Understanding Wage Disparities in India

What is the issue?

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- Various official reports points out that India faces wage disparities due to productivity issues.
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- This can be resolved through job formalisation and financialization of Indian economy.
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What is the status of employment in India?

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- India has 63 million enterprises, of which 12 million do not have an office, nearly 12 million of them work from home.
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- Only 7 million paid any indirect taxes before GST, only 1.2 million of the 63 million enterprises pay provident fund and ESI.
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- Nearly 50% of India’s labour force, i.e. about 240million population is engaged in agriculture but it generates only 13% of the nation’s GDP.
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- But in contrast information technology sector is only 0.7% of India’s labour force, and it generates 8% of the GDP.
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What are the concerns with wages in India?

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- India’s official unemployment rate of 4.9% which means in India everybody who wants a job has a job but they don’t have the wages they

want or need.
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- The data collection mechanism about the various workforce is poor in India and due to this the issue of wage disparity has not been precisely estimated.
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- There is a 24-times difference in productivity between the top manufacturing companies and the ones at the bottom.
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- Therefore, the companies at the bottom cannot pay the wage premium and can never be productive, since a large part productivity is linked to the supply side problem.
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- It is rational to recognise that the wage premium for a degree has come down substantially in India.
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What measures needs to be taken?

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- Before GST, there were only 7 million enterprises registered for indirect tax, now there are 10.5 million, thus GSTN registration data can be used for the collection of administrative data.
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- Scientific methods need to be initiated to mark the productivity targets and to monitor institutional structure in the human capital.
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- To resolve the wage problems formalisation of the work force financialization of Indian economy.
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- If Indian enterprises are formalized then productivity will increase and wages will grow up.
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- Labour reforms need to be brought in for the job preservation as it is a form of job creation.
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Source: Indian Express

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