



A Note on Minimum Rates of Wages for Odisha¹

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1.1: The minimum wages payable to different category of workers in Odisha from 24 July 2015 is indicated in Table 1. This is based on an increase in Variable Dearness Allowances (VDA) of ₹7.20 on 1 April 2016 and ₹6.30 on 1 April 2017.

Sl No	Category	24 July 2015	1 April 2016	1 April 2017
1	Unskilled	₹200/-	₹207.20/-	₹213.50/-
2	Semiskilled	₹220/-	₹227.20/-	₹233.50/-
3	Skilled	₹240/-	₹247.20/-	₹253.50/-
4	Highly Skilled	₹260/-	₹267.20/-	₹273.50/-

Source: Information provided by Labour and ESI Department.

1.2: Minimum wages for these category of workers in some neighbouring states as also for Government of India (Area C) is indicated in Table 2. There are variations across states depending on their state-specific factors. However, a cursory glance suggests a case for increasing the wage rates in Odisha.

Sl No	Category	Andhra Pradesh‡	West Bengal§	Chattisgarh†	Jharkhand‡	Government of India (GOI)#
1	Unskilled	₹188.77/-	₹220.00/-	₹234/- & ₹355/-	₹237.38/-	₹318/-
2	Semiskilled	₹224.18/-	₹252.00/-	₹390/-	₹248.69/-	₹325/-
3	Skilled	₹269.22/-	₹278.00/-	₹410/-	₹327.82/-	₹353/-
4	Highly Skilled	₹421.85/-	₹421.85/-		₹378.69/-	₹385/-

Notes and Source: ‡ Per month wage rate has been divided with 26 to arrive at per day wage rate. § Per day wage rate without food is taken. †They have a single wage rate for agriculture and for all other sectors they have wage rates for three different zones, we consider the minimum from all the three zones. # For Government of India, we take the minimum wage rates for area C for agricultural purposes.
Source: Information provided by Labour and ESI Department for Andhra Pradesh, West Bengal and Chattisgarh. For Jharkhand, we use the wage rates applicable from 1 April 2018 (<https://paycheck.in>). For Government of India, we use the Office Order vide File No.1/10(1)/2018-LS-II dated 3 April 2018.

¹ This note has been prepared for the Labour and Employment State Insurance (ESI) Department, Government of Odisha, on their request for their internal discussions.

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³ This is being documented as policy brief now because it has served its purpose as a note for internal discussions and decisions have been taken on 30 April 2018 (vide 4909/LC dated 30.04.2018 by Labour Commissioner to increase Variable Dearness Allowance, VDA, by ₹10.80) and on 30 October 2018 (vide *The Odisha Gazette* SRO No 431/2018 by Labour and ESI Department to increase the base wages and other policy matter), which are also based on deliberations with many stakeholders. The section on policy impact in this brief is an imputed reading of these decisions.



1.3: We have done a simulation exercise for Odisha based on the prevailing minimum wage (the one with effect from 1 April 2017). The simulation provides three scenarios and computes each through three steps. In the first step, we propose an increase in the wage rate for unskilled workers by 5 per cent (somewhat commensurate with the Consumer Price Index), 25 per cent (somewhat commensurate with the increase for a government employee if one takes into consideration the 7th pay commission, dearness allowances increase and annual increments), and 50 per cent increase (somewhat commensurate with the higher proportionate wage for unskilled workers for agriculture provided by Government of India). The increase in wages in the three scenarios are ₹224.20/-, ₹266.90/-, and ₹320.30/-, respectively. In the second step, we round-off the wages to the nearest multiple of five, that is, ₹225/-, ₹270/-, and ₹320/-, respectively. In the third step, the absolute gap of ₹20/-, as in the case of prevailing wages, is maintained. The estimated wages in the three scenarios are indicated in Table 3.

Sl No	Category	Prevailing Wages	Simulation: Three Scenarios		
			A	B	C
1	Unskilled	₹213.50/-	₹225/-	₹270/-	₹320/-
2	Semiskilled	₹233.50/-	₹245/-	₹290/-	₹340/-
3	Skilled	₹253.50/-	₹265/-	₹310/-	₹360/-
4	Highly Skilled	₹273.50/-	₹285/-	₹330/-	₹380/-

Note: In the simulation exercise the wage increases in per cent are over the prevailing wages (the one with effect from 1 April 2017) for unskilled workers and are then rounded off to the closest multiple of five. For subsequent category of workers, the absolute gap of ₹20/- for each successive category is maintained as in the case of prevailing wages.

1.4: From the three simulation scenarios in Table 3, scenario A seems to be on the lower side while scenario C may be on the higher side depending on the budget constraint. The scenario B may be considered as a reasonable increase.

1.5: A unique feature of Odisha is to not discriminate between agriculture and other sectors. This may be continued, as it has positive equity implications.

1.6: The regular increase in variable dearness allowance should be taken up every six months and not annually, as has been the practise in the recent past.

1.7: If scenario B is compared across neighbouring states, one observes that highly skilled workers will continue to have relatively lower minimum wages in Odisha whereas this may not be the case for the other category of workers. This is perhaps because of the practice of maintaining absolute gaps across category of workers, which has positive equity implications. Nevertheless, if skill Odisha initiatives call for some efficiency-related concerns then that has to be independently examined.



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Policy Impact

2.1: Our remark 1.6 indicating that regular VDA increase should be taken up twice a year has been accepted and is included in the new policy.

2.2: Based on the wages prevailing on 1 April 2017, our simulation exercise in 1.3 and Table 3 provides for 5 per cent increase (scenario A), 25 per cent increase (scenario B) and 50 per cent increase (scenario C). The VDA increase of ₹10.80 with effect from 1 April 2018 is about 5 per cent increase, as VDAs are based on increases in consumer price index.

2.3: The change in base wages for unskilled workers, as per the policy decision of 30 October 2018, at ₹280 approximates a 25 per cent increase on the wages prevailing for unskilled workers on 1 April 2018. In remark 1.4, scenario B suggesting a 25 per cent increase, has been considered as a reasonable increase.

2.4: In the new policy decision, Odisha continues to not discriminate between agriculture and other sectors. This was indicated in remark 1.5.

2.5: Keeping absolute gaps between categories of minimum wages has positive equity implications. However, higher wages for those with skills may have efficiency considerations (remark 1.7). The wages of 30 October 2018 at ₹280 for unskilled, ₹320 for semiskilled, ₹370 for skilled, and ₹430 for highly skilled has been decided in consideration of some premium for different level of skill: from unskilled to semiskilled-₹40, from semiskilled to skilled-₹50, and from skilled to highly skilled-₹60.

2.6: Remarks 1.2 and 1.6 compares wages in Odisha with other states. The revised wages of 30 October 2018 are now better than many states.

EMPOWERING WORKERS
Wages Hiked Across All Categories

Minimum wages

	Before	Now
Unskilled	₹ 200	₹ 280
Semi-skilled	₹ 220	₹ 320
Skilled	₹ 240	₹ 370
Highly-skilled	₹ 260	₹ 430

Better than many states now

Premium for Skilling

Variable Dearness Allowance (VDA) to be revised twice a year instead of once

CMO.Odisha @CMO_Odisha

Source: [CMO Odisha's Tweet on Empowering Workers](#) (30 October 2018)