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STRENGTHENING WAGE POLICIES TO PROTECT INCOMES OF THE INFORMAL AND MIGRANT WORKERS IN INDIA AMIDST THE COVID-19 PANDEMIC

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The Government of India is leveraging wage policy as a part of overall fiscal policy actions to protect the income of the informal and migrant workers affected by the Covid-19 pandemic and resultant lockdown measures. Through its redistributive mechanism and MGNREGS wages as an effective fiscal stimulus, the statutory minimum wages could help alleviate the hardship faced by the informal workers and returnee migrants. However, for wage policies to act as an effective antidote, wage levels and their adequacy along with full implementation are of paramount importance. In this context, the paper argues that the level of both statutory minimum wages and MGNREGS wages are very low in India, and several implementation bottlenecks inhibit them from delivering welfare results. It limits the very effectiveness of wage policies, unless prompt actions are taken to strengthen and revamp these policy tools. This paper provides an alternative framework for setting and revising minimum wages and MGNREGS wages at an adequate level under this backdrop. This is expected to significantly strengthen the current wage policies in addressing their stated objectives of reducing poverty and inequality while supporting a human-centred economic recovery process.

Keywords*: India, Covid-19, Employment, Wage Policy, Minimum Wage, Floor Wage, MGNREGS Wage, Poverty, Inequality, Informal Worker and Migrant Worker*

1. INTRODUCTION

The Covid-19 pandemic through border control, mobility restriction and lockdown, has had a detrimental effect on economies around the world. It has also profoundly impacted employment and incomes of workers. Based on a scenario analysis, the International Labour Organisation (ILO) has estimated 495 million and 345 million full-time job losses globally during the second and third quarter of 2020, respectively (ILO, 2020a). It further states that the lower-middle-income countries are the hardest hit due to workplace closure, having experienced an estimated decline in 240 million full-time jobs in the second quarter of 2020. The reduction in working hours has caused losses in labour

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income by 10.7 per cent globally during the first three quarters of 2020 equivalent to USD 3.5 trillion (or 5.5% of global GDP) compared to the same period of 2019. Even under the assumption of a faster recovery, it has projected that the global job losses are unlikely to return to the pre-crisis level by the end of 2020 (ILO, 2020b). The informal and migrant workers, who are a disadvantaged group in the labour market, are severely hit by the crisis. As per the ILO estimate, of the 2 billion informal economy workers worldwide, almost 1.6 billion are significantly impacted by lockdown measures and working in the hardest-hit sectors having no possibility of working remotely (ILO, 2020c). The crisis is estimated to result in a decline in earnings of 60 per cent of informal workers globally. The World Bank projection suggests that the crisis will push 88 to 115 million people into extreme poverty in 2020, with the total rising to 150 million in 2021, thereby increasing the global extreme poverty rate for the first time since 1990 (World Bank, 2020).

Like other countries, the pandemic has also severely impacted the Indian economy and cast devastating effects on its economy and labour market. India had implemented one of the strictest lockdowns compared to any other countries in the world. For 2020, the IMF estimates Gross Domestic Product (GDP) growth of just 1.9 per cent for the country, the lowest rate since the 1991 balance-of-payments crisis (Walter, 2020). In line with the IMF's forecast, the first quarter (April–June) of 2020-21 estimate released by the Government shows a sharp decline in GDP by 23.9 per cent as against a 5.2 per cent increase in GDP in the corresponding quarter of 2019-20 (GOI, 2020b). This is the worst contraction of GDP in the history of the Indian economy due to the combined impact of supply disruption and demand compression. As per the released data, all the critical sectors of the economy except agriculture and allied activities witnessed contraction, with construction witnessing a drop by a whopping 50.3 per cent while the trade, hotels, transport and communication by 47 per cent and manufacturing industry saw a 39.3 per cent decline. In the second quarter (July-September) of 2020-21, the GDP contractions continued, but the extent of contractions narrowed down to 7.5 per cent from 23.9 per cent in the first quarter (GOI, 2020c).

In the context of the labour market, a rapid assessment undertaken by the ILO suggests that the number of workers vulnerable to the lockdown could reach 364 million to 429 million in India, including those in casual work, self-employment and unprotected regular jobs without access to social protection coverage (ILO, 2020d). Similarly, a study by Estupiñan and Sharma (2020) estimated that lockdowns 1.0 and 2.0[1] had put 104 million and 69.4 million informally employed workers at risk of job loss, respectively. The study also shows that formal workers' wages have been cut by 3.6 per cent, while the informal workers experienced a much sharper

1 Lockdown 1.0 (24 March to 14 April 2020) and lockdown 2.0 (15 April to 3 May 2020) as per the government notification.

cut in wages to the tune of 22.6 per cent. As a result, workers who are informally employed in the unorganised sector suffered a wage loss amounting to ₹ 635.53 billion, which is almost close to the annual union budget allotted to Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) in 2020-2021. The lockdown, which was announced on March 24, 2020, has also severely impacted the migrant workers in urban areas in general and the short-term circular migrant workers in particular (Srivastava, 2020). Conservative estimates show that at least 5 million or more migrants who lost jobs and accommodation in cities during the pandemic, returned to their villages (ILO, 2020d). However, other estimates show that more than 111 million long-term and short-term circular migrants constituting 57 per cent of the total urban workforce in 2017/18 are vulnerable and impacted severely by the lockdown in terms of job and income loss forcing them to return to their villages (Srivastava, 2020). As the pandemic has disproportionately impacted the most vulnerable and hard to reach group within the labour market, the IMF has estimated that 41 million Indians would slip into extreme poverty (surviving on $1.9 a day) and the pandemic would "exacerbate pre-existing trends" in the context of income inequality (IMF, 2020).

Immediately after the Covid-19 pandemic, governments worldwide took unprecedented actions to save lives and protect livelihoods. As an immediate measure in India, the Government announced a series of interventions to protect the workers' wages and income. On March 23 2020, the Ministry of Labour and Employment, Government of India (GOI) issued an advisory to the employers of public and private establishments to extend their coordination by not terminating their employees (particularly casual and contractual workers) or reduce their wages. It advised to provide paid leaves if necessary and consider employees on duty during the lockdown period[2]. On March 24, 2020, GOI directed all the state governments to release ex-gratia payments to 3.5 crores registered construction workers using the accumulated ₹ 52 ,000 crores cess fund in their respective Building and Other Construction Workers' Welfare Boards[3]. On March 26, 2020, the government amended the Employees' Provident Funds & Miscellaneous Provisions Act to allow 4.8 crores formal sector registered workers to withdraw up to 75 per cent of their balance in the fund or three months' wages, whichever is lower, as an emergency measure to tide over any difficulties arising during the pandemic. Apart from the above measures, on March 26 2020, the GOI also announced a stimulus package of ₹ 1.7 trillion (around 0.8 per cent of GDP) under *Pradhan Mantri Garib Kalyan Yojana* (PMGKY) to benefit farmers, women, low-income households and migrants in terms of cash transfers and in-kind support

2 Detail advisory may be seen at: https://labour.gov.in/sites/default/files/Central_Government_Update.pdf

3 In response to this direction, state government depending on the availability of cess funds released varied amount to the migrant workers ranging from ₹ 1000-1500 (16 states); ₹ 2000-3000 (8 states); and ₹ 4500 and above (5 states) as provided in Srivastava (2020).

(such as the provision of food grains and cooking gas)[4]. It also undertook a host of other initiatives such as mapping migrant workers and launching of workers' helpline to extend support to them (ILO, 2020e). In addition to the Central Government response, the State Governments also undertook various measures in varying degrees to benefit migrants and informal workers[5].

As the crisis prolonged, the Government announced an *Atmanirbhar Bharat Abhiyan* (ABA) or Self-Reliant India Mission package on May 17, 2020, involving 10 per cent of the GDP or equal to ₹ 20.97 lakh crores[6] to stimulate the economy out of an impending recession and to boost job creation[7]. The package involved various macroeconomic stabilization measures including expansionary fiscal policy, accommodative monetary policy, financial support to MSMEs and infrastructure enhancement fund to agricultural and allied sectors. The dominant view around the world including in India was that the lockdown impact resulting in working hour losses would lead to a more than proportional demand shock in terms of labour income losses and reduction in spending larger than those emanating from supply disruptions, hence the requirement of a larger fiscal stimulus. However, the ABA package announced by India was criticised as it is designed more to enhance productive supply-side capacity than to support demand (ILO, 2020d and Pangariya, 2020).

Under the ABA fiscal stimulus sub-component, the Government has leveraged the existing MGNREGS by allocating an additional amount of ₹40,000 crores for 2020-21, taking the full-year allocation for the scheme to over ₹100,000 crores for the first time[8]. It also introduced a new *Garib Kalyan Rojgar Abhiyaan* (GKRA) on June 20, 2020, to boost employment and livelihood opportunities for migrant workers returning to villages and similarly affected rural citizens due to lockdown measures[9]. The GKRA entailed ₹ 50,000 crores[10] worth project for building durable rural infrastructure to be implemented in a mission mode campaign in 125 days in 116 districts of six states[11].

[4] However, the package was criticized as it was poorly targeted at the urban informal workers and especially towards migrant labourers, leading many experts to recommend a universal food and income transfer to stem the hunger and extreme economic hardship (Srivastava, 2020).

[5] For details see Srivastava (2020) and ILO (2020e).

[6] On November 12, 2020, the Government announced Atmanirbhar Bharat 3.0, wherein the cumulative stimulus amount was enhanced to ₹ 29.87 lakh crores which is equivalent to 15 per cent of the GDP. For details see https://www.businesstoday.in/current/corporate/govt-announces-atmanirbhar-bharat-30-covid-stimulus-worth-rs-29-lakh-crore/story/421809.html

[7] For detail provisions under ABA please see https://pib.gov.in/PressReleasePage.aspx?PRID=1624661

[8] However, the Government didn't accede to a large number of requests to expand the scope of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) to provide 200 days of job in rural areas and extending the scheme to urban areas.

[9] The details of the GKRA may be seen at: https://pib.gov.in/PressReleasePage.aspx?PRID=1632861

[10] On 12 November 2020, the Government further enhanced GKRA outlay by ₹ 10,000 crores in the current financial year. It further stated that ₹ 37.5 thousand crores have been spent till date from the earlier allocated amount of ₹ 50,000 crores, which is over and above the allocation for MGNREGS.

[11] The six states and number of districts in them are as follows: Bihar (32 districts), Uttar Pradesh (31), Madhya Pradesh (24), Rajasthan (22), Odisha (4) and Jharkhand (3). The 116 districts in 6 states have been chosen as each of these districts have received at least 25,000 return migrants each.

The GKRA is a convergent effort between 12 different Ministries/Departments to expedite 25 public infrastructure works and works relating to augmentation of livelihood opportunities for more than six million migrants. However, it is stated that GKRA itself offers little new money and pools already allocated funds.

Mindful of the fact that wages in the public work programme are the main element, which will provide protection to the workers and help in boosting private consumption demand and in turn investment, the Government under the ABA measures also announced an increase in average MGNREGS wages by ₹15 per day (from ₹187 per day in 2019-20 to ₹202 per day in 2020-21)[12]. This can benefit five crores families and results in an additional income transfer of ₹2,000 per household[13]. Besides this, the Government also announced extending legal coverage of minimum wages to all wage earners; established a statutory national floor wage to protect the low paid workers and simplified minimum wage structure in the country (ILO, 2020e). The last set of announcements were part of the ongoing wage policy reform under the enacted Code on Wages, 2019 (hereafter referred to as wage code), which the government—linked with the ABA measures. To activate the provisions of the wage code at the earliest, the Government also notified the implementation mechanism in the form of Draft Wage Code (Central) Rules, 2020 (hereafter referred to as wage rules) on July 7, 2020. This wage rule (GOI, 2020c), apart from others, provides the mechanism for fixation, revision and frequency of adjustments of minimum wages and floor wages and hence, shall decide the level at which these rates will be initially set and the extent to which minimum wage levels are maintained to protect the erosion in the purchasing power of workers.

While the above steps in the sphere of wage policies are noteworthy, the extent to which these interventions will help protect and restore the informal and migrant workers' income is questioned. It has been established that the level of minimum wages are very low in India (Belser and Rani, 2011) and display wide inter-state divergence and disparities with poor compliance (ILO, 2018 and GOI, 2019b). Some states even set the minimum wages below the national floor-level minimum wage rate[14] of ₹ 176 per day as of 2018-19 (GOI, 2019b). Similarly, the MGNREGS wages, which are supposed to provide livelihood security to the poor and deprived households during distress are historically low compared to state agricultural minimum wages and shows wide divergence over the years.

12 However, it is argued that this wage hike is not a new element as the government usually notifies revised MGNREGA wages with effect from 1st April of every financial year after undertaking price adjustment with respect to changes in the cost of living.

13 This is based on the assumption of guaranteed delivery of 100 days of work to each household. In reality, MGNREGA has generated on an average 45-50 days of work per household in last few years. Hence, the amount of additional income transfer per household would be less than what is mentioned by the Government.

14 Since, its establishment in 1996, the national floor level minimum wage have been benchmarked to the rural poverty line. The last revision to floor wage was undertaken during June 2017 and was fixed at ₹ 176 per day. Since then no revision to the floor wage have been undertaken.

The situation is further complicated because of poor compliance to the statutory minimum wages (GOI, 2019b) and the inability of the states to provide 100 days of guaranteed job under MGNREGS including delay in wage payments, rejection of wage payments and other administrative issues[15]. Suppose the statutory minimum wages and MGNREGS wages do not meet workers and their families' basic needs; in that case, these wages will have a negligible impact on the standard of living of the informal economy and migrant workers devastated by the pandemic, despite the recent measures announced by the Government. As wage levels through its redistributive channels are essential not only for providing immediate income transfer to the vulnerable informal workers and the return migrants but also for restoring aggregate demand, therefore it is of utmost importance to set the level of wages at an adequate level[16], and maintain the adequacy of the levels over time through regular adjustments and ensure full compliance.

Given this background, this paper critically examines aspects of India's wage policy with particular reference to the procedure of setting, revision and adjustment of statutory minimum wages and MGNREGS wages. Based on the examination, the paper argues that the procedure of wage fixation and adjustments in India is based on an old framework that results in the prevalence of low-level minimum wages and MGNREGS wages, thereby severely limiting the effectiveness of wage and income transfer policies in the country. The paper then presents a case for strengthening India's wage policies by providing an alternative framework for setting both statutory minimum wages and MGRNEGS wages at an adequate level using an evidence-based methodology and effective social dialogue process. In the end, the paper argues that the alternative framework of wage fixation will not only make the redistributive effect of wage policy much stronger in terms of providing livelihood security to the low paid informal and migrant workers but also in addressing poverty and inequality. This alternative and strengthened wage policy can act as an essential component of the fiscal policy tool under the ABA stimulus package to boost private consumption and restore aggregate demand, investment and promoting economic growth back to the pre-crisis levels.

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15 A study by LibTech (2020) shows that funds tends to dry up around the end of the financial year, holding up wage payments for weeks or even months at a time. Roughly one in twenty wage payment transactions get rejected due to technical error such as incorrect account number or incorrect linking of Aadhaar with bank accounts. The same study (forward of which is written by noted economist Jean Dreze) mentions that nearly ₹ 5,000 crores of NREGA wage payments were rejected during the last five years.

16 The concept of 'adequate' minimum wages, statutory or negotiated was propounded by the ILO centenary declaration on the future of work (ILO, 2019). As per the conceptual framework, the level of adequate minimum wages shall lie above the minimum rate of wages but the below the level of living wages.

2. MINIMUM WAGE FIXATION PROCESS AND ADEQUACY OF MINIMUM WAGE LEVELS

Minimum wage is the lowest amount of payment which the employer is obliged to pay to the wage earners for the work performed during a given period. The ILO Centenary Declaration for the future of work calls for strengthening labour institutions to ensure adequate protection of workers, including an adequate minimum wage (ILO, 2019). In India, Article 43 of the Constitution provides that the State shall endeavour to secure *among other things*, work, a living wage and conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities. Under this backdrop, India's minimum wage system is governed by the Minimum Wages Act (MWA), 1948. The primary objective of the MWA is to protect workers against unduly low pay, especially those in the unorganised sector, which account for 87 per cent of the total employment in India.

Despite its existence for more than 72 years, the effectiveness of the MWA has been a matter of intense debate. Firstly, the MWA is not universal in its coverage as it is applicable only to 66 per cent of the wage earners who were part of the scheduled employments[17] (ILO, 2018). Secondly, the minimum rate of wages set under the Act was widely believed to be low. As shown in Figure 1, some states even set the minimum wages below the ₹ 176 per day national floor-level minimum wage rates (GOI, 2019b). Therefore, it is not surprising to note that the level of gross monthly minimum wages in India is third-lowest among the 30 Asia and Pacific countries both in PPP and dollar terms in 2019 for which data are available (ILO, 2020f). Thirdly, there are wide inter-state variations in the level of the lowest and highest minimum rate of wages much beyond the differences in cost of living and there exist systematic persistence bias in fixation of the minimum rate of wages for men and women undertaking similar works (ILO, 2018 and GOI, 2019b). Fourthly, compliance under the MWA is poor for various reasons as a result of which actual wages received by 20 per cent of regular workers and 42 per cent of casual workers were less than even the national floor-level minimum wages in 2011/12 (GOI, 2019b). Therefore, various impact studies show that the effect of minimum wage did not necessarily benefit those at the bottom of the wage distribution (Rani and Ranjbar, 2018 and Wolfson, 2019). The lack of effectiveness of the MWA was empirically assessed both in the Economic Survey (GOI, 2019b) and in the India Wage Report (ILO, 2018). These reports have attributed incomplete coverage, lack of application of uniform minimum wage fixation criteria by states, a complex system with 1,915 scheduled minimum wage rates, low awareness among workers and employers, and difficulty in enforcement in the informal sector as the primary reasons for poor compliance and ineffectiveness of wage policies in India.

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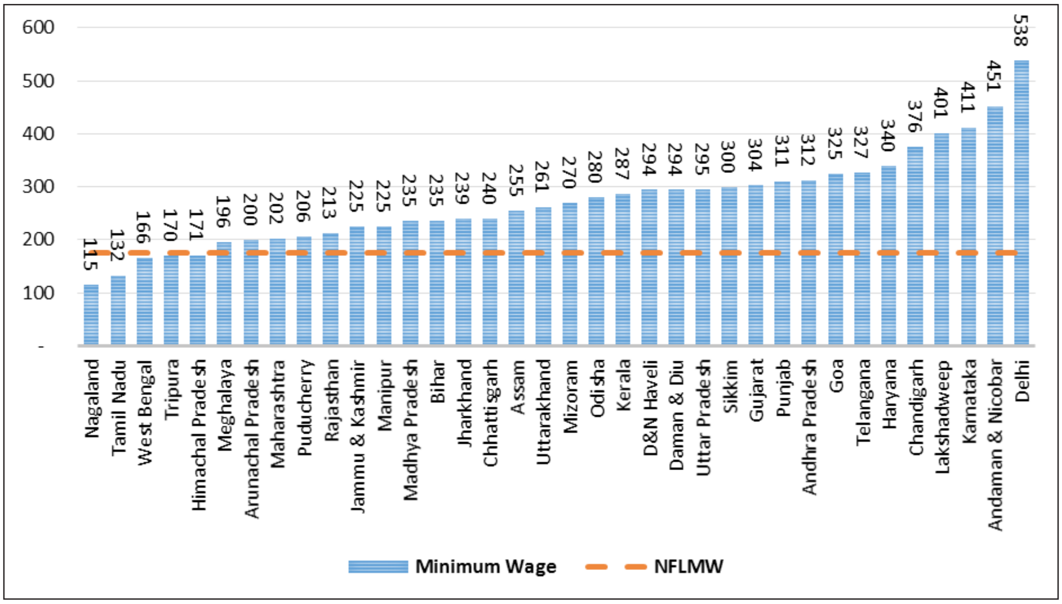
[17] Scheduled employments are those employments where more than 1000 workers are engaged and it is specified in the schedules of the MWA, 1948 either by the Central or State Governments.

Figure 1
Unskilled Minimum Wages in India across States (₹ per day), 2018-19



Source: Economic Survey, 2018-19.

Given the minimum wage policy's sub-optimal outcomes, there was a long demand to reform and move towards a universal minimum wage system[18]. This sentiment was earlier echoed in the Second National Commission on Labour (SNCL) report, which had recommended to simplify and rationalise the labour laws and procedures (GOI, 2002). The latest two reports, i.e., India Wage Report (ILO, 2018) and Economic Survey, 2018-19 (GOI, 2019b), also called for strengthening the minimum wage system to protect workers and address poverty and inequality. All these developments over the years led to the enactment of the Code on Wages on August 8, 2019 by subsuming four wage-related legislation (i.e., the Minimum Wages Act, 1948; the Payment of Wages Act, 1936; the Payment of Bonus Act, 1965; and the Equal Remuneration Act, 1976).

The wage code has introduced significant reforms, which can benefit wage earners in several ways (GOI, 2019c). The applicability of the wage code has been made universal irrespective of occupation, sector and geography in India. This means that all the wage earners in an employment relationship will be entitled to a legal minimum wage and timely payment of wages within the fixed-wage period. Further, the wage code has introduced a new concept of statutory floor wage to be set by the Central Government based on a minimum standard of living. It

18 The 44th session of ILC (2012) recommended that 'the MWA, 1948 should cover all employments and the existing restriction on its applicability only to the scheduled employments should be done away with'. See recommendations of the Conference Committee on "Minimum Wages" (Annexure 1, page 14) at: https://labour.gov.in/sites/default/files/44th_ILCL.pdf accessed on July 3, 2020.

prohibits the state governments to fix their respective minimum wage rates below the floor. This has been done to ensure that employees' wages do not fall below the minimum standards of living anywhere in the country and address the inter-state disparities in the minimum wage rate. Unlike in the earlier, MWA (1948), the wage rules have included the criteria for fixation of the minimum wage rate and the possibility of adjusting minimum wages every six months with respect to changes in the cost of living through dearness allowance (GOI, 2020). This is expected to bring uniformity in the minimum wage fixation criteria across states and their regular adjustments. Lastly, the wage code has also simplified the minimum wage structure of India. Therefore, instead of the current 1,915 different occupational wage rates, each state will have a minimum of 3 and a maximum of 12 wage rates depending on the skills or geographical region or both (Satpathy et al. 2020). The simplification of the complex system is expected to improve the degree of compliance.

The universalisation of minimum wage and establishment of statutory floor wage is expected to raise the wage levels of millions of low-paid workers, either presently not covered under the minimum wage regulation or receiving a sub-minimum level of wages. Studies show that if fully implemented, the positive social outcomes may reduce inequality and poverty, including a sharp reduction in the gender pay gap at a low fiscal cost in India (Belser and Rani, 2011). However, the extent of the effect of these redistributive outcomes will be contingent on the level at which floor and minimum wages are set and on the degree of compliance (Estupinan et al., 2020 and ILO, 2020f). Therefore, this paper also critically examines both floor and minimum wage fixation criteria and their adjustment process as introduced in the wage rules. The elements taken into account in the criteria and their adjustment process are crucial in determining the adequacy of the level at which these two wage rates are set and maintained over time.

As stated earlier, to give effect to the wage code at the earliest to benefit the wage earners and migrants during the pandemic, the Government has notified the draft wage rule soliciting comments. The wage rules provide implementation mechanisms for various wage code provisions, including fixation, revision and adjustment of the floor and minimum wages. A scrutiny of the wage rules suggests that the criteria and method of fixation, revision and adjustment of floor wages and minimum wages continues to be based on the old framework. At least from a need-based approach, the rules' criteria may not capture the realities of current household consumption expenditure patterns. If the floor and minimum wages are fixed as per the criteria given in the wage rules; their levels may not be adequate to help the wage earners meet their needs and that of their families and tide over the ongoing crisis. Therefore, fixing statutory wage levels at an adequate level is of utmost importance. In the following sections, we have discussed the issues with wage fixation criteria and adjustment process as provided in the draft rule.

As far as floor wage fixation is concerned, the wage code states that floor wage shall be determined as per worker's minimum living standard. However, the criteria to determine what constitutes minimum living standards are not laid out in the wage rules. It simply states that elements such as food, clothing, housing, and other factors as considered appropriate by the central government shall be taken into account. This raises questions about the level at which the floor wage will be initially fixed and if the levels will factor in the diverse realities across states in India. As far as the periodicity of revision and updating of floor wage is concerned, the rule states that the floor wage 'may' be revised ordinarily at an interval not exceeding five years and undertake adjustment for variations in the cost of living 'periodically'. A gap of five years for the revision of the base floor wage rate is way too long. And not mentioning the periodicity of adjustment with respect to inflation means that instead of playing a dynamic role in effecting upward revision of minimum wages across states and over time or for that matter addressing inter-state differences in minimum wages, the floor will remain redundant in practice and even unable to protect vulnerable workers from erosion in their real wages.

As in the case of floor wage where criteria's have not been laid out, in the case of minimum wages, the criteria's have been laid out in the wage rules but based on the old framework as suggested by the 15th Indian Labour Conference (ILC) in 1957 and the subsequent Supreme Court judgement of 1992 in the case of Reptakos Co. vs its workers. The criteria's for calculation of minimum wages as given in the wage rules are as follows: (i) the standard working-class family comprising of three adult consumption units (ii) a net intake of 2700 kcal per day per consumption unit; (iii) 66 meters of cloth per year per standard working-class family; (iv) housing rent expenditure to constitute 10 per cent of food and clothing expenditure; (v) fuel, electricity and other miscellaneous items of expenditure to constitute 20 per cent of the minimum wage; and (vi) expenditure for children education, medical requirement, recreation and expenditure on contingencies to constitute 25 per cent of the minimum wage.

However, several arguments have been put forwarded stating that the above criteria for fixing minimum wages will not lead to setting up wages at an adequate level, thereby affecting the effectiveness of minimum wage policy in India (GOI, 2019a and Estupinan et al. 2020). Firstly, it is stated that the demography, age and sex composition of the population have changed vastly between 1957 and 2020 and hence three adult consumption units for calculation of minimum wages may not be adequate to meet the needs of the worker and their families. This is all the more important in the Indian context, where minimum wage fixation doesn't consider age and years of experience of the workers. Hence, for all purposes, minimum wages are considered both entry-level and exit-level wages (Satpathy and Malick, 2020).

Secondly, at present minimum wages are fixed based on calorie requirements only. However, between 1957 and 2020, India has witnessed a massive change in household consumption pattern corresponding to a higher development level and rising prosperity[19]. It has resulted in a change in consumption pattern (a preference for more diversified food) favouring non-cereal food items such as pulses, vegetables, milk and milk products, eggs and meat as per the official National Sample Survey Office (NSSO) Consumption Expenditure Survey (CES) data at various time points. Therefore, it is viewed that only calorie based estimation of food expenditure and fixation of the minimum rate of wages would be a too narrow a criterion and must be expanded to provide for protein and fat requirements (GOI, 2019a).

Thirdly, in the present calculation of minimum wages, the estimation of entire non-food expenditure is linked to the cost of estimating food and clothing expenditure. The wage rules need to recognise that the workers and their families' needs as defined way back in 1957 lack relevance in the present context due to changes in economic development and consumption patterns. As per the latest NSSO 2011/12, share of non-food expenditure is growing across all monthly per-capita expenditure (MPCE) quintile groups with rising prosperity and the share of food expenditure is declining over time as a proportion of total household expenditure. Therefore, estimation of non-food expenditure as a fixed share of food expenditure is not based on sound economic rationale. Hence, non-food expenditure must be estimated independently as per actual household consumption behaviour. Further, in the present criteria, essential non-food items such as expenditure on transport and communications have not been considered. As workers spend a lot of amount on these items, it would be appropriate to consider them to estimate the minimum wage rate.

Fourthly, expenditure on housing rent is the single most important component of the household consumption expenditure. Monthly house rent expenditure is significantly higher than the combined expenditure on food and clothing in the urban context. Further, housing rent expenditure varies significantly across the class of cities – metropolitan, non-metropolitan and rural areas. Therefore, estimation of house rent expenditure as a fixed 10 per cent of food and clothing expenditure across all types of areas/cities does not provide an evidence-based estimation and requires to be reviewed[20].

Fifthly, while the wage rules have made it statutory to adjust the dearness allowance every six months (i.e. April 1 and October 1), they do not elaborate upon

[19] As per instance Majid (2019, p.8) finds that real average monthly per capita consumption expenditure of non-regular workers (at 2011-12 prices) have increased from ₹ 957 to ₹ 1347 during 2000 to 2012

[20] The 15th ILC (1957) had recommended that house rent allowance should be fixed normatively corresponds to the minimum area provided under the Government's industrial housing scheme. However, in the wage rules the house rent, which is major non-food expenditure, has been restricted to 10 per cent of food and clothing expenditure.

the manner of adjustment of dearness allowance and price indexes to be used in such adjustments. The absence of such crucial guidelines will lead to variations in the manner of adjustments and hence in dearness allowance neutralisation rates across states, leading to the continuation of the inter-state variations in minimum wage rates.

The above discussion suggests that the criteria of fixation and adjustment of floor wages and minimum wages need a scientific and evidence-based approach to set and maintain them at an adequate level to provide meaningful and reasonable subsistence to the low paid informal and migrant workers affected by the Covid-19 pandemic. In the subsequent section, drawing from the Expert Committee Report on Determining the Methodology for Fixing the National Minimum Wage (hereafter referred to as Expert Committee), we have provided an alternative evidence-based approach to the floor and minimum wage fixation and adjustment process. We believe that wage fixation and setting as per the Expert Committee (EC) recommendations will help immensely in providing adequate subsistence to the wage earners, apart from boosting aggregate demand.

3. WAGE FIXATION PROCESS AND ADEQUACY OF WAGE LEVELS IN PUBLIC WORK SCHEMES

As discussed in the introductory section, to provide relief to the informal workers and return migrants affected by the pandemic, the government has leveraged the existing MGNREGS. It also launched a new scheme called GKRA as a part of the fiscal package under ABA. The objective of the GKRA scheme is similar to the MGNREGS except for a couple of differences. While the MGNREGS provides 100 days of guaranteed wage employment every year to adult members of the households across the country[21], the GKRA offers one-time wage employment for 125 days to migrant workers in six states. Further, the MGNREGS provides unskilled manual work. In contrast, GKRA employment opportunities are not necessarily unskilled work only. It also involves laying optical fiber, railway works, and construction of national highways and border roads, requiring semi-skilled, skilled and high skilled labourers. Lastly, while the MGNREGS wages are notified on April 1 of every financial year, the Central Government has not yet clarified whether the GKRA unskilled and skilled workers will be paid as per wages under the MGNREGS or based on corresponding state-level minimum rate of wages.

However, some Indian media have reported that workers under GKRA are paid based on MGNREGS wages[22]. Further, as twelve central government departments are implementing this programme, the possibilities of different wage rates being paid by different departments cannot be ruled out. In the absence of any clarity

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21 Details of the Act and implementation progress may be seen at: https://nrega.nic.in/netnrega/home.aspx

22 Please see https://krishijagran.com/news/garib-kalyan-rojgar-abhiyan-here-s-how-you-can-earn-rs-202-per-day-through-this-new-government-initiative/

and as other schemes-based workers such as *Asha* and *Anganwadi* workers are considered 'volunteers' and hence not paid state-level minimum wages, it is safe to assume that GKRA workers are paid invariably as per MGNREGS wage rates. As wages under MGNREGS are way below the need-based minimum wages of agricultural workers in 5 out of 6 GKRA states, it can be safely concluded that the income transfer under the scheme is minimal (Table 1). This, *among other things,* also means that wages under GKRA are not adequate and don't correspond to the skills and productivity levels of the migrant workers. Therefore, to better integrate the return migrant workers into the local labour market and provide them credible income support, GKRA wages need to be linked with at least the minimum wages of various categories of skilled labourers under the MWA (1948).

Table 1
MGNREGS Wage Rates and Minimum Wage Rates (₹ per day) in GKRA States

GKRA States	MGN-REGS wage rates with effect from April 1 2020	MGN-REGS wages as % of Mini-mum Agri-cultural Wages	MGN-REGS wages as % of Unskilled Minimum Wages	Minimum Agricultural Wage Rates		Minimum Wage Rates by Skills Category (latest months for 2020)			
				Wage rates	With effect from	Un-skilled	Semi-skilled	Skilled	Highly skilled
Odisha	207	67%	67%	308	Oct, 2020	308	348	398	458
Bihar	194	70%	66%	279	Oct, 2020	292	304	370	451
Jharkhand	194	65%	65%	300	Oct, 2020	300	315	414	479
Madhya Pradesh	190	83%	59%	228	Oct, 2020	323	356	409	459
Uttar Pradesh	201	100%	60%	201	May, 2020	336	370	415	-
Rajasthan	220	98%	98%	225	Aug, 2020	225	237	249	299
Average	**201**	**81%**	**69%**	**257**		**297**	**322**	**376**	**358**

Source: Gazette notifications for relevant years and websites of relevant state labour departments.

Note: (1) In Odisha, Jharkhand and Rajasthan minimum wage rates for unskilled workers are considered as minimum wage rates for agricultural labourers, whereas in other three GKRA states minimum agricultural wage rates are fixed separately from that of unskilled minimum wage rates; (2) In Uttar Pradesh, minimum wages are fixed only for three skills categories.

As MGNREGS is the central public employment programme in India[23] and being implemented across the states around the year, it is pertinent to discuss wage

[23] During the 2020-21 financial year, the scheme has 13.28 crore active workers and has generated 175.33 crore man-days of employment benefitting 5.53 crore rural households. For the detail performance of the scheme visit: https://www.nrega.nic.in/netnrega/mgnrega_new/Nrega_home.aspx

fixation procedure and adequacy of wage levels under the programme. This is important more so during the Covid-19 pandemic as the Government using the programme as the main instrument to provide income and livelihood support to the rural citizens and the unemployed returnee migrants from the cities affected by the lockdown. This can be gauged from the fact that while the average monthly demand for work under Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was 21.5 million households (between 2012-13 and 2019-20), the same increased to 36.1 million, 43.7 million and 31.5 million households in May, June and July 2020 respectively[24]. This reflects the massive demand for work under the scheme post lockdown and validates its critical role.

However, a press note released by the People's Action for Employment Guarantee (PAEG) shows that most states cannot provide 100 days of guaranteed employment and 1.5 crore persons who have demanded work have not got work[25]. Further, the wage rates under the MGNREGS have been criticised because of their low level, which does not even match up with the agricultural minimum wage rates in 20 out of 21 major states[26] (Appendix Table 1). The shortfall between the MGNREGS and agricultural minimum wages reaches a maximum of 34 per cent across states, with the average shortfall being 19 per cent[27]. Further, it has also been analysed that over the past eight years (2012/13 to 2019/20), the daily nominal MGNREGS wage at the national level has increased from ₹ 135 to ₹ 200 per day, while the real wage has remained more or less constant in the range of ₹ 135 to 137 per day (Aggarwal and Paikra, 2020). In contrast, average market rural and casual real wage rates have increased at a much faster rate between 2011/12 and 2018/19[28]**.** The low level of MGNREGS wages compared to the statutory minimum wages and even market casual wages and stagnation in MGNREGS real wage rates has led to calls for raising the notified wage rates under the scheme to ₹ 600 per day and strengthening and expanding the scope of MGNREGA by increasing the mandatory workdays to 200 days and extension of MGNREGA to urban areas[29].

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24 In July 2020, number of households sought work under the programme reduced a bit to 31.5 million as casual labourers returned to work in farms for sowing *Kharif* crops.

25 As reported in https://www.newsclick.in/Budgetary-Allocation-Exhausted-COVID-19-Package-Released-NREGA-Tracker

26 Uttar Pradesh is the only state where agricultural minimum wages exactly matches up with the MGNREGS wages. This is primarily because agricultural wages in the state are not adjusted with dearness allowance in every six months (unlike minimum wage rates for non-agricultural workers) and hence wage levels are lower.

27 The average shortfall would be further higher, if all the states follow a uniform method and timeline to revise and adjust their basic agricultural minimum wages.

28 In a recent workshop at the V. V. Giri National Labour Institute on 7th October 2020 a presentation by Xavier Estupiñan (ILO, wage specialist) on the basis of NSSO data presented that daily rural real wages have increased from ₹ 203 to ₹ 245 during 2011/12 to 2018/19, while the daily casual real wages have increased from ₹ 191 to ₹ 237 during the corresponding period.

29 The call was given by MGNREGA *Sangharsh Morcha* as reported in the Hindu. For details please see https://www.thehindu.com/news/national/amid-demand-surge-14-lakh-families-have-reached-annual-mgnrega-work-limit/article32006305.ece

One of the main reasons for the low level of MGNREGS wages can be attributed to wage fixation, revision and adjustment provisions under the Act. The MGNREGA has two important provisions relating to the type of wages to be paid under the programme[30]. Section 6.1 of the Act empowers the Central Government to specify through notification either a single wage rate for the entire country or different wages rates for different areas, notwithstanding anything in the MWA (1948). Further, it stipulates that wage rate specified from time to time under any such notification shall not be at a rate less than sixty rupees a day. Further, Section 6.2 of the Act states that until such time the Central Government fixes the wages under section 6.1, the minimum wages for agricultural labourers fixed by the State Government under Section 3 of the MWA, 1948, shall be considered as the wage rate applicable to that area.

A comparison of Section 6.1 and 6.2 of the MGNREGA suggests that unlike in 6.2 where the basic minimum rate of wages of agricultural labourers under the MWA, 1948 are fixed and revised to a large extent by states as per set need-based norms in every five years and adjusted concerning inflation in every six months, under 6.1, the procedure of fixation of MGNREGS basic wage rates and its adjustment process with respect to inflation have not been laid out. Further, there is no clarity relating to how ₹ 60 per day have been arrived as the basic MGNREGA wage rate as given in Section 6.1. It was pointed out that this figure has been arrived arbitrarily without supported by any methodology and was lower than even the minimum agricultural wage rates of some of the states at the time of enactment in 2005 (Sivakumar 2010; Sankaran 2011). Given the alternative provisions in the Act and no clarity relating to the process of wage fixation and adjustment under Section 6.1, therefore, at the time of launching the MGNREGS scheme in 200 districts in 2006/07, the Central Government invoked Section 6.2 as a transitory measure.

The above decision enabled the Government to link wages under the MGNREGA as per the minimum wages of agricultural labourers fixed by various state governments. In the first year of implementation in 2006/07, MGNREGS wages per day varied in the range of ₹ 50 in Gujarat to a high of ₹ 125 in Kerala (Appendix Table 2)[31]. However, in the immediate next year, i.e., in 2007/08, 10 out of 27 states where the scheme was being implemented revised their minimum wages for agricultural labourers upwardly, leading to demand for more funds from the MGNREGA towards wage payment[32]. In at least four states such as Haryana (from ₹ 99 to ₹ 135 a day); Madhya Pradesh (from ₹ 63 to ₹ 85 a day); Nagaland (from

30 Please see Section 6 of the Act available at: https://www.indiacode.nic.in/bitstream/123456789/2014/1/A2005-42.pdf

31 Based on Table 1.1 (page 7) in MGNREGA Sameeksha where data is provided for 27 states, excluding union territories. For details please see: https://nrega.nic.in/Circular_Archive/archive/MGNREGA_SAMEEKSHA.pdf

32 Some of the states who revised their rates between 2006/07 and 2007/08 were Arunachal Pradesh (from ₹ 57 to ₹ 67); Assam (from ₹ 66 to ₹ 76); Bihar (from ₹ 68 to ₹ 77); Haryana (from ₹ 99 to ₹ 135); Karnataka (from ₹ 69 to ₹ 74); Madhya Pradesh (from ₹ 63 to ₹ 85); Maharashtra (from ₹ 47 to ₹ 72); Manipur (from ₹ 72 to ₹ 81); Nagaland (from ₹ 66 to ₹ 100); Odisha (from ₹ 55 to ₹ 70).

₹ 66 to ₹ 100 a day); and Maharashtra (from ₹ 47 to ₹ 72 a day) this hike was very steep, while in the rest six states, the upward revisions were modest (in the range of ₹ 9 to ₹15 a day). These upward revisions by states were not unreasonable as have been argued elsewhere, as Section 3.1 of the MWA (1948) empowers the state governments to revise the basic rate of agricultural wages in every five years and through a tripartite consensus[33] to adjust minimum rates of wages in line with price indexes in every six months to provides adequate and effective protection to the workers at all times and in all locations. However, it may have happened that some of the states, which are not prompt enough in undertaking this revision and adjustments before MGNREGA, started undertaking timely revisions to draw more money from the MGNREGA towards wage bills to provide rightful benefits to the workers.

As the Central Government entirely supports the wage burden under the Act, the hike in minimum agricultural labour wages by ten states created apprehension that the MGNREGA will be financially unsustainable in the long-run if other states are resorting to a similar upward revision in future under the MWA, 1948. Therefore, with effect from January 1, 2009, the MGNREGA wage fixation was moved from Section 6.2 to Section 6.1 of the Act, empowering Central Government to notify MGNREGA state-wise wage rates for each financial year.

Given the above development and in the absence of any built-in mechanism for fixation of basic wage rates under Section 6.1 of the Act, the Government through a notification issued on December 15, 2009, enhanced the basic wage rate under the MGNREGS from earlier ₹ 60 per day to ₹ 100 per day. Again, there was no clarity relating to the method and evidence used for this upward revision[34]. Further, to arrive at an MGNREGS wage distribution across states, in twenty states where minimum agricultural wages were below ₹ 100 per day before December 1, 2008, the Government enhanced these wages to ₹ 100 per day[35] and in four States such as Goa, Haryana, Kerala and Mizoram where the minimum agricultural wages were higher than ₹ 100 per day, the Government protected these higher wages. Based on the aforesaid decision, the Central government notified a new MGNREGS state-specific wage structure under Section 6.1 of the Act (Appendix Table 2, column 5). However, the State Governments were given the flexibility to notify higher wage rates above the central rates and pay the difference from their budgetary resources. As this arrangement will put a substantial financial burden on the states and an unsustainable arrangement, none of the state governments have adopted it.

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33 In 1988, Labour Ministers' Conference took the decision that minimum wages be linked to the CPI-IW to address changes in cost of living over time.

34 The only reference for this increase can be found in the July 6, 2009 budget speech of the then Finance Minister Pranab Mukharjee which was based on Congress 2009 election manifesto that had promised at least 100 days of work at a real wage of ₹ 100 per day as entitlement under the MGNREGA.

35 However, for four states (Arunachal Pradesh - ₹ 80; Jharkhand - ₹ 99; Manipur - ₹ 81.4; and Odisha - ₹90), the revised rates were not notified. The reasons thereto are not available in official document.

Apart from non-clarity relating to the methods for fixation of basic wage rates under MGNREGA, Section 6.1 also doesn't mention the wage adjustment process to account for price changes, which is the other reason for the prevalence of low nominal wages under the programme. Therefore, after delinking MGNREGS wages from that minimum agricultural wage rates from January 1, 2009, no price adjustment was made for two successive years, and real wages continued to stagnate. This is despite the fact that a wage working group[36] constituted by the Ministry of Rural Development (MoRD) in March 2010 under the Chairmanship of Professor Jean Dreze recommended to index MGNREGS wages to the price level using the Consumer Price Index for Agriculture Labour (CPI-AL) with April 1, 2009, as the base to protect the real wages of the workers at least to the level of ₹ 100 per day at April 2009 prices. The group further recommended to adjust the MGNREGS wages upwards in line with the CPI-AL every six months or at least once in a year. Only on January 1, 2011, administrative decisions were taken, and wages were adjusted with CPI-AL of the respective States/UTs at the end of every financial year. Since then, two committees have been constituted by the MoRD, i.e., Mahendra Dev Committee in 2015 and Nagesh Singh Committee in 2017 to suggest indexing of MGNREGS wages with appropriate price index.

The Mahendra Dev Committee recommended that the consumption basket for both CPI-AL and Consumer Price Index-Rural Labour (CPI-RL) was based on 1983-NSSO, Consumption Expenditure Survey, which is outdated. The Committee noted that CPI-Rural (CPI-R), which was introduced in 2010 by the Central Statistical Organisation had a more recent weighting diagram. Therefore, they recommended indexation of MGNREGS wages with CPI-R, as the consumption basket of CPI-R is of more recent vintage than CPI-AL. The Committee further recommended that the CPI-R index for an average of 12 months be the proper index for indexing MGNREGS wages instead of indexing MGNREGS wages with CPI-AL of December month only. The Nagesh Singh Committee which was constituted after that while endorsing Mahendra Dev Committee recommendations[37] had estimated a financial requirement of ₹ 600 crores for shifting from CPI-AL to CPI-R[38]. However, given the extra-budgetary implications, the proposal has not yet received the Finance Ministry's approval. Hence, MGNREGS has failed to fully neutralise the workers' wages to price changes to date.

Many civil society organisations have criticised the changed wage fixation process under MGNREGA from Section 6.2 to 6.1 and its inability to fully neutralise the workers' real wages as the main reasons for the prevalence of undue low level of MGNREGS wages. They have argued that payment of MGNREGS wages less

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36 The wage working group is one of the six working group constituted by the Ministry of Rural Development (MoRD) to look into implementation aspects of the MGNREGA.

37 Recommendations may be seen at: https://rural.nic.in/press-release/minimum-wages-mgnrega

38 As reported in Indian Express and may be seen at: https://indianexpress.com/article/india/mgnrega-wages-less-than-minimum-farm-wages-in-15-states-panel-4743412/

than the minimum agricultural wages under the MWA, 1948 for undertaking similar work amounts to forced labour and in violation of Article 14 and Article 23 of India's Constitution. Similarly, the January 1, 2009, decision of the Central Government making itself sole authority to fix MGNREGS wages under Section 6.1, evoked displeasure from some state governments such as Tripura, Karnataka, Punjab, West Bengal, Madhya Pradesh and Himachal Pradesh, who proposed amendment to the said order as the state minimum wage rates were higher than the notified MGNREGS wages (Sivakumar 2010). Further, the Andhra Pradesh High Court in a case filed by NREGA workers suspended the operation of Section 6.1 of the MGNREGA stating that the Government being the agency for implementing minimum wages, cannot itself violate minimum wages[39].

However, the Government has argued that the nature of work assigned under the MGNREGA is separate and distinct from those listed under the Schedule to the MWA (1948). Further, it argued that MGNREGA work should be viewed as a social safety net. It is meant to be used as a last resort to supplement the rural households' livelihood security on account of temporary distress conditions. Hence, the intention is not to force unwilling labour on any person. These are precisely the reason why Section 6.1 prescribes wage rates under MGNREGA in a way that clearly distinguishes it from minimum wages for agricultural labourers. Given the contrasting arguments, in a recent judgement on February 26, 2020[40], the Madras High Court in the case of R. Gandhi vs The Union of India while accepting the submission of the Government noted that the rights claimed under the MGNREGA would be governed by its provisions and cannot be construed to be a scheme or an Act for encouraging exploitation of labour to violate Article 23 of the Constitution of India. It further stated that as the nature of the claim, the work and the projects that are to be executed are different and not a stable workforce engaged for performing any regular work, therefore the same is not a violation of Article 14 of the constitution. This judgement brought somewhat finality to the ongoing legal battle, thereby firmly establishing Central Government as the sole authority to fix MGNREGA wages under Section 6.1 of the Act. However, the said section doesn't provide any criteria for fixation of basic wage rates, its revisions, and adjustments.

While the legal window to seek parity between MGNREGS wages and state agricultural minimum wages is relatively narrow now, the Government could have addressed the issue of fixation of MGNREGS wages at an adequate level under the recently enacted wage code in 2019. The wage code which is a Central Act has a provision of fixation of a binding universal 'national floor wage' by the Central Government based on minimum human needs of the workers and their families, above which the state government shall fix their respective minimum wage rates. The

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39 Andhra Pradesh is one of the states where notified MGNREGS wages at ₹ 80 per day was less than the state agricultural minimum wages (₹ 125 per day) by ₹ 45 per day.

40 The details of the case may be seen at: https://indiankanoon.org/doc/181924954/

national floor wage, which would be decided through evidence-based consultative mechanisms with social partners and state governments, could have been extended to MGNREGA as its basic wages, subsequent to which the MoRD could have carried out appropriate price revision (on a bi-annual or on on an annual) to protect the real wages of the workers. However, this options of even linking floor wage under the wage code as the MGNREGA basic wages stand foreclosed as Section 66 of the wage code[41] categorically states that "nothing contained in this Code shall be deemed to affect the provisions of the Mahatma Gandhi National Rural Employment Guarantee Act, 2005 or any scheme made thereunder". Inclusion of this non-obstante provision, *among other things,* denies any scope for future inter-linkage between floor wage and statutory minimum wage rates with MGNREGS wages, thereby making Section 6.2 of the MGNREGA, 2005 virtually ineffective. To that extent, the wage code also restricts the extent of its universal applicability charm. These developments in the judiciary and legislative space will significantly limit the effectiveness of MGNREGA in the future and thereby renders income transfer under the scheme unviable for the informal and migrant workers and their families. This calls for finding alternative solutions within the Section 6.1 of the MGNREGA (through relevant amendments) and through administrative decisions – to set MGNREGS wages at an adequate level by following evidenced-based and need-based methodology and linking MGNREGS wages with appropriate price indexes – which is taken up in the next section.

4. TOWARDS STRENGTHENING WAGE POLICIES IN INDIA

The preceding sections discussed that wage policies could form an essential element of an integrated strategy to protect the informal and migrant workers' incomes affected by lockdown-induced job and income losses. The statutory minimum wages through its redistributive mechanism and MGNREGA wages as an effective fiscal stimulus could help alleviate the hardship faced by the workers and returnee migrants. The increase in the purchasing power of low-income workers with a high propensity to consume will boost aggregate demand, catalysing private investment, and give significant momentum to the economic recovery process. However, for wage policies to act as an effective antidote, wage levels and their adequacy along with full implementation are of paramount importance.

It was discussed that the level of both statutory minimum wages and MGNREGS wages are very low in India, and several implementation bottlenecks inhibit them from delivering welfare results. The low level of statutory minimum wages across many Indian states can be attributed primarily to the existing wage fixation methods, non-uniformity in methods used, and adjustment process across states. Further, recently enacted wage code and wage rules have not succeeded entirely in addressing these issues. Similarly, it was discussed that Section 6.1 of the MGNREGA, 2005 doesn't provide any mechanism for the fixation and

41 Please see Section 66 of the Code on Wages (GOI, 2019c) at http://egazette.nic.in/WriteReadData/2019/210356.pdf

adjustment process of MGNREGS wages and hence basic wages as argued have been set arbitrarily and price adjustments continue to be done with an outdated index. These limitations in wage policies coupled with implementation issues are reflected in terms of the prevalence of the low level of statutory minimum wages and MGNREGS wages, thereby limiting these policies' effectiveness in protecting income and standard of living informal and migrant workers.

With this background, we propose an alternative approach to set and revise minimum wages and MGNREGS wages at an adequate level, in the subsequent section. This, we believe, will significantly strengthen the wage policies in addressing their stated objectives of poverty and inequality and support a human-centred economic recovery process.

4.1 Alternative Approach to set Minimum Wages at an Adequate Level

An alternative approach to set statutory minimum wages at an adequate level can be drawn from the Expert Committee (EC) report on determining the methodology for fixating national floor minimum wage (GOI, 2019a)[42]. The EC in accordance with the provisions of the wage code[43] and based on scientific and evidenced based approach had suggested a need-based floor wage and also had elements for fixation of statutory minimum wages by taking into account changes in economic development[44], demography, family size, consumption patterns, nutritional intakes and work intensity since 1957, when the 15th ILC provided its recommendations for the first time.

Based on the latest evidence from official statistics; it suggested enhancing the consumption unit from 3 to 3.6 units per family to calculate wages. It had also suggested shifting from the existing calorie based approach to a nationally representative and culturally palatable balanced diet approach to fix the national floor wage[45]. The updated evidence established a recommended intake of 2400 calories, 50 grams of protein and 30 grams of fat per day per capita for estimating the cost of a food basket. As far as non-food cost is concerned, it had proposed to estimate the same as per household consumption behaviour and not as a fixed percentage of food and clothing cost, as is done presently. Besides, the EC had also recommended expanding the non-food basket to include essential items such as transport and communication (including internet) expenditure and also to estimate house rent allowance as per actual expenditure incurred and not as a fixed 10 per cent of food and clothing expenditure as provided in the wage rule. Applying the above methodology to the Consumption Expenditure Survey (CES) data for 2011/12 (NSSO 2014), the EC had recommended fixing the national floor

42 The authors were associated with the EC as its Chairman and members respectively.

43 The wage code provides for fixation of either a single national floor or different national floor for different geographical areas of the country by the Central Government on the basis of minimum human needs of the workers and their families.

44 Engel's law is an economic observation stating that the proportion or share of income spent on food decreases as income rises, even if absolute expenditure on food rises.

45 See report of the EC (GOI, 2019a:33-52) relating to detailed methodology for floor wage-setting.

wage[46] at 375 Indian rupees per day (as per July 2018 prices), irrespective of skill level, occupation and location (Table 2).

Apart from suggesting a national floor wage level, the EC had also suggested regional floor wage levels as an alternative arrangement according to the provision of the wage code. The regional floor was suggested considering a scenario wherein implementing a single national floor is not feasible for a vast and diverse country like India. To estimate the regional floor wage, the EC had grouped states into four regions (Region 1 to Region 4) by ranking states in a composite index that considered factors such as state income, cost of living, labour market situation and women empowerment. Among the four regions so constructed, Region-1 comprises the least developed states, while Region 4 contains India's developed and advanced states[47]. Subsequently, all the north-eastern states (except Assam) were clubbed into Region 5 because of their similar socio-economic, labour market and geographical situations (Appendix Table 3). After forming the regions, the EC had estimated the level of floor wages at the regional level varying from rupees 342 per day in Region-1 to rupees 447 per day in case of developed states in Region-4, as per July 2018 prices (Table-2).

Table 2
Level of the National and Regional Floor and Statutory Minimum Wage Rates (in ₹, July 2018 Prices) as per the Balanced Diet Approach

National/ Regional	2400 calorie level National/Regional Floor Wage		2,700 calorie level National/Regional Statutory Minimum Wage	
	Daily Wage Rates/day	Total Monthly Wages	Daily Wage Rates/day	Total Monthly Wages
National	375	9,750	407	10,582
Region 1	342	8,892	372	9,672
Region 2	380	9,880	412	10,712
Region 3	414	10,764	449	11,674
Region 4	447	11,622	480	12,480
Region 5	386	10,036	418	10,868

Source: Report of the Expert Committee on Determining the Methodology for Fixing the National Minimum Wage (GOI 2019a).

[46] The EC had used the term 'national minimum wage' as per the Code on Wages Bill, 2017. However, in 2019 version of the bill the term 'national minimum wage' was replaced with the term 'floor wage'. Hence, in this paper the term floor wage has been used.

[47] The report of the EC (GOI 2019a: 43-47) provides a detailed account of the methods related to categorization of states into regions and the estimation of regional floor minimum wage rates.

In addition to recommending the floor wage levels corresponding to 2400 calories, using similar methods, the EC had also estimated the possible level of national minimum wages corresponding to the 2700 calories which the central and state governments may consider as the statutory minimum rate of wages to be fixed above the floor wage in their respective sphere. Based on the method described above, the EC had provided an estimation to enable the Central Government to fix its statutory minimum wage rates at 407 rupees per day irrespective of skill level, occupation and location (Table 2). Subsequently, it had also provided estimation relating to the possible level of regional statutory minimum wage rates by applying regional prices to the national food and non-food consumption basket, while keeping the other fixation norms constant. Accordingly, it had suggested statutory minimum wages for unskilled workers for various regions ranging from rupees 372 per day for states in Region-1 to 480 rupees for states in Region-4 (Table 2) for consideration of respective state governments falling under specific regions. If accepted and incorporated in the wage rules, this methodology will help set up both floor wages and minimum rate of wages at an adequate level, bring uniformity in wage fixation criteria across states and allow for wage differentiation across regions to the extent regional prices differ.

Table 3

Percentage Gap between Latest Notified Unskilled Minimum Wage Rates and Recommended National and Regional Floor and Minimum Wage Levels by the EC for Region 1

Region 1 States	Latest unskilled minimum wage rates (in ₹/day)	% Gap between EC recommended level of unskilled wage rates with that of latest unskilled minimum wage rates fixed by states		
		Gap between National floor wage (₹ 375/day) & state unskilled minimum wages	Gap between Regional floor wage (₹ 342/day) & state unskilled minimum wages	Gap between Regional minimum wage (₹ 372/day) & state unskilled minimum wages
Odisha	308	18%	10%	17%
Assam	282	25%	18%	24%
Bihar	292	22%	15%	22%
Jharkhand	300	20%	13%	20%
Madhya Pradesh	323	14%	6%	13%
Uttar Pradesh	336	10%	2%	10%
West Bengal	296	21%	13%	20%

Source: Latest notifications of the State Labour Departments for unskilled minimum wages in 2020 and Report of the Expert Committee on Determining the Methodology for Fixing the National Minimum Wage (GOI 2019a).

Comparing the percentage gap between prevailing state-specific unskilled minimum wages with that of national/regional floor wage and regional minimum wage rate for Region 1(less developed states) recommended by the EC is made in Table 3. The analysis shows that unskilled minimum wages in most of the states in Region 1 especially in Assam, Bihar, Jharkhand and West Bengal at present is much lower compared to the EC recommended single national floor wage level of rupees 375 per day but relatively closer to the regional floor wage level of rupees 342 per day. This attests that setting a regional floor wage anchored on regional cost of living would be a more feasible option for India than setting a single national floor wage based on the average cost of living of all regions taken together. Further, as far as the percentage gap between prevailing unskilled minimum wages in the states and the EC's option of regional statutory minimum wage levels is concerned, it has much to do with non-uniformity in wage fixation, revision and adjustment criteria across states than with inter-state differences in the cost of living. Therefore, once the inter-state differences in minimum wage fixation and revision criteria's have been made uniform as per EC's recommendations and a standard method of calculation is followed across states, the differences in minimum wage levels between the states in Region-1 will narrow down and accordingly wages will move upward and closer towards the EC recommended wage levels. The same also holds true for the other four regions of the country as well.

Therefore, it is crucial to have a closer look at the EC report and incorporate its alternative approach of wage determination as appropriate in the wage rules, which is under consideration of the Government stating the exact methods of fixation of need-based floor wages and statutory minimum wages. This policy intervention would enable the Central and State Governments to set these wage rates at an adequate level based on a uniform methodology after the wage code becomes effective. Along with this, elaborating a method for adjustment of dearness allowance and its regular adjustment will help maintain minimum wages at an adequate level with respect to price changes. These measures will also help align growth in real minimum wages in line with growth in labour productivity[48] and offsett the subdued demand situation grappling the economy.

4.2 Alternative Approaches to set MGNREGA Wages at an Adequate Level

There can be at least four alternative approaches to set and adjust MGNREGS wages. Corresponding to the approach adopted, the wage rates under MGNREGS shall vary from an adequate level of wages to poverty line wages. But each of these proposed approaches is better than the existing approach wherein MGNREGS basic wages are fixed arbitrarily at ₹100 per day with effect from April 1, 2009, with no subsequent revision with an updated price index thereafter. There are no past instances in India to suggest where basic wages in any employment have been

[48] As per the Global Wage Report: 2020-21 (ILO, 2020f), in India, the annualized real minimum wage grew at a rate of 3.9 per cent, while annualized productivity growth happened at faster rate of 5.5% between 2010-2019.

allowed to languish for over a decade without revision. Below, we have outlined each of these approaches in greater detail, including their implications on workers, requirement of resources and challenges involved (Table 4).

The best approach for MGNREGA wage setting can be found in its objective, which aims at ensuring 'livelihood security' to the poor rural households through 100 days of guaranteed unskilled manual work. And this guaranteed work is expected to provide a 'minimum standard of living' to the poor workers and their families in times of distress and as a last resort. Therefore, it is inconceivable to think that MGNREGA will be able to provide livelihood security without guaranteeing a statutory minimum wage. Hence, the provision of more jobs in times of distress shouldn't be put forward as a sensible justification for offering sub-minimum wages under the programme. Instead, as a last resort and in a crisis, wage-income transfers should be adequate enough to allow the workers and their families to avail a decent minimum standard of living.

Further, the argument that the nature of work under MGNREGA are 'distinct' from that of work under MWA, 1948 and hence the payment of sub-minimum wages, doesn't hold much ground as both occupations involve 'broadly' similar nature of work which unequivocally requires 'manual' labour with no skills. Even if MGNREGA involves piece-rate work, the legislative provisions provide for at least time rate wages to the piece-rate workers both under MWA, 1948 and wage code. Even internationally, given that the piece-rate system is complicated to administer, information available from 44 public works programs in 37 countries shows that 77 per cent of the programs paid daily wages. In contrast, only 14 per cent paid piece rates (Subbarao et al., 2013). Therefore, return from manual and unskilled occupations under two central legislations should be measured and valued similarly through a need-based approach in such a way that these returns at least ensure a minimum standard of living. Therefore, the best option for MGNERGA is to provide at least the state level unskilled minimum wages[49]. In this way, by setting wages at an adequate level, MGNREGA would successfully protect the standard of living and income of the migrant and informal workers, while contributing effectively as a fiscal policy tool in raising village incomes and demand (Table 4).

Activating the best options of linking MGNREGS wages with that of state minimum wages, at this point requires relevant amendments to Section 6 of the MGNREA as well as Section 66 of the wage code. Enough reasons exist for such amendments within these regulations' objectives, but the will to do so is lacking due to budgetary constraints. However, at least the Government should consider the best option as a transitory measure and immediately implement the same for recovery of the pandemic stricken economy with a sunset clause for two years.

[49] The code on wages has stopped the practice of fixation of minimum wages by scheduled employment/occupations and provides for fixation of minimum wages by skills levels. So in future as there would be no fixation of minimum wages for agricultural labourers by states and hence, relevant wage reference for MGNREGA would be state level unskilled minimum wages.

The second-best approach could be at least to benchmark 'basic' MGNREGS wages with that of national floor wages[50] to be set under wage code by the Central Government at a level below the state statutory unskilled minimum wages. This measure is vital to set the MGNREGS basic wages at an appropriate level as it was cited that the basic wages set in 2009 at ₹ 100 per day were decided arbitrarily without supported by any method. This revision of basic wages, therefore is long overdue. This approach may entail relevant amendments to the respective legislation, but this will ensure reasonable pay to the workers with a relatively smaller impact on the MGNREGA budget.

Table 4

Alternative Approaches to MGNREGS Wage Setting and Adjustment Process

Available Options	Approaches	Results	Challenges
Best option	Linking MGNREGS basic wages with state-level minimum wages for unskilled labourers so that similar nature of work can be paid similarly through a need-based criteria and subsequently undertake six-monthly adjustments to account for changes in the cost of living as per the wage code and wage rule. There could be a full linkage (100%) or a partial linkage[51] to the unskilled minimum wages. The Government should consider this option and immediately implement for facilitating the recovery of the pandemic stricken economy as part of fiscal measures even with a sunset clause for two years.	Win-win situation for both the central legislations and ensures policy coherence. While MGNREGA can effectively ensure a minimum standard of living in a time of distress through wage employment, the wage code can widen its objective of the universal applicability of minimum wages and timely payment of wages to all wage earners including those involved in public employment programme such as MGNRGEA.	Requires amendment of Section 6 and Section 66 of the MGNREGA and wage code, respectively. The budget constraint could be a challenge but given the objective of lifting people out of poverty and placing them in a better productive and remunerative job is the ultimate goal of MGNREGA, adequate income transfer under the programme should receive priority over budget constraint in a crisis.

50 This recommendation is based on the assumption that floor wage shall be fixed as per the minimum standard of living of a worker and in consultation with the state governments and social partners. Hence, the monetary value of basic floor wages so arrived shall be more acceptable and higher than the existing MGNREGS wages rates in many states. It may so happen that in some developed states the existing MGNREGA wage rates might be higher than the estimated floor wage rates under the wage code and in such a situation higher MGNREGS wage rates must be protected.

51 In Nepal, the Prime Minister Employment Program introduced in the FY 2018/19 in line with Article 33 of the Constitution of Nepal, which considered employment as the fundamental rights and guarantees every Nepali the right to have employment. All the registered unemployed citizens should get employment opportunities for at least 100 days in a year and if the government fails to employ those registered with the ESCs, the government must pay them 50 per cent of the minimum wage as unemployed allowance.

Available Options	Approaches	Results	Challenges
Second best option	Benchmark MGNREGS 'basic' wages with that of 'basic national floor wages' under the wage code and subsequently undertaking the cost of living adjustments every six months as per average changes in CPI-R as suggested by the Mahendra Dev Committee. This approach will also address the issue of arbitrary fixation of MGNREGA basic wages in 2009 at ₹ 100 per day.	Extension of sub-minimum wages in the form of statutory floor wages to the MGNREGA workers so that the workers and their families are reasonably protected. The wage code's objective shall also be fulfilled as it mandates that no wage earners in the country fall below the statutory floor.	Requires amendment of Section 6 and Section 66 of the MGNREGA and wage code, respectively. Budget constraint may be an issue but not as big as an issue as in the case of 'best option' given that floor wages shall be below the state-specific statutory minimum wages of unskilled labourers.
Minimalistic option	Benchmark MGNREGS 'basic' wages with that of the per day equivalence of rural poverty line. If one considers the Rangarajan Expert Group (2014) poverty line, per day, basic wages would be around ₹ 186 as per 2011-12 prices. This poverty line basic wages may be updated to the latest time point by indexing with CPI-R to protect the workers' real wages. Once the updated basic wage is arrived at, the subsequent cost of living adjustments may be done every six months as per CPI-R changes.	Extension of the poverty line 'basic' wages to MGNREGA workers will ensure that the workers and their families' body and soul are at least protected, if not more. Indeed this approach would be a relatively better option than the existing approach wherein basic wages of ₹ 100 per day set in 2009 are way below the poverty line wages.	An administrative decision is required, while no amendment in legislation is required. Budgetary implications would be there but these cost escalations would be concomitant to the changes in the cost of living and development level since April 2009 when the last basic wage revision happened under MGNREGS.
Last option (Social dialogue based)	Constitution of an MGNREGS wage fixation advisory board with members from State Governments, civil society organisations, experts and Central Government officials to determine the norms for fixation of MGNREGS wages as per minimum standard of living distress situation and its revision/adjustment process. Based on consultation with the advisory board, the Central Government shall notify the basic wages and undertake six-monthly price adjustments concerning CPI-R.	Harmonious determination of MGRNEGS wages supported by evidenced-based methodology and wages so arrived at shall be acceptable to all stakeholders and certainly shall be higher than the existing basic wage of ₹ 100 rupees per day. This wage would also protect the minimum standard of living of the workers and their families as set out in the Act.	Requires amendment to Section 6.1 of the MGNREGA to incorporate wage-setting norms and adjustment process into the main body of the Act – a process similar to the wage code. Additional resource requirement for this option shall depend on what constitutes minimum living standard in temporary distress conditions and a situation of last resort as agreed in the advisory board.

In addition to the above two approaches, one could think of a minimalistic option of benchmarking MGNREGS basic wages with that of poverty-line wages in the first stage and then subsequently updating the basic wages so arrived at with CPI-R in every six months to arrive at MGNREGS daily wages (Table 4). In this way, MGNREGS wages will be set at a level to protect the body and soul of the workers and their families and be implemented through an administrative decision.

The last option is to determine MGNREGS wage rates by evolving evidences-based norms and methods to define what constitutes 'basic minimum standard of living' to provide livelihood security to the poor in times of temporary distress condition and as a last resort. This method and definition may undertake international pieces of evidence in this regard. At present, this basic minimum standard of living is monetarily fixed at ₹ 100 per day. However, this rate has been set arbitrarily without methodological backing and is one of the prime reasons behind the prevailing low level of MGNREGS wages. Therefore, there is a need to constitute an MGNREGA specific wage fixation advisory board with members from state governments, civil society organisations, experts and central government officials to arrive at a method and estimate a monetary value for MGNREGS wages. Based on consultation with the advisory board, the central government may notify the basic wages and also undertake price adjustment every six months. However, to bring this plan to fruition, Section 6.1 of the MGNREGA requires amendment incorporating wage-setting machinery, norms, and adjustment process into its main body.

5. CONCLUSION

In pre-Covid times, India was facing more of a wage problem than a job problem, given the pervasive pool of low-quality employment as a share of total employment in the country. The spread of the Covid-19 pandemic and resultant stringent lockdown measures has aggravated this problem further by seriously affecting millions of low-wage workers' livelihoods and earnings. The pandemic worst hits the informal and migrant workers, hard to reach, at the bottom of the labour market. Studies show that in India, jobs and wage losses suffered by the informal and migrant workers are much higher than their formal counterparts. It is further predicted that the pandemic would push 41 million Indians into extreme poverty and further deepen existing income inequality in the low-end labour market.

In order to mitigate the economic impact of the pandemic, the GOI has taken a series of short-term measures immediately after the lockdown to protect workers' wages and incomes and also medium to long-term measures to stabilize the economy. In all total, the GOI has deployed the ABA stimulus package in three phases amounting to 15 per cent of the GDP to help people, businesses, and low-income workers. While the size of stimulus support was comparable to similarly placed countries, the stimulus package's composition was subject to much criticism. It has been often stated that a significant part of the support was meant to correct supply-side disruptions than to raise demand. Further, the targeted social assistance package in the form of cash and in-kind transfers that were extended to poor households and vulnerable workers as part of fiscal actions were considered modest, and the demand for universal monthly cash transfers was resolutely rejected.

As a part of the fiscal policy sub-component of the ABA stimulus, the GOI enhanced allocations under MGNRGS and introduced a new GKRA scheme to provide employment to the return migrant and affected rural citizens. Mindful of the fact that MGNREGS wages and statutory minimum wages are an essential element for providing protection to the workers and reviving the economy, the GOI had increased average MGNREGS wages by ₹15 per day and announced the establishment of a statutory national floor wage and extension of legal coverage of minimum wages to all wage earners. While these prompt actions are noteworthy, the extent to which these interventions will help protect and restore the informal and migrant workers' income is under question, given the low level of MGNREGS wages and statutory minimum wages in India. The situation is further complicated because of the inability of the states to provide 100 days of guaranteed job under MGNREGS including delay in wage payments and rejection of wage payments and poor compliance to the statutory minimum wages.

In this context, this essay examined issues with the existing wage setting, revision and adjustment process and identified elements behind the continuous prevalence of low level of statutory minimum wages and MGNREGS wages. The paper argues that the existing procedure of setting of minimum wages in India has failed to capture the realities of current consumption pattern and is one of the prime reasons behind the prevalence of low level of minimum wages. The paper while appreciating significant reforms that have been introduced in the wage code and wage rules (including the one relating to the extension of legal coverage of floor wage and minimum wages to all wage earners) argues that the impact of these reforms would be limited as reforms relating to setting and maintaining the level of minimum wages continues to be based on the old framework and as the criteria for setting and revision of floor wages have not even laid out in the wage rules. Similarly, in the context of MGNREGS wages, the paper found that the wage rates under the programme are low and does not even match up with the agricultural minimum wage rates in 20 out of 21 major states. Some the reasons identified for the prevalence of low level of MGNREGS wages are attributed to the decision of delinking MGNREGS wages from that of the state agricultural minimum rate of wages in 2009; subsequent fixation of MGNREGS basic wages devoid of any methodological backing and the practice of adjustment of MGNREGS wages with outdated Consumer Price Index for Agriculture Labour (CPI-AL). These limitations in wage policies coupled with implementation issues are reflected in terms of the prevalence of the low level of statutory minimum wages and MGNREGA wages, thereby limiting these policies' very effectiveness in protecting income and standard of living informal and migrant workers.

The precarious position of the informal and migrant workers in the labour market has heightened the call for policy intervention to reset both the minimum wages and MGNREGS wages at an adequate level paving the way for a human-centred and demand-led economic recovery process. In this backdrop, the paper presents a case for strengthening India's wage policies by providing an alternative framework for setting statutory floor wages and minimum wages at an adequate level based on the recommendation of the Expert Committee (EC). Similarly, in the context of MGNREGS, the paper provides four alternative approaches to set and adjust MGNREGS wages and argues that each of these proposed approaches would be better options than the existing approach of fixation and adjustment of wages under the programme.

In conclusion, the paper argues that the alternative framework by setting and maintaining statutory wages and MGNREGS at an adequate level will not only make the redistributive effect of wage policy much more robust in terms providing livelihood security to the low paid informal and migrant workers but also in addressing poverty and inequality. This alternative and strengthened wage policy can also supplement and act as an essential component of the fiscal policy tool under the ABA stimulus package to boost private consumption and to restore aggregate demand, investment and promoting economic growth back to the pre-crisis levels.

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Appendix

Appendix Table 1: Shortfall between notified MGNREGS Wage Rates and Minimum Agricultural Wage Rates (₹ per day)

States	Latest Notified Minimum Agricultural Wage Rates		MGNREGS Wage Rate Effective from April 1, 2020-21	Shortfall of MGNREGS Wages from Minimum Agricultural Wage
	Wage rates	Effective from (year/month)		
Karnataka	425	20-Apr	275	150
Kerala	410	17-May	291	119
Jharkhand	300	20-Oct	194	106
Punjab	361	20-Mar	263	98
Odisha	308	21-Oct	207	101
Gujarat	310	20-Oct	224	86
Bihar	279	20-Oct	194	85
Himachal Pradesh	275	20-Apr	198	77
Telangana	306	20-Apr	237	69
Assam	282	20-Jun	213	69
Chhattisgarh	257	20-Oct	190	67
Tamil Nadu	322	20-Apr	256	66
Andhra Pradesh	292	20-Oct	237	55
West Bengal	260	21-Jan	204	56
Haryana	358	20-Jan	309	49
Uttarakhand	245	19-Sep	201	44
Maharashtra	276	20-Jul	238	38
Madhya Pradesh	228	20-Oct	190	38
Jammu & Kashmir	225	17-Oct	204	21
Rajasthan	225	20-Aug	220	5
Uttar Pradesh	201	20-May	201	0

Source: Compiled by the author from the state labour departments' latest notifications and in discussion with state labour officials.

Note: (1) In *Kerala*, no inflationary adjustment of agricultural wages (₹ 410 per day) has taken place since May 2017. In fact, in the state minimum wages are not linked to any price index for any scheduled employment. Further, latest wages in comparable schedule employments such as unskilled forestry (₹ 659 per day w.e.f. August 2019) or different types of the plantation (₹ 304 per day in tea/coffee to ₹ 384 per day in rubber w.e.f January 2020) are either too high or low to consider as a proxy for agricultural wages; (2) In *Jammu and Kashmir*, unskilled labourer minimum wages are applied to the agricultural labourers. No inflationary adjustment of unskilled wages has taken place since October 2017; (3) In *Gujarat*, no inflationary adjustment of agricultural wages (₹ 178 per day) has taken place since September 19 2016, unlike other minimum wage rates. Therefore, latest unskilled labourer minimum wage rate for rural areas is taken as a proxy for agricultural wages; (4) In *Tamil Nadu*, no basic revision and inflationary adjustment of agricultural wages (₹ 146 per day) have taken place since January 30, 2015 (unlike other minimum wage rates). Therefore, latest plantation labourer minimum wage rate (₹ 322 per day) is taken as a proxy for agricultural wages; (5) In *Uttar Pradesh*, the basic agricultural minimum wage rates gets revised in every two years, but wages are not linked to a price index (unlike other minimum wage rates); therefore latest agricultural minimum wages (₹ 201 per day) are low compared to other similarly placed states; (6) In Uttarakhand, the revision of basic agricultural wages was last undertaken in July 2015, and the five-yearly revision which is due with effect from June 2020 has not been undertaken yet. Hence, agricultural wage rates (₹ 245 per day) are low compared to similarly placed states.

Appendix Table 2: MGNREGS notified Wage Rates (in ₹ per day) from Financial Year 2006/07 to 2020-21

S. No.	Name of State	2006-07	2007-08	2009-10	2010-11 & 2011-12	2012	2013	2015	2016	2017	2018	2019	2020
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1	Andhra Pradesh	80	80	100	121	137	169	180	194	197	205	211	237
2	Arunachal Pradesh	55-57	65-67	80	118	124	155	167	172	177	177	192	205
3	Assam	66	76.35	100	130	136	167	179	182	183	189	193	213
4	Bihar	68	77	100	120	122	158	162	167	168	168	171	194
5	Chhattisgarh	62.63	62.63	100	122	132	157	159	167	172	174	176	190
6	Goa	-	-	110	138	158	195	208	229	240	254	254	280
7	Gujarat	50	50	100	124	134	167	178	188	192	194	199	224
8	Haryana	99.21	135	141.02	179	191	236	251	259	277	281	284	309
9	Himachal Pradesh	75	75	100	120-150	126-157	154-193	162-203	170-213	179-224	186	185-231	198-248
10	Jammu and Kashmir	70	70	100	121	131	157	164	173	179	186	189	204
11	Jharkhand	-	-	99	120	122	158	162	167	168	168	171	194
12	Karnataka	69	74	100	125	155	191	204	224	236	249	249	275
13	Kerala	125	125	125	150	164	212	229	240	258	271	271	291
14	Madhya Pradesh	63	85	100	122	132	157	159	167	172	174	176	190
15	Maharashtra	47	66-72	100	127	145	168	181	192	201	203	206	238
16	Manipur	72.4	81.4	81.4	126	144	175	190	197	204	209	219	238
17	Meghalaya	70	70	100	117	128	153	163	169	175	181	187	203
18	Mizoram	91	91	110	129	136	170	183	188	194	194	211	225
19	Nagaland	66	100	100	118	124	155	167	172	177	177	192	205
20	Odisha	55	70	90	125	126	164	174	174	176	182	188	207
21	Punjab	93-105	93-105	100-105	153	166	200	210	218	233	240	241	263
22	Rajasthan	73	73	100	119	133	163	173	181	192	192	199	220
23	Sikkim	85	85	100	118	124	155	167	172	177	177	192	205
24	Tamil Nadu	80	80	100	119	132	167	183	203	205	224	229	256
25	Telangana	-	-	-	-	-	-	180	194	197	205	211	237
26	Tripura	60	60	100	118	124	155	167	172	177	177	192	205
27	Uttar Pradesh	58	58	100	120	125	156	161	174	175	175	182	201

S. No.	Name of State	2006-07	2007-08	2009-10	2010-11 & 2011-12	2012	2013	2015	2016	2017	2018	2019	2020
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
28	Uttarakhand	73	73	100	120	125	156	161	174	175	175	182	201
29	West Bengal	69.4	69.4	100	130	136	169	174	176	180	191	191	204

Source: Compiled by the authors. Wage Rates from 2006/07 to 2010-11 were taken from Table 1.1 (page 7) as given in MGNREGA Sameeksha https://nrega.nic.in/Circular_Archive/archive/MGNREGA_SAMEEKSHA.pdf) and for the remaining years from the Gazette notifications (http://www.mgnrega.nic.in.)

Note: (1) For 2006-7 and 2007-08, wages under MGNREGS were as per the agricultural labourers' wages fixed under the MWA, 1948; (2) From 1.1.2009 MGNREGS wages were moved from Section 6 (2) to Section 6 (1) of the Act; (3) From 1.1.2011 MGNREGS wage rate was linked with Consumer Price Index for Agriculture Labour (CPI-AL); (4) in the table, in the case of two wages, the wages are for different areas within the state, for example, non-scheduled areas with lower wages and schedule areas with higher wages; (5) Union Territories have not been included; (6) From 2012 onwards MGNREGS wage rates are with effect from April 1 of every financial year.

Appendix Table 3: Regions of India drawn based on a Composite Index for National Minimum Wages for Regions

Region 1	Region 2	Region 3	Region 4	Region 5
Odisha Assam Bihar Jharkhand Madhya Pradesh Uttar Pradesh West Bengal	Andhra Pradesh Telengana Chhattisgarh Rajasthan Jammu & Kashmir Uttarakhand	Gujarat Karnataka Kerala Maharashtra Tamil Nadu	Delhi Haryana Himachal Pradesh Punjab Goa	Arunachal Pradesh Manipur Meghalaya Nagaland Mizoram Tripura Sikkim

Source: Report of the Expert Committee on Determining the Methodology for Fixing the National Minimum Wage (GOI 2019a).