32	279.39	126
9	Mechanic (general)	324.40	335.21	103
10	Millwright	332.29	334.34	101
11	Moulder	313.30	324.40	104
12	Painter	332.64	338.93	102
13	Supervisor	342.64	409.46	120
14	Sweeper	221.56	221.56	100
15	Turner	301.51	312.56	104
16	Watchman	186.09	234.26	126
17	Welder	321.86	336.92	105
18	Wireman	334.34	341.06	102
19	Fork lift operator	334.34	345.23	103
20	Machinist	223.70	232.70	104
21	Apprentice	215.02	232.56	108

Two examples of the attitude of enterprises not interested in collective bargaining process are quite instructive. An industrial manager in a leading pharmaceutical company employing 360 workers in its Ahmednagar (Maharashtra) plant said:

> "Our company operates 25 plants in India and abroad, and has plants in locations such as the USA, Hungary and Brazil. It has 12 plants in different parts of the country such as Jammu and Kashmir, Tamil Nadu, Gujarat, and Maharashtra. The plant is used for processing raw material for the oncology products produced by the company. Overall the company employs more than 16,000 employees; nearly 5,000 workers are contract employees. In the Ahmednagar plant, we have about 315 shop floor workers and 40 supervisory or managerial staff. About 100 workers in the Ahmednagar plant are contract workers. Our company does not believe in a philosophy of engaging in collective bargaining negotiations with trade unions. It has recognized a trade union for collective bargaining in only one of its plants. Consequently, less than one per cent of the workers in the company are unionized. The company has not recognized a trade union in its Ahmednagar plant. Thus wages are not determined on the basis of collective bargaining. Largely, they are determined on the basis of minimum wages as a reference. After 1995, the Indian pharmaceutical industry underwent a change. We began to focus more on R&D. We need to be in the forefront of the IPR game in order to succeed. So we save on labour costs and focus on increasing R&D investments."

The enterprise cited above pays its workers the minimum wage. Though it is a large company earning more than INR 3,000 crore (INR 30 billion or US$500 million in 2015) as profit every year, it does not pay its workers anything more than the minimum wage. The workers employed in the shop floor in pharmaceutical companies such as the one described above are machine operators, maintenance staff for machines, housekeeping staff and quality control supervisors.

An industrial relations manager in an automobile company explained why the company does not engage in a collective bargaining philosophy:

> "If you look at our Pune plant, we have more than 500 workers on the shop floor and about 60 supervisory and managerial workers. We require machine operators, drillers, grinders, moulders, assemblers, painters, electricians, fitters, testers, welders and supervisors on the shop floor. For each of these employment categories, we pay wages of between INR 9,000 and INR 15,000 every month. We have been able to avoid unionization of the workforce. So there are no collective bargaining agreements. However, there is a lot of pressure in the Pune belt. Most factories are unionized. Also, the wage negotiations with trade unions have led to an increase of more than INR 25,000 per month for workers with experience. We have productivity-linked bonuses for our workers. We are also able to pay higher salaries for the experienced workers and those with better qualifications. Thus, the pressure to unionize has not increased in our factory. Our focus on competition is not on the basis of labour. Our focus on competition is on account of our R&D spending. Our R&D expenditure every year is almost a fifth of our net profits. On the other hand, our wage bill, including payments for managers and workers, and bonuses paid to top management is only a sixth of our profits. Considering that we are making more than INR 3,000 core profits every year, that is a huge differential."

These two observations are quite significant in that they are reflective of the larger scenario of a decline in trade union power if not trade unionism, an ability to disregard collective bargaining process by big industrial establishments and low economic staying power of workers in the absence of declining decent employment (employment with social security and right of association) and inadequate growth of employment even within a regime of high economic growth (i.e. declining employment elasticity).

In contrast to the situation in the above two companies, a human resource manager in another pharmaceutical company had this to say:

> We have recognized three trade unions across different locations in India. Overall, we employ more than 20,000 workers in the country. In Maharashtra we have two large plants with more than 500 workers each. One is in Pune and the other is in Patalganga. For both these plants, we have recognized trade unions. Wages are fixed according to collective bargaining agreements. In comparison to our competitors who pay only the minimum wage, we typically pay at least three times more than the minimum wage in both our plants in Maharashtra. Our annual wage bill is at least five times more than some of our competitors. We also value experience. For employees who have worked with us more than 10 years, wage increases can be as high as between INR 6,000 and 7,000 per month. If you look at our net profits in recent times, our net profits may be a third of our competitors. Our net profits are currently more than INR 1,000 crores. Similarly, our R&D expenditure may be half of our competitors. But our annual wage bill continues to be higher than our annual profits. We believe our model will be more sustainable. Over a period of time, the returns on R&D will diminish. Operational excellence will be required at the shop floor. Our employees are more satisfied than our competitors. We are ranking well in terms of employee satisfaction surveys and good places to work in the country. So in the future, when the profits will be driven to a great extent by operational excellence on the shop floor, our performance will be more sustainable.

Another industrial relations manager in an automobile company, which employs about 800 workers, spoke about his company's strategy thus:

> While quality control supervisors and skilled technicians earn between INR 25,000 and 40,000 per month, senior managers in the factory earn anywhere between 60,000 and 125,000 per month. We have been able to manage costs in the factory quite effectively. Collective bargaining agreement with unions has helped us to improve productivity. In order to comply with regulations, we recruit most of the workers locally. There will be hardly 10 workers who are from outside the region. Thus the government is also happy with us. For us as well, it makes sense as the local youth are skilled enough to understand what is required on the shop floor. In some of our factories, the labour costs may be higher by 50% than the average monthly labour costs of the industry. However, our workforce is committed. We have been able to reduce cycle times, waiting times, boost operational quality, reduce waste and errors.

These two examples provide quite a contrast to the first two. What we find is that wage setting machineries are related to the strategy being pursued by an enterprise. Enterprises that focus on operational excellence, worker commitment and cooperation are favourably disposed to collective bargaining. And they do realize that this strategy brings economic rewards in reducing wastes and related avoidable costs thus stressing the efficiency dimension in collective bargaining.

Enquiries with industrial relations managers in medium-sized enterprises revealed that given their higher wage bill (reportedly one-third of the profits as against one-tenth in very large enterprises that we described above) they follow a strategy of paying higher wages to skilled and experienced workers as a strategy to avoid collective bargaining. The idea is to weaken the solidarity among the workers. While collective bargaining agreements more often than not are linked to productivity, some industrial areas like the Pune area have faced some troubles leading to agitations by workers when the work pressure increases. A consumer goods producing workers employing around 100 workers (mostly on contract) pay minimum wages to workers but avoids recruiting experienced workers because 'youngsters have better understanding

of the latest technology on account of the technical training they have received'. The monthly wages ranged from INR 8,700 to 9,500.

Workers in small enterprises are at a distinct disadvantage because their companies have to be satisfied with lower profit share compared to big firms due to a variety of factors including technology and marketing. They are often engaged in low value products requiring less of skilled workers. The owner of a small enterprise with 25 workers had this to say:

> We manufacture and sell a single product — ephedrine hydrochloride. It is useful for treating low blood pressure and related ailments. Almost all of our workers are unskilled. All of them are paid the minimum wage. The annual sale of the company is nearly INR 1 crore (100 lakhs). Currently we make a profit of about seven to eight lakhs. Our annual labour costs are around INR 20 lakh. The workers are not part of a union. So there is no collective bargaining. The labour costs are high. It is difficult to pay minimum wages. It is difficult to maintain the machinery. There are a couple of workers who also do the work of maintaining the machines. They are paid an additional INR 4,000 per month. All other workers are paid between INR 4,000 and 8,000 per month. Minimum wages to workers are paid after they have learnt the work, typically one to three months after they start working.

Field investigations in manufacturing enterprises reveal the crucial role of skills in determining wages given the competitive conditions in a globalized market. The companies do realize this because having mere 'cheap labour' does not constitute a competitive advantage. They also realize that a greater share of the enterprise work force have to be in the skilled category given the all-round technological changes. In order to be competitive, quality consciousness and re-skilling of workers for operational excellence may be required. This might mean a highly skilled work force which is able to participate more effectively in strategies of operational excellence. This could prove to be an important route for moving towards a higher wage level; it will have to be at least 50 per cent above the minimum wages if the enterprises have to achieve competitive strength through shop floor innovation, quality consciousness, multiple skills and multi-tasking. Skill forms an important part of the discourse of minimum wages in Maharashtra. As the skill levels of workers increase, it becomes important to regulate industrial relations contexts effectively. Minimum wages is an important regulatory intervention of the state. If high skill and high technology contexts of industrial relations involving young workers are not regulated by the state, it is likely that the situation might become volatile over time. The expansion of skill needs to be accompanied by an ethos of bargaining in the workplace. As skill levels of workers increase, it becomes imperative for both managements and trade unions to engage in rational processes of bargaining.

9.9. West Bengal

West Bengal is another state where a similar field investigation was carried out to find out the nature of wage fixation and the role played by collective bargaining. West Bengal has been a major state noted for its industrialization. However, its importance has been on the decline for quite some time. If one takes the share of value added in manufacturing, the share of West Bengal has been on a steady decline since the beginning of the 1990s from a little over six per cent of the all India total to around 2.5 per cent by 2013. This is also corroborated by the fact that the share of manufacturing in the Gross State Domestic Product (GSDP) has declined from around 13 per cent in 1993-94 to 9.7 per cent in 2014-15. In terms of trade union activism, the general impression is that trade unions are quite strong in the state with most workers

participating in trade union struggles. This could be largely due to the presence of trade unions in large industries. Taken as a whole, empirical data for recent times point out that a majority of the workers reported non-existence of trade unions in their work place and that has been increasing over time. According to the data in the NSS of 2004-05 and 2009-10, 73 per cent and 78 per cent of rural workers reported that there was no trade union presence in their work place while 61 and 68 per cent of urban workers reported no presence of trade unions. As for wages, the real wages of workers covered in the Annual Survey of Industries (manufacturing) was higher in West Bengal compared to all India from 1990 to 2008; since then it has converged that perhaps points to the decline of large scale industrial establishments. An overwhelming proportion of non-agricultural workers are concentrated in the unorganized sector as in the rest of India where there is very little presence of trade unions.

Discussions with the chambers of commerce as well as owners of a few enterprises confirmed this overall situation. According to the businessmen there is hardly any trade union activity except in large scale enterprises. Wages, they said, are not very significant in the dealings between the unions and the management. According to them, 'labour indiscipline' issues dominate the industrial relations. How wages get determined depends on the nature of the industry in the state and the skill level of the workers. At present, they said, very few there are very few industries where an industry-level agreement exists for wage fixation. In the recent past they recalled only two industry-wide agreements through a tripartite process viz., tea and jute industries.

With respect to the tea industry a new tripartite agreement signed on 21 March 2015 fixed the daily cash wages of workers at INR 112.50, INR 122.50 for the next year and INR 132.50 for the third year. Note here that these wages are less than the recommended National Minimum Wage rate of INR 137 notified by the Government of India for 2013! It is also known that these wages are less than the minimum wages fixed by the West Bengal government for any other occupation. It is also interesting that there is no minimum wage notified by the West Bengal Government for the tea workers. In the jute industry, the situation seemed to be somewhat better. Tripartite agreement provided for a marginal wage increase (of around INR 26 per month) who joined till 2010. Under the agreement the average earnings of a jute mill worker varied between INR 7,600 and INR 11,000.

For other industries, wages are fixed at the enterprise level either through an agreement with trade unions if they exist or wages are fixed independently of the trade unions. The investigation covered around 30 enterprises across various industries in and around Kolkata. The findings may be summarized as follows.

Wage fixation: Owners or managements of most of the factories covered responded that they fixed wages on the basis of the market demand conditions for their products and an informal understanding with the workers. However, for certain industries like printing, there is an industry-wide wage structure arrived at through an industry-level agreement. For certain other industries like packaging, wages are fixed on a piece-rate basis. For certain other industries like construction, the proprietor of the construction company employ a very small number of workers directly. The bulk of the workforce is employed through labour contractors. Such phenomena are now being seen in the case of unskilled workers even in factories. The management quotes a price on the basis of the work to be done and not on the basis of how much labour is required.

Is there a reference wage rate?: Two types of responses were received to this question. The first type of response was that the wage rate is similar across enterprises in the same industry. This could be due to either implicit or explicit cooperation among owners of enterprises in the locality. The idea is labour mobility across enterprises is not encouraged or appreciated. The second type of response was that the wage

rate depended entirely on the orders received. This was more so for the tiny enterprises. In an interesting deviation from the norm, one entrepreneur responded that he paid wages slightly above those prevalent in the industry/locality but on the condition that the workers should not form a trade union! He said that he is not the only owner who may be resorting to this practice of wage setting. A majority of the enterprises covered reported that they had no information about the government-notified minimum wages for their industry.

Role of trade unions*:* Except a few which said that the wages were fixed at the industry-level, no enterprise reported any role for trade unions in wage fixation. In the organized large scale enterprises, the wage rate per se is not often the main area of contention for trade unions. For example, in a factory of a subsidiary company of Hindustan lever, the struggle between the management and the union was about the issue of fixing pay scales with wages broken into basic wage, dearness allowance and house rent allowance. However, the management insisted on paying only a consolidated salary/wage without any break-up that they perceived as leading to establishing some kind of 'entitlements'.

Role of government*:* Apart from industry-level tripartite agreements, the government does not seem to have a direct role in wage fixation. However, whenever an industrial dispute arises with respect to wages, the conciliation officer of the government tries to find a middle path.

Considerations in fixing individual wages: Most of the respondents reported that both skill and experience play an important part in determining the wage for individual workers. Some also cited 'conditions in the labour market' in determining the wage rate. This is interesting because it refers to overall situation that makes it possible for enterprises to either depress or enhances wages.

9.10. Concluding observations

Wage policy in India has had laudable and at the same time realistic objectives: to ensure a minimum level of earnings to workers and sharing of benefits of productivity growth and general industrial prosperity with the workers, on the one hand; and to evolve a wage structure that is conducive to raising productivity and efficiency of workers and thus contribute to the growth of industry and economy. Several legislative, institutional and policy actions have been taken, geared towards achievement of these objectives. Most measures are, however, applicable to a small fraction of the workers, that is in the organized sector and leave the vast mass of unorganized workers out of their purview. Minimum Wages Act, even if limited in application to 'scheduled' employments only, was an important measure to protect wages of these workers. As we have seen, its implementation has been poor.

It can, therefore, be safely concluded that wages of the vast majority of workers in India are outside the purview of any regulation — either by government or by trade unions through collective bargaining — and are primarily determined by the conditions in the labour market. Since the labour market, in general, is characterized by excess supply of labour, wages of the workers in the unregulated segments have tended to remain at 'subsistence' level, without any significant increase, particularly in relation to other indicators of growth, such as per capita income, over the years. Secondly, wages are systematically regulated and revised upwards either through official mechanism or collective bargaining in some segments such as the public sector and the large private corporate sector. And the wage gap between the workers in this segment and the vast majority of workers in the unregulated segment is very wide, and has been sharply increasing.

10. Conclusion: Summary of findings, some explanations and recommendations

10.1. The larger picture

This study report focuses on the wage situation in India and hence examines the universe of wage labour in the Indian economy that is close to half the total workforce. Despite impressive aggregate economic growth over the last three decades, India continues to be a low wage large economy characterized by dualism in both enterprise organization and employment. This is often referred to as organized and unorganized sectors of the economy. The dualism in employment is also referred to in a similar fashion but it denotes lack of employment and/or social security provided by the employer. Therefore, dualism in employment is not only due to a high share of the self-employed in the workforce. In terms of the structure of employment there seems to be an overall stability in terms of share of the population in the labour force an impact on the earnings. The expected expansion in wage employment with progressive industrialization and urbanization has been very slow.

The dualism in the wage labour market is manifested in terms of two distinct markets; one for regular work and the other for casual work. The organized or formal sector of the economy used to be largely composed of regular workers but this trend is getting weaker with an increasing share of casual workers as well as regular workers without employment or social security. Nevertheless, wages for casual work may be taken as a representative wage for the unorganized or informal sector and wages for regular work as the representative wage for the organized or formal sector.

Within such a dualistic system of labour market, there are at least four segments differentiated by rural and urban as well as men and women. The urban labour market is largely composed of regular workers with 74 percent of the total wage workers in 2011-12, whereas the rural labour market is largely composed of casual workers with 81 per cent of the total wage workers. In that sense what happens to the wages of regular workers has a greater consequence for urban labour. Similar what happens to wages of casual workers has a greater consequence for rural labour. Among the male wage workers 40 per cent are in regular work while this share is only 30 per cent for women wage workers.

These core characteristics are reflected at the regional level (state level) with some variation.

10.2. Importance of strengthening the statistical system

An effective and well-functioning statistical system is crucial to the collection, processing and publication of data on a range of economic and social aspects of a country which, in turn, is crucial to analysis leading to an informed understanding of the working of an economy and society. In this larger context, data on wages is highly relevant and important to understand the nature and trends in the living standards of different sections of workers. As we have seen in Chapter 3, there are several sources of data relating to wages either through a system of exclusive collection of such data or along with other economic indicators. The most comprehensive source is the quinquennial rounds of Employment and Unemployment Surveys

of the NSSO. With the decision to conduct these rounds on an annual basis, an important positive development has taken place that will now enable the availability of data on wages as well on an annual basis. Given the fact that unit level data pertaining to all NSS rounds are periodically released, this will enable processing and analysis of wage data to understand the wage issue from as many angles as one would like to examine.

There are well entrenched systems for collection of wage data for agriculture and related activities as well as organized manufacturing. There are two parallel systems namely, the Agricultural Wages in India collected by the Ministry of Agriculture, Government of India and the other called Wage Rates in Rural India by the Labour Bureau, Ministry of Labour and Employment, Government of India. Since the latter collects data for a larger number of occupations than the former, there is a strong case for examining the desirability of continuing the former system. For organized manufacturing, wage data is part of the statistics reported by enterprises on a range of indicators relating to production. The challenge here is to ensure full compliance by all covered enterprises and timely release of the data.

The third set of sources relate to administrative statistics collection system under certain labour legislations such as The Payment of Wages Act, 1936 and The Minimum Wages Act, 1948. The problem of 'moral hazard' is quite pervasive here. The major one is very low rate of compliance by enterprises. It is our opinion that such a system of collection through administrative measures be replaced by periodical survey of the covered sector or enterprises focusing on the question of wages, in our case.

10.3. Trends in wages

Real wages of workers in all categories, sectors and groups have experienced relatively high growth over the past three decades. Growth has been faster in a more recent period, 2004-05 to 2011-12, as compared to the earlier period, 1993-94 to 2004-05. This period has also been characterized by a high economic growth. Average annual GDP growth for the entire period (1993-94/2011-12) was around 7.5 percent, somewhat higher at 8.0 percent in the period 2004-05/2011-12, than in earlier years. One could surmise that the overall performance of the economy has been reflected on the wage front as well. What is the mechanism through which growth has got transmitted into higher wages? This mechanism could obviously be the labour market either through increase in the demand for labour or through institutional interventions either by the state or increasing bargaining power of the workers. None of these phenomena have been observed in the Indian labour market over the past two decades. If anything, each one of them has shown a declining trend. Employment growth has been low and declining: it was around 1.8 percent during 1993-94/2004-05, but declined to less than half a percent per annum during 2004-05/2011-12. High GDP growth did not lead to correspondingly high employment growth: employment elasticity declined from over 0.4 during 1983/1993-94 to 0.3 during the next ten year period (1993-94/2004-05) and to as low as 0.06 during 2004-05/2011-12.

It is well known that the direct intervention by the state in the labour market particularly in wage fixation (except in government public sector) has been virtually absent and earlier wage fixing institutions where government had a role (like the Wage Boards) have been discontinued. Minimum wage fixation is the only mechanism where state is involved in wage fixation. It is also well known that the bargaining power of labour, as reflected in the trade union prowess and activity in the labour market has shown no signs of improvement: if anything, it seems to have declined.

It should, however, be noted that in some segments of the economy and the labour market, the trends have been different from that in the macro-economy and the national labour market, and often these segments have led the trends in wages. Rural wages have risen faster; first, because of the faster growth and rising demand for labour in the non-farm sector, which has also influenced the trends in wages in agriculture, and, two, MGNREGA has made a significant impact on rural wages, both by paying a guaranteed wage generally higher than usual market wage to participating labour and by pressurising labour market in agriculture. This seems to have significantly influenced wages in agriculture which are observed to have risen faster than in other sectors. A positive impact of MNREGS on agricultural wages has been amply evidenced in many studies on the subject (see, e.g. Kannan and Jain 2013, Khera 2013). Manufacturing workers as reflected by 'production workers' category have had the smallest increase in wage due to slow output growth and still slower employment growth in this sector. Fast growth of construction and increasing use of non-standard workers in all sectors has led to increase in the demand for 'footloose' workers. As a result, wages of casual workers have generally risen faster.

Expansion in sectors and processes using more manual and unskilled workers does seem to have made impact on wages of groups that supply such labour, despite an overall excess supply of labour, probably due to the regionally segmented nature of their labour market. Thus wages of the uneducated and those of Scheduled Tribe and Scheduled Caste workers have risen faster than those belonging to other educational and social categories. A faster rise in women's wages is primarily a result of greater participation of educated women in the 'regular' category and to a certain extent their high participation in MGNREGA works in rural areas, even when the overall participation rate of women has declined during 2004-05/2011-12.

Thus, it looks that the increase in real wages of workers in general has not so much been a result of a simple general up-scaling of wages across all groups of workers, as of a structural change in labour market, characterized by increase in demand in some sectors and segments of labour market, leading to an either forced or sympathetic increase in other segments.

10.4. Continuing wage disparities

By and large, wages in traditional low wages sectors and labour market segments and of the relatively low-paid groups have risen faster; the result, obviously, has been a compression in wage spread and a decline in wage disparities, in general. Yet, disparities continue to be high. So, the average wage of a women worker is two-thirds that of a male worker, a casual worker less than two-fifths of a regular worker, SC/ST worker about three-fourths of the overall average. Average wages in agriculture made 61 percent of the secondary and 36 percent of the territory sector wages. A worker in the 'farmer-fisherman etc.' category earns one fifth of this in administration executive and managerial category. These variations could be analysed in terms of both demand and supply side factors and also by regions and states.

10.5. Inter-state variations

The case of inter-state variations are, however, more interesting as well as complicated. There are not only large variations across the states but their relative levels and increase in wages over the past two decades do not often reflect the condition of their economy and labour market. Most North Eastern States, other

hilly states and UTs like Chandigarh and Delhi, pay among the highest wages, which may be a reflection of their cost of living and labour market situation. One can understand Chhattisgarh, Madhya Pradesh, Bihar and Odisha standing at the bottom in the group of all states but it is not that clear as to why Gujarat is also in this group — sometimes at the bottom-most or second from bottom rank as in the case of regular and casual wages for men — where one also finds Punjab and Maharashtra (see Tables 7.2 and 7.3). Considering only the major states, leaving out the exceptional states/Union Territories, Haryana tops the ranking followed by Maharashtra for regular wages and Kerala and Jammu and Kashmir for casual workers. Here again explanations may not be similar for their high ranking. Haryana, the most 'developed' state with highest per capita income could be expected to pay high wages to its workers. Kerala's high rank is more for institutional rather than economic reasons but this is no longer the case with Kerala also moving up the per capita income ladder in recent times.[28] However, the Kerala story is not a shining one when it comes to gender disparity in wages. High cost of living and low landlessness could be explanatory factors for high wages of casual workers in Jammu and Kashmir.

Among the bottom five states of the four labour markets (regular male and female, casual male and female), Gujarat finds itself in this group along with Odisha followed by Madhya Pradesh in two. While the case of Odisha and Madhya Pradesh is understandable from the point of relative underdevelopment, it does not stand to reason why Gujarat, with a robust and fast growing economy, is in this group.

In terms of growth in real wages among the casual workers, some of the low-wage states have performed very well. Notably Bihar has recorded the highest growth in real wages (leaving aside some of the NE states and UT's). The other well-performing states with a growth rate of four or more percent are Andhra Pradesh (Undivided), Odisha, Karnataka, Kerala and Tamil Nadu for male workers. The growth rate in the wages of women casual workers is comparatively low for these states ranging from 3.4 to 4.9. For a number of states including Gujarat and Punjab, the growth rates have been quite unimpressive at around 2-2.5 per cent. What is striking in the growth in real wages is the large range: 1.41 per cent (Gujarat) to 6.6 per cent (Arunachal Pradesh) for men and 0.9 (HP) to 8.7 (Arunachal Pradesh) in regular work and 0.3 to (Mizoram) to 5.1 (AP-Undivided) for men and (-) 2.7 (Delhi) to 7.7 (J&K) for women in casual work.

It is rather difficult to explain the inter-state difference in wage levels and growth rates in real wages as described above. There is a clear case for detailed research and analysis to understand the wage structure, disparity and growth across states by category of workers and labour market segments, in different economic sectors, occupational and in rural or urban areas. For example, inter-state differences in agricultural wages are found to be quite well explained by the extent of rural non-farm sector and agricultural productivity (Venkatesh 2013). A few general propositions, however, can be advanced to explore reasons for interstate differences in overall wage levels and growth in real wages.

Labour market dynamics in terms of change in demand and supply of labour is obviously put forward as the first reason for such differences: labour surplus states have low wages and labour deficit states have high wages, while states with higher employment growth record higher growth in wages and vice-versa. Bihar and Odisha both have been low-wages states, but, both have recorded a relatively high increase in wages in recent decades. Reasons are different: in the case of Bihar, large scale migration to Punjab and Haryana from rural areas has significantly reduced labour supply in some parts, resulting in better bargaining power and higher wages locally (Rodgers and Rodgers, 2011). Otherwise, there was hardly any increase in the demand for labour within Bihar, employment growth in Bihar was just 0.2 percent per annum

[28] Kerala's rank in per capita income has been within the first four ranks among the major states during the last five years or so.

during 2005-12. In Odisha, a relatively faster industrial growth, especially in urban areas, has led to a rise in labour demand and increase in general level of wages. Odisha recorded one of the highest employment growth, 4.1 percent per annum, second only to Kerala (6.6 percent) in urban areas during 2005-12. High wage rates and faster growth in Haryana and Tamil Nadu can be attributed to increase in labour demand due to faster growth of industries.

At the same time, the role of institutional factors, state policy and its effectiveness and state of trade unions, also seem to play important role in placing a state in higher relative position in respect of wages. For example, Kerala has maintained a relatively high level and high growth of wages even with high rate of unemployment and even in periods when demand for labour did not significantly increase, due both to state commitment and union pressure to fix, revise and pay minimum wages and ensure periodical increase in wages, in general. In Gujarat on the other hand, wage rates have remained relatively low and seen one of the lowest increase over the years, in spite of the robust and fast growing economy and very low unemployment rate (0.5, as against 2 percent for the country, on UPSS criterion in 2011-12) and a relatively high employment growth during 2005-12. Union pressure in Gujarat, as also in many other states now, is very low. An indicator of the efforts of the state could be the level of minimum wage fixed and performance in its implementation. Minimum wages, for example, in agriculture were among the lowest among states and not revised for long (They were revised in 2015). The state, along with Odisha and Madhya Pradesh, also has a relatively poor record in implementation of minimum wages.

In recent times this scenario has changed somewhat. Gujarat and Chhattisgarh have emerged as poor implementers in minimum wages for casual workers followed by Madhya Pradesh in the case of male workers and a large number of states, including Karnataka, Maharashtra and Gujarat, as poor implementers for female workers (see Table 8.3). Kerala, followed by Punjab and Haryana, as well as a few North-eastern states have emerged as the best performers. To reiterate: the situation, in general, seems to have improved over the years for male workers but not for female workers. Implementation of MGNREGS is found to have also contributed to an improvement in the implementation of minimum wage, both by paying guaranteed minimum wage to those participating in them thus leading to pressure for better implementation of statutorily fixed minimum wage. The performance also appears to have a positive impact on general levels of wages in rural areas by setting higher benchmark for setting wages (Chand and Srivastava, 2014).

10.6. Wage determination

Given the dualistic nature of the economy, the question of wage determination has been analysed with the help of empirical data for the two distinct labour markets viz., regular and casual. In the regular labour market education and the regional factor (representation by the state) emerge as important explanatory variables. At the least a middle school level of education is critical to make a difference. The social group identity is seen to be a disadvantage for those belonging to SC and OBC groups. The affirmative policy in government employment may have moderated the result for some other groups such as those belonging to the ST especially in urban areas. The regional factor has brought out that despite a high growth performance, the state of Gujarat does not confer a wage advantage to its regular workers. On the contrary, regular workers in a majority of states seem to enjoy an advantage over Gujarat. Therefore, the link between economic growth and wage is not a straightforward one. The states with a greater advantage than Gujarat are in fact those with relatively high human development (except the north-eastern states) and those with a lower advantage report a lower human development achievement. The results therefore point to the need to

improving human abilities especially in terms of education and health along with reduction in consumption poverty.

In the casual labour market, wages for urban men seem to be relatively neither flat with neither education nor social group identity making a significant difference. Education at the graduate level seems to play a differentiating role for rural men and urban women. The most important factor seems to be the regional one. Here again, a majority of the states report a wage advantage viz-a-viz Gujarat. Those reporting a disadvantage are the ones with a lower human development achievement, except Maharashtra where the disadvantage is for the rural women.

Wage rate per se is only one factor in the determination of wage income, the other being the quantum of employment. While regular work denotes payment for all days irrespective of work, casual work is by definition irregular. By taking a uniform quantum of work, this report finds that average wage income varies across social groups. This has to do with access to quality of employment. The incidence of regular work in the organized sector, where the wage advantage is the highest, follows a social hierarchical structure. However, in the case of Muslims they occupy the bottom position in access to higher education as well as regular work in the non-agricultural organized sector. So, the differential access to the quality of job also contributes to the variation in wage income. This differential access has to do with the barriers in access to education. To reiterate, the evidence given in Table 6.6—quite revealing in the sense that the incidence of workers with higher education (secondary level and above) is very close to the incidence of workers with regular jobs in the organized sector for the five broad social groups. This, in turn, is reflected in the share of wage income in per household national income.

10.7. Wage inequality

Overall wage inequality, which was reported as increased till 2005, now reveals a marginal decline during 2004-05 to 2011-12. The inter-quantile dispersion reveals that the decline is mostly in the bottom half of the distribution. In 2011-12, 27 per cent of the inequality is explained by location, gender and labour status and increases by four percentage points when social group identity is factored in. However, inclusion of education into this set of factors enhances the explanatory power to 46. If age as a proxy for experience is further included half the inequality is explained by these factors taken together. There is still another unexplained half.

However, there is another important dimension to inequality in terms of the persistence of very low wages to the majority. When the entire universe of wage workers are differentiated by the above factors, we get 160 mutually exclusive groups in which the bottom 60 percent of the workers do not get the recommended national minimum wage of Rs.122 in 2011-12. While a reduction in wage inequality is a positive development from the point of social justice, the persistence of low wages is an important dimension that awaits a resolution.

10.8. Linking wage Inequality to income inequality

Several studies have pointed out the increasing trend in income inequality in India, something that has emerged as a problem of public concern in both developing as well as developed countries. In India income inequality is measured by consumption expenditure due to paucity of data on income. However, a recent survey seems to have captured information on household income and the results show a higher level of inequality than that reported by using consumption expenditure (IHDSurvey, article by Sonalde Desai). In this report we take a simple route. We have calculated wage income per labour household (both overall and the four segments in the labour market) and compared it with per household national income as represented by GDP for two time periods, 1993-94 and 2011-12. The results show a decline in wage income of all the groups compared to the per household GDP. When the exercise is conducted by taking social groups there is a hierarchical ranking with three social groups — ST, SC and Muslim in that order — at the bottom accounting for about a quarter of the per household GDP.

10.9. Wage policy

One of the important institutional features of the Indian labour market is the formulation of the concept of minimum wages and its implementation. However, there is no single minimum wage and that is understandable in a vast country with varying levels of economic development with a federalist system of governance with separation of powers. We have discussed in Chapter 8 the plethora of minimum wages not only differentiated by industry but also regions, as well as levels of skill. That seems to be stretching the need for multiple minimum wages basically meant to ensure that low-wage workers are not exploited to a level where they are forced to accept wages that are not adequate to cover the cost of basic subsistence. There is therefore a need to rationalize a large number of minimum wages in a given state into one that is intended to protect the unskilled low paid workers in both casual and regular work categories. At the same time there is also the need for a national floor level wage below which no wage should be set as minimum.

This is all to ensure that starvation wages are not permitted, which is consistent with the judgment of the Supreme Court.

Given the varying levels of effectiveness in implementation of minimum wages, as revealed by the incidence of workers not receiving the recommended national minimum wages, the challenge in the Indian context is to create conditions for increasing what we have called ‘the reserve price of labour’ i.e. a wage below which it would be difficult to ensure supply of labour. While administrative measures of the kind discussed in Chapter 8 may help in improving the effectiveness in implementing the minimum wages we have placed a greater emphasis on a strategy to raise the reserve price of labour. We would argue that the relatively greater increase in the wages of casual workers since 2004-05 is related to the policies and programmes that have further strengthened the fall-back mechanisms of poor labouring households. The significant state intervention here is that of the MGNREG Act of 2005 that gave rise to the launching of the NREG scheme of public employment in rural areas with a maximum of 100 days per household who demand such work. An evaluation of the first five years of this programme found that the average days of employment did not exceed 50 days but it resulted in a wage income from such employment equivalent to 10 per cent of the official poverty line. That is certainly a factor in raising the reserve price of labour. However, there were also welfare programme that would have either reduced the insecurities and vulnerabilities of families thereby indirectly contributing to raising the reserve price.

These are the launching of the national health insurance for selected segments of the unorganized workers (called Rashtriya Swasth Bhima Yojana or RSBY), extension of the coverage of social pensions along with some enhancement in the amount paid. Strengthening and extending earlier programmes such as mid-day meals in primary schools, functioning of supplementary nutrition for pre-school children (through the ICDS), the National Rural Health Mission activities and the scheme to strengthen school education through SSA — all these would have either directly or indirectly helped raise the reserve price of labour. For example, there has been a sharp fall in the incidence of child labour, a greater decline in the entry into the labour force of those belonging to the age group of 15-19 as a result of increase in enrolment and so on. The net result has been a faster pace of decline in the absolutely poor as well as the vulnerable. The challenge is the continuing backlog, which is much greater than other similarly placed Asian countries.

We would therefore strongly advocate the strengthening and expansion of the public employment programme and reinforce its linkage with asset creation both of a directly productive nature such as land and water management, afforestation, infrastructure for animal husbandry as well as an indirect nature that strengthens ability; as in education, skill formation and upgradation, health, housing and social security.

Given the large backlog of poor and vulnerable workers working mostly as casual workers or disguised casual workers (as in the case of the lower segment of the self-employed), with educational attainments not more than primary level, with little assets or no assets and poor conditions of life and work, India has no other alternative but to rely on a developmental approach to improve the human and economic capabilities of this large mass of labouring poor whose incidence is higher among the socially disadvantaged sections.

10.10. Recommendations

1. Based on the analysis in this report, we give below a set of recommendations for the different stake-holders with a view to improving the wage situation, especially at the bottom half of the wage distribution.
2. Recognize the need for a developmental perspective to improve the wage condition of the labouring poor who are mostly, if not only, employed as casual workers in both rural and urban areas. The idea here is to enhance the reserve price of labour below which workers will not be compelled, due mainly to poverty, to work for wages that are below subsistence requirements.
3. Expand and strengthen the existing coverage of the rural public employment guarantee scheme known as the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) under the National Rural Employment Guarantee Act of 2005 by first enhancing its budgetary outlay to provide for 100 days of work to those demanding such work. Although the MGNREGS is a demand-determined one, in actual practice the formulation of projects and aggregation of demand at the local level are largely determined by anticipated expenditure.
4. The ceiling of 100 days of work per household be removed for the economically backward districts in the country which are the 200 districts where the MG-NREGS was initially implemented in 2005-06. Further, the ceiling of 100 days per household in other districts be replaced by 100 days per household for the district as a whole (rather than each individual household) so that demand for more employment from poorer locations within a district can be catered to.
5. Design and implementation of MG-NREGS should allow for flexibility in working time especially for women with a view to enhance their work participation, and thereby an increase in the wage income of their households.
6. The idea of allowing part-time work for women in the MG-NREGS by dividing a full-day work into two half-days of four hours work is something that is likely to increase the participation of women given their domestic responsibilities, generally speaking.
7. Considering the need for a skilled workforce especially in the primary sector of the economy, a well-designed skill development programme should be built into the MG-NREGS to enhance labour productivity. Focus should be given to the broad area of land and water management (land-shaping, bunding, water-harvesting, moisture retention, soil-testing, water-use optimizing techniques of irrigation, construction of tanks and ponds, check dams and a host of similar activities), scientific agronomic practices, organic cultivation, afforestation, agro-forestry, infrastructure for animal husbandry, animal husbandry practices, as well as skill in basic management systems such as accounting, work measurement, etc. Creating and improving child care facilities should also be considered as part of the effort to increase women's work participation and labour productivity.
8. Recognizing the crucial linkage between the health conditions of the labouring poor and their capacity to earn a decent wage, health programmes should focus on the needs of the labouring poor and their families. Similarly effective implementation of the social pension amongst the old, aged, poor and other weaker sections will also help raise the reserve price of labour by providing a cushion to family expenditure. Therefore, effective implementation of the existing anti-poverty and social welfare programmes should be seen as part of an overall strategy to reduce the incidence of the prevalence of the very low wages among a whole spectrum of workers as we have seen in Chapter 6.
9. Since the question of a reserve price of labour is linked to the idea and practice of minimum wages, our first and foremost recommendation is to give statutory backing to the National Minimum Wage worked out by the Government of India from time to time. This should be declared as a national floor

level wage below which no minimum wage should be set up either by the central government or by the state governments.

10. The number of minimum wages should be minimized by restricting it to unskilled and semi-skilled labour in broad sectors of the economy. Wage setting for others should be left to collective bargaining; in the absence of the collective bargaining mechanism, state regulation could be thought of to prevent exploitative wages and conditions of work. In a developmental context, there is a case for linking wages with productivity wherever feasible.

11. Administrative measures such as provision of adequate staff, facilities, and training should be strengthened to facilitate minimum wage revisions. Monitoring of implementation has however been found to be a great challenge with a high rate of default in submitting returns and detecting non-compliance. A system of periodic surveys to monitor compliance under labour legislation may be instituted.

12. A time-lag should be agreed upon by all states and the central government on the revision of minimum wages. Most state governments have not revisited the minimum wages set decades ago. Revising them for compensating for partial or full inflation has been the chief concern for some time.

13. Revisions of existing minimum wages for inflation should be given wide publicity through newspapers, television and radio under the Public Service Broadcasting System. For the private sector, this could be brought under the Corporate Social Responsibility System.

14. Trade unions are perhaps the most effective disseminators with regard to minimum wages. But their outreach might be limited. Trade unions should therefore strive to disseminate minimum wage-related information among the workers as wide as possible.

15. Inspections should be carried out by the Labour Department of the concerned government whenever a complaint is registered through due process. Demand-based inspection should be for a group of workers and not for individual worker. To ensure effectiveness of such inspections, punishments should be deterrent enough to discourage from repetition of such defaults.

16. A very high proportion of enterprises are in the small-scale sector. Here, the state intervention should first be in terms of promotional ones with a view to enhancing their productivity. A number of committees and commissions have gone into this issue and a large number of recommendations are available.

17. A well-functioning collective bargaining system is a necessary condition for industrial peace. The decline in collective bargaining has led to, in many cases, industrial conflicts. Wages and working conditions have to be a common concern of the society and therefore of the three main stakeholders i.e. employers, workers and the government.

18. Wages and related labour statistics should get equal, if not more, priority in monitoring of the macro economy. While the decision to conduct annual rounds on employment and unemployment through the NSSO is a welcome one, the Government of India should ensure that the time lag between the survey and release of the report is cut down to just few months if the results are to aid a better monitoring of the economy as well as policy.

19. With the introduction of the Rural Wages in India scheme, data on wages for 25 occupations will be available. In the light of this, the Agricultural Wages in India scheme under the Ministry of Agriculture may be discontinued.

20. Given the regional variation in levels, disparity and growth in wages there is need for a more nuanced understanding of the working of the labour markets at the state level. This calls for detailed state-specific as well as comparative studies on wages within the framework of labour and employment is called for. It calls for collaborative work among government agencies, academia and expert organizations. The ILO Team in India could be of assistance in this much needed task.

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Towards an India Wage Report

This report, perhaps the first of its kind for India, brings together the various aspects of the wage system in India. Despite impressive economic growth over the last three decades, India continues to be a low wage large economy characterized by the domination of self-employment activities of a little more than half the workforce. That means the focus on the wage situation is confined to the universe of wage labour, which is only around half the work force in 2012.

There has been an increasing trend in wages since the early 1990s but there is no evidence to show that this has been due to the increased demand in the labour market or a higher bargaining power of workers. Wage disparities across gender, education, region, social group identity and type of employment have been a persisting feature. When these are combined what is found is a 'long tail of wage inequality' with very low wages, especially for women in rural areas. Given this persistence of poor and vulnerable workers working mostly as casual workers with educational attainments at not more than primary level, with little or no assets and poor conditions of life and work, India has no other alternative but to rely on a developmental approach to improve the human and economic capabilities of this large mass of labouring poor.

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