What Noida's Factory Protests Mean for India's Wage Debate

TIME TO FIX WAGE FORMULA Noida labour unrest underscores need for data-led pay frameworks, ad hoc hikes won't solve India's wage puzzle

Ajit Isaac and TV Mohandas Pai

The recent factory workers' protest in Noida's industrial belt, demanding that Uttar Pradesh align its minimum wages with higher benchmarks in neighbouring Haryana, has brought India's wage debate back into focus.

The UP government moved swiftly, raising minimum wages for unskilled workers in Noida and Ghaziabad from ₹11,313 to ₹13,693, while also revising wages across other regions. A hike of over 20% is rare among Indian states, which shows both the urgency and the political sensitivity of the issue.

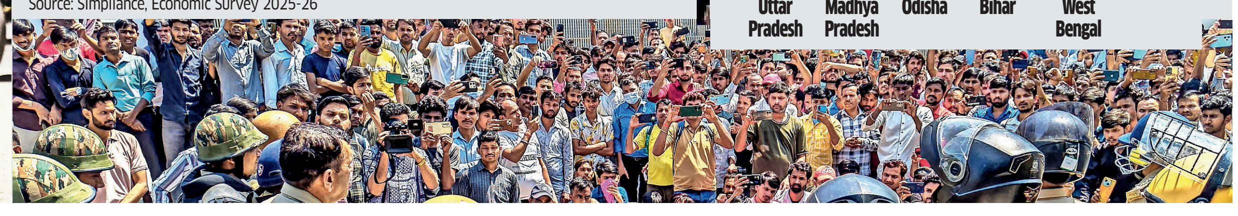
Critics contend that the government caved into the workers' demands too quickly, and they have warned that the steep wage hikes could inflate operating costs, strain employers' ability to absorb the increase, and may potentially lead to slower hiring or even job losses.

But a comparison of minimum wages with inflation between 2021 and 2026 highlights the mismatch. All-India inflation was 26.6% for the five-year period, while food prices rose even faster at 28%, eroding much of the nominal wage gains. As a result, workers have seen limited improvement in real purchasing power.

UP RAISES WAGES

UP raises minimum wages by over 20% in Noida and Ghaziabad after worker protests, bringing the wage debate back into focus

This dynamic varies across regions. Labour-demand states, which attract workers due to better job opportunities, contrast sharply with labour-supply states, where surplus labour drives out-migration. With an estimated 420 million migrants in 2020–21, including 13% interstate migrants, these imbalances continue to shape wage pressures and worker expectations across the country.



Minimum Wages for Unskilled Workers in Labour Demand States

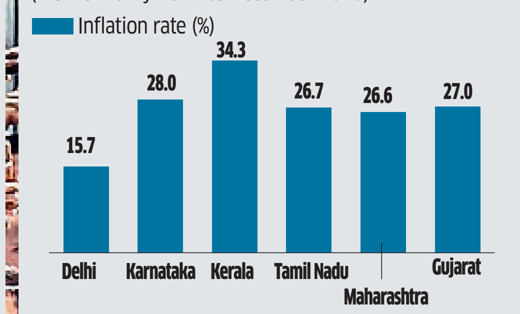
State	Wage in 2021 (monthly) ₹	Wage in 2026 (monthly) ₹	Growth rate %	Monthly per capita income in 2025 ₹
Delhi	15,908	18,456	16.0	41,085
Karnataka	11,733 - 13,311	14,559 - 16,137	22.6	31,742
Kerala	11,400-12,000	13,238 - 14,500	18.5	25,694
Tamil Nadu	9,300	13,900 - 14,200	51.0	30,134
Maharashtra	9,920 – 11,113	12,728 - 13,921	26.7	25,778
Gujarat	8,845 - 9,053	13,325	49.00	25,079*

(for FY24)

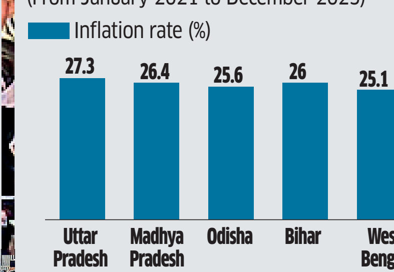
State	Wage in 2021₹	Wage in 2026 ₹	Growth rate %	Monthly per capita income in 2025 ₹
Uttar Pradesh	9,078	13,690	50.8	9,048
Madhya Pradesh	8,700	12,425	42.8	12,718
Odisha	8,086	12,012	48.0	14,080
Bihar	7,904	11,336	43.4	5,776
West Bengal	7,690 - 8,779	9,760 - 10,383	22.3	13,622

Source: Simpliance, Economic Survey 2025-26

Inflation Rate in Labour Demand States
(From January 2021 to December 2025)



Inflation Rate in Labour Supply States
(From January 2021 to December 2025)



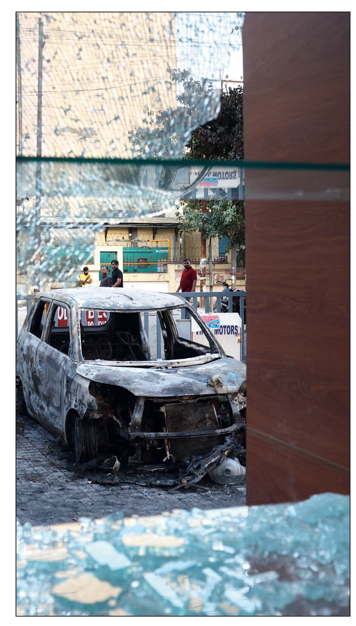
Source: MOSPI's Consumer Price Index

Minimum wages for unskilled workers have increased across both labour-demand and labour-supply states over the past five years, though unevenly. Higher-paying labour-demand states such as Delhi, Karnataka, and Kerala have seen relatively moderate growth, while Tamil Nadu and Gujarat have recorded sharper increases, narrowing inter-state wage gaps. Labour-supply states like Odisha and Bihar have seen the fastest growth rates (40–50%+) although from a low base, indicating a degree of wage convergence.

UP's recent revision has pushed its five-year wage growth to around 50%, up from 24.6% earlier.

It is also interesting to note that in labour-demand states, minimum wages remain low relative to overall per capita income, pointing to uneven distribution of gains. In labour-supply states, relatively high minimum wages compared to average incomes reflect weak job markets and the need to create more productive employment.

A comparison of minimum wage trends with inflation between 2021 and 2026 suggests the recent hike in UP is less of an outlier than it is made out to be. In many industrial, labour-demanding states such as Delhi and Karnataka, wage growth has only just kept pace with or in some cases fallen behind inflation. In Delhi, inflation stood at 15.7% against wage growth of 16%, while in Karnataka, inflation reached 28% compared to wage growth of 22.6%. These trends point to a broader pattern of rising living cost eroding much of the nominal wage gains workers have received over the past few years.



In contrast, labour-supplying states such as Madhya Pradesh, Odisha, and Bihar have seen wages grow faster than inflation, although from a much lower base. Odisha recorded wage growth of 48% against inflation of 25.6%, while Bihar saw wages increase by 42.8% compared to inflation of 26%. This has helped narrow inter-state wage gaps to some extent. However, the convergence remains limited and insufficient to offset the continued pull of better job opportunities and higher earnings in labour demand states. These disparities, especially across neighbouring states, seem to be causing discontent seen in regions like Noida.

Wages, however, cannot be viewed in isolation. A minimum wage increase that merely keeps pace with inflation preserves purchasing power but does not improve it. For workers to move beyond subsistence, towards savings and a better quality of life, wage growth must periodically outpace inflation.

This becomes clearer when seen alongside household finances. India's net household savings as a share of GDP has declined from 7.1% in FY15 to 5.2% in FY24, despite a temporary increase during the pandemic. At the same time, household liabilities have risen sharply, from 3% to 6.2% of GDP, growing nearly fivefold in absolute terms. In contrast, corporate pre-tax profits across listed and unlisted firms reached an all-time high of 15.5% of GDP in 2025.

There is little justification for lower minimum wages in labour-demanding states.

Overall, these trends suggest that households are increasingly relying on borrowing to sustain their standard of living. Incomes are not growing fast enough to support both consumption and savings, even as aspirations rise with people spending more on education, housing, and consumer durables. Particularly, out-of-pocket healthcare expenses impose a disproportionate burden, and they are not fully captured in standard inflation measures.

This growing financial vulnerability has wider labour market implications.

Workers with limited savings are more exposed to shocks, as seen during Covid, when large-scale reverse migration disrupted both labour-demanding and labour-supplying regions. Without adequate financial buffers, even minor disruptions can trigger such instability.

Against this backdrop, states need to move beyond broad zonal classifications and adopt a more granular, data-led approach to setting minimum wages.

District-level or cluster-level differentiation based on cost of living, industrial concentration, and labour demand would be more effective. Industrial belts like Noida, Sanand and Sriperumbudur face urban cost pressures and higher productivity potential, while hinterland districts that face labour surplus and lower productivity may need a different, lower minimum wage.

The wage debate must also account for the realities of a highly mobile workforce. Establishing migrant worker support centres in labour demand states can help workers access jobs, ensure compliance with minimum wage norms and improve access to grievance redressal.