

# **IMPACT OF ‘RIGHT TO WORK’ ON COMPLIANCE OF MINIMUM WAGES IN INFORMAL LABOUR MARKET: EMPIRICAL EVIDENCES FROM DELHI NCR**

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## **Extended Abstract**

Amid growing informality and precarity around the globe, especially labour markets in developing countries continue to non-compliance of the minimum wage regulation. Further, despite the pace of neoliberalism, consent on ILO’s decent work agenda and other structural labour market transformations via global production networks or value chains across the sectors, a significant portion of the wage distribution is continue to be found below the standard or legal minimum wage. Consequently, around 450 million workers in the Indian informal sector which comprise the 93 percent of the total workforce of the country and 2<sup>nd</sup> largest in the world, are often exposed to lower wages than the stipulated minimum wage rules and regulation. Ironically, the construction workers constitutes the major portion of the informal/unorganized workforce which falls beyond the formal kind of compliance mechanism including social security. Incidentally, both, MGNREGS and the construction industry have participation by and large from the same typology of workforce.

In this context, the major Objective of the intended paper is to bring an empirical insight about the spillover impact of the ‘Rural Right To Work’ known as ‘Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) on compliance of minimum wages and discrimination in wages, i.e. gender and migrants in the urban construction sector. The construction industry is the 2<sup>nd</sup> largest employer and being a priority investment sector, growing rapidly in the Indian economy.

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In order to fully understand the nature of noncompliance in the construction industry, the paper focuses on the comparison of the counterfactual wage distribution without the minimum wage law to the actual wage distribution mechanism. Such a comparative analysis would reveal partial compliance, where employers or contractors raise wages some of the way to minimum wage, to balance out the benefits of the non-compliance with costs and penalties to the extent that they depend on the gap between the legal minimum wage and the wage actually paid.

The analysis is based on the primary data collected via repeated field visits during July 2014 to Dec, 2015 from a sample of 400 rural migrant workers engaged across construction sites in India's largest urban agglomeration zone known as Delhi National Capital Region or Delhi NCR.

To have a robust outcome and further effective policy suggestions for its extension to urban informal sector as well, this paper presents a simple model of such partial compliances and uses its predictions to structure and describe an empirical investigation of the impact of the 'Right To Work' on the compliance of the minimum wage regulation for the workers employed in the urban construction sector at large.

Consistent with the predictions of the model, the findings of the paper suggest that because of a sense of guaranteed public employment and equal wage opportunity, partial compliance is taking place indeed but the lowest wages are being raised discriminately and disproportionately, especially in case of female workers and poor migrants concentrated at the lowest level of employment pyramid in the buoyant construction industry. Further the researchers emphasize that while the full realization of the demand driven Right To Work and compliance of the prevailing minimum wages at the place of work are still a distant dream for a large army of rural vulnerable workers but the impulses of guaranteed employment kind of 'safety net', equal standard wages opportunity, and financial literacy at the place of origin, more especially for female migrants and other vulnerable have a positive impact on both of their wages as well as payment of wages.

Keywords: MGNREGS, Minimum Wage, Compliance, Informal Labour Market, Rural Migrants, Gender, Construction Industry.