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A Missed Opportunity to Guarantee Minimum Wages

Context

- Public employment programmes are central to rural welfare in India, with the Mahatma Gandhi National Rural Employment Guarantee Act as a landmark initiative.
- The proposed **Viksit Bharat Guarantee for Rozgar and Aajeevika Mission (Gramin) Act** has emerged as a new framework.
- The effectiveness of both programmes hinges on a critical factor: wage determination. Wage policy shapes participation, programme sustainability, and legal validity.

The Centrality of Wage Rates

- Wage rates form the backbone of employment guarantee schemes. A higher wage rate generates **enthusiasm, participation, and worker mobilisation**, as seen in the early phase of MGNREGA.
- When wages matched or exceeded minimum wages, workers were strongly incentivised to join.
- On the other hand, wage suppression, low incentives, and reduced participation can weaken such schemes.

- Since wages influence programme costs, governments may attempt to restrain them, affecting overall effectiveness.

Shift in Wage Determination: From States to Centre

- Initially, wages under MGNREGA were linked to state-level minimum wages through Section 6(2).
- This ensured alignment with local labour markets and strengthened rural earnings, however, in 2009, the central government invoked Section 6(1), gaining control over wage determination.
- Although wages initially increased, the shift enabled **centralisation, wage control**, and **policy uniformity**.
- Over time, wages were adjusted only for inflation indexation using the Consumer Price Index, resulting in a real-wage freeze.
- This weakened the programme's ability to influence labour markets and maintain wage standards.

Consequences of the Real-Wage Freeze

- The stagnation of wages has produced significant challenges. First, MGNREGA wages now lag behind statutory minimum wages, creating issues of legal compliance and undermining labour protections.
- This weakens the programme's role in sustaining wage floors.
- Second, wages have also fallen behind **market wages**, reducing the scheme's attractiveness.
- The gap is further widened by **delayed payments, payment uncertainty**, and **administrative inefficiency**.
- In contrast, market wages are typically paid promptly.
- Technological issues such as failures in payment systems contribute to **non-payment**, intensifying the **discouragement effect**.
- As a result, worker interest declines, reducing participation and engagement.

Declining Participation and Governance Challenges

- Reduced participation reflects deeper structural issues. Declining worker interest leads to weakened **accountability**, reduced **vigilance**, and increased **corruption**.
- The absence of active worker involvement allows leakages and malpractice to grow.
- This creates a vicious cycle: lower participation enables corruption, while corruption further discourages workers.
- Consequently, the gap between official data and actual employment levels widens, raising concerns about **transparency** and **data reliability**.

VB-G RAM G Act: Continuity Without Reform

- The VB-G RAM G Act retains many of the structural weaknesses of MGNREGA.
- It continues **centralised wage determination** despite adopting a **cost-sharing model** between the Centre and States.
- This weakens the justification for central control.
- The removal of provisions linking wages to minimum wages raises concerns about legal ambiguity.

- Without mechanisms to ensure **timely payments, institutional accountability, or corruption control**, the new framework risks perpetuating existing challenges.

The Way Forward

- Reform must prioritise aligning wages with or above **minimum wages** to ensure **legal validity**, improve **worker incentives**, and enhance participation.
- This would also strengthen rural incomes and restore confidence in employment programmes.
- Equally important are measures to ensure timely payments, reduce administrative delays, and improve transparency mechanisms.
- Strengthening **monitoring systems** and addressing technological failures can help curb corruption and rebuild trust.

Conclusion

- Employment guarantee programmes depend fundamentally on effective wage policy.
- Persistent **wage stagnation**, combined with **institutional inefficiencies**, has eroded their impact.
- Without addressing the disconnect between wages and labour standards, such programmes risk losing relevance.
- Ensuring fair wages, timely payments, and accountability is essential for making employment guarantees meaningful instruments of rural development.

A Missed Opportunity to Guarantee Minimum Wages FAQs

Q1. What is the key factor influencing the success of employment guarantee schemes?

Ans. The key factor influencing the success of employment guarantee schemes is the wage rate.

Q2. Why did MGNREGA initially attract high participation?

Ans. MGNREGA initially attracted high participation because wages were aligned with or higher than minimum wages.

Q3. What was the impact of centralising wage determination in 2009?

Ans. The centralisation of wage determination in 2009 led to a real-wage freeze over time.

Q4. Why have workers lost interest in MGNREGA?

Ans. Workers have lost interest in MGNREGA due to low wages and delays in wage payments.

Q5. What major issue persists in the VB-G RAM G Act?

Ans. The VB-G RAM G Act continues the issue of centralised wage control without adequate reforms.

Source: **The Hindu**

How to Secure India's Supply Chains

Context

- India's manufacturing ecosystem is deeply integrated with global supply chains, enabling efficiency but also creating vulnerability to external shocks.
- Recent geopolitical tensions have exposed risks arising from **import dependence** in critical sectors such as energy, fertilizers, and electronics.
- While **global interdependence** drives growth, it also amplifies disruptions, making **supply chain resilience** a strategic priority.
- Strengthening domestic capacity while maintaining global integration is essential for long-term stability.

Energy Security as the Foundation of Economic Stability

- Energy underpins all sectors of the economy, yet India imports nearly 85% of its crude oil and over 50% of its gas.
- This heavy reliance exposes the country to **geopolitical shocks**, **price volatility**, and rising **inflation**. Increases in oil prices escalate the import bill, raise logistics costs, and slow GDP growth, highlighting the urgency of energy security.
- India's transition toward **renewable energy** is crucial for reducing dependence on fossil fuels, with an ambitious target of 500 GW of non-fossil capacity by 2030.
- However, ensuring reliability requires investment in **energy storage** to manage intermittency. The **Green Hydrogen Mission** offers a pathway to decarbonize industries reliant on imported fuels.
- At the same time, expanding domestic exploration of oil and gas remains necessary.
- Strengthening strategic reserves and pursuing import diversification can help mitigate short-term disruptions while supporting long-term resilience.

Food and Agricultural Security: Addressing Hidden Vulnerabilities

- Despite being a net exporter of several agricultural commodities, India depends heavily on imports of edible oils, pulses, and fertilizers.
- This creates risks for **food security**, **rural livelihoods**, and price stability.
- Boosting domestic production requires **assured procurement**, **price support**, and **crop diversification** tailored to regional conditions.
- Expanding oilseed production is particularly critical, as domestic supply meets less than half of demand.
- Establishing strategic reserves for essential commodities can help manage supply shocks.
- In the fertilizer sector, reforms should focus on supplier diversification, increased domestic production of key nutrients, and promotion of bio-fertilizers to reduce dependence on imports.

Manufacturing Vulnerabilities and Structural Imbalances

- India's import profile reveals structural weaknesses in manufacturing. While strong in downstream manufacturing, the country relies heavily on imported raw materials, intermediates, and capital goods.
- These inputs are essential and often non-substitutable, making disruptions highly consequential.

- Critical dependencies include **APIs** in pharmaceuticals, **semiconductors** and components in electronics, and industrial intermediates.
- Concentration of key resources such as **rare earth minerals**, **lithium**, and **cobalt** further heightens risk, particularly for emerging sectors like electric mobility.
- This imbalance limits industrial competitiveness and exposes production systems to external shocks.
- When supply chains are disrupted, entire industries can stall, underscoring the need for structural correction.

The Imperative of Diversification and Domestic Capacity Building

- Reducing vulnerability requires strengthening domestic manufacturing and expanding global partnerships.
- Policy efforts must move beyond final assembly to develop complete **industrial ecosystems**, including **API manufacturing**, semiconductor production, and advanced machinery.
- At the same time, supply diversification is essential. Building long-term partnerships with regions such as Africa and Latin America can reduce concentration risks and improve stability.
- Technological innovation can further reduce dependence by promoting **process re-engineering**, **input efficiency**, and adoption of **alternative materials**.
- Encouraging industries to embrace these changes will gradually lower import intensity and enhance resilience.

The Path Forward: Towards an Integrated Approach to Resilience

- Building resilient supply chains requires a coordinated approach involving government, industry, and global partners.
- Investments in infrastructure, innovation, and policy alignment must work together to address systemic vulnerabilities.
- The objective is not to retreat from globalization but to engage more strategically.
- A balanced approach that combines **self-reliance** with global integration can strengthen economic stability while maintaining competitiveness.

Conclusion

- India's exposure to global supply disruptions highlights the risks of excessive import dependence.
- Strengthening **energy security**, improving **agricultural resilience**, addressing manufacturing gaps, and promoting diversification are essential steps toward resilience.
- By adopting a forward-looking and integrated strategy, India can transform structural vulnerabilities into long-term strengths and build a more secure and sustainable economic future.

How to Secure India's Supply Chains FAQs

Q1. Why is India vulnerable to global supply disruptions?

Ans. India is vulnerable because of its high import dependence on critical sectors like energy, fertilizers, and manufacturing inputs.

Q2. How do rising crude oil prices affect India's economy?

Ans. Rising crude oil prices increase the import bill, fuel inflation, and can slow down GDP growth.

Q3. What steps can improve India's food security?

Ans. India can improve food security through crop diversification, assured procurement, and building strategic reserves.

Q4. What is a key weakness in India's manufacturing sector?

Ans. A major weakness is dependence on imported intermediates such as APIs and semiconductors.

Q5. How can India strengthen supply chain resilience?

Ans. India can strengthen resilience by enhancing domestic manufacturing, promoting diversification, and investing in technology and innovation.

Source: **The Hindu**

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