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Global Wage Report 2020-21: Trends for India

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Introduction

Global Wage Report 2020-21 produced by International Labour Organization (ILO) gives insights into employment, wages and minimum wages in the time of COVID-19 across the globe. The issue as per their observations is that the social partners of the workers especially with lower education and from poor and marginalised class, are not consulted before setting the minimum wage thresholds resulting in wages set at non-adequate levels.

The concept of a minimum wage as defined by ILO is, “the minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract.” This means that minimum wages must have the force of law. Minimum wage can be statutory (set by government) or negotiated (result of agreement between the employers’ and workers’ organisations). Grouping the countries by income level, it may be observed that, even in low-income countries, a vast majority have adopted a minimum wage system. “An estimated 18 per cent of countries (29 countries) with statutory minimum wages exclude either agricultural workers, domestic workers or both from minimum wage regulations (India apparently has coverage for these workers).” In India, there is a statutory minimum wage system in place which varies in terms of the value of wage from state to state.



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Key Highlights

General highlights: Wage and productivity indices before pandemic:- Workers in Asia and the Pacific enjoyed the highest real wage growth among all regions over the period 2006–19, with China, India, the Republic of Korea, Thailand and Vietnam leading the way. In the category of average real wage index for the G20 economies, India stands as an emerging G20 economy. In India, recent evidence suggests that formal workers’ wages have been cut by 3.6 per cent, while informal workers have experienced a much sharper fall in wages of 22.6 per cent.

Job roles: “At the global level, although more men than women earn minimum wages or less, women are over-represented in this category: while women make up 39 per cent of the world’s employees paid above the minimum wage, they represent 47 per cent of the world’s sub-minimum and minimum wage earners.” No separate numbers for India available.

Wages: The analysis carried out for this report indicates that 85 countries, together representing around 54 per cent of countries with statutory minimum wages, adjusted their minimum wages at least every two years on average during the period 2010–19.” India is one of the countries which adjusted these wage rates every 3-5 years. Indian states have made those adjustments since the first quarter when COVID-19 had become a major concern. “It is worth noting that in other countries, delayed increases or freezes in minimum wages because of the COVID-19 crisis have taken place at the local or sectoral level.” For example, in the Punjab region of India, the local Government reversed its order announcing a minimum wage increase.

How many workers earn the minimum wage or less?

In Asia 24 per cent of the workers earn the minimum wage or lower (Separate numbers for India unavailable).

How do statutory minimum wage systems differ across countries?

Some countries have a simple national minimum wage rate and others like India have more complex systems. There is a variation in the range of minimum wages across states. This indicates high level of complexity of setting up a minimum wage based on various socio-economic, geographic and sectoral factors producing multiple wage rates.

India has extended minimum wage coverage through a national universal minimum wage (wage floor) stipulated in the recently enacted Code on Wages (August 2019) aimed to reduce the number of rates and increase the efficiency of the wage-setting procedure and establish a needs-based income at regional and national levels. Before this coverage scheme was introduced, states had the freedom to decide wages based on the occupation, sector, “scheduled” employment.

At what level minimum wages are set?

“When comparing minimum wage levels across countries, the rate selected for the comparison in countries that have multiple minimum wages can make a significant difference.” India has the lowest minimum wages of around 50 USD in Nagaland to the highest of 450 USD for an hospital administrator in Kerala.

Do minimum wages meet the needs of the workers and their families?

Although there has been a 239.6 per cent increase in the nominal daily minimum wage between 2009-2019, the real daily minimum wage has increased only by 70.2 per cent. The annualized real minimum wage growth for India stands at 3.9 per cent and the productivity growth is that 5.5 per cent which is one of the lowest among the Asia and Pacific countries.

Read more: https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_762534.pdf

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