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ACHIEVING WAGE JUSTICE: A LEGAL AND ECONOMIC ANALYSIS OF THE WAGE CODE, 2019

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Abstract

In 1948, a tripartite committee, "The Committee on Fair Wage" was established to formulate guidelines for wage structures. The Code on Wages, 2019 represents a crucial advancement in the labour law landscape of India, designed to simplify and guarantee equitable wages for workers in various sectors. The Code on Wages unifies multiple wage laws,¹⁷⁴ reducing ambiguities and regulatory overlaps. The Code mandates timely wage payments, ensuring that employees receive their earnings without undue delays. The Code reinforces the principle of equal remuneration for men and women for the same work or work of similar nature, alongside strict anti-discrimination clauses. With the push towards digital wage payments and better record-keeping, the Code encourages formalization of employment. The Code on Wages, 2019 introduces a contemporary framework for wage regulation in India, effectively balancing the rights of workers with the needs of businesses. It promotes fairness, transparency, and the formalization of labour practices, establishing a foundation for equitable treatment.

Key Words: The Wage Code, 2019, Minimum wages, payment of wages, labour reforms, equal remuneration, economic impact



¹⁷⁴ https://dtnbwed.cbwe.gov.in/images/upload/Code-on-Wages--_03L6.pdf

Introduction

In 1948, a tripartite committee, "The Committee on Fair Wage" was established to formulate guidelines for wage structures. The committee report marked a crucial turning point in the evolution of wage policy in India.¹⁷⁵ Its recommendations introduced essential concepts such as 'living wage,' 'minimum wages,' and 'fair wage,' providing a guideline for wage fixation.

The Code on Wages, 2019¹⁷⁶ is a landmark legislative reform in India's labour laws. It consolidates and streamlines four major wage-related laws—the **Payment of Wages Act, 1936**, the **Minimum Wages Act, 1948**, the **Payment of Bonus Act, 1965**, and the **Equal Remuneration Act, 1976**. The primary objective of this Code is to ensure fair wages, timely payments, and uniformity in wage-related regulations across industries while promoting ease of compliance for businesses.

The Code on Wages, 2019 represents a crucial advancement in the labour law landscape of India, designed to simplify and guarantee equitable wages for workers in various sectors. This paper evaluates the Code through legal and economic lenses, scrutinizing its principal provisions, effects on wage equity, and possible obstacles to its execution.

Legal Perspective

Simplification and Consolidation of Wage Laws

The Code on Wages unifies multiple wage laws,¹⁷⁷ reducing ambiguities and regulatory overlaps. It provides a single definition of wages, incorporating all remunerations while specifying certain exclusions such as bonuses, pension contributions, and housing benefits. This simplification aids in better compliance,

reduces litigation, and offers greater clarity to employers and employees alike.¹⁷⁸

Minimum Wages and Universal Coverage

Unlike the previous Minimum Wages Act, which applied only to specific industries, the Code extends minimum wage protection to all employees across various sectors. This marks a significant shift towards ensuring wage security for informal and gig workers as well. By broadening its scope, the law seeks to reduce income inequality and offer financial stability to a larger segment of the workforce.

Timely and Digital Payment Mechanisms

The Code mandates timely wage payments, ensuring that employees receive their earnings without undue delays. It also encourages digital payments, enhancing transparency and reducing cash-based transactions, which can be prone to fraud, wage theft, and tax evasion. This digital push aligns with the government's larger vision of a digital economy and financial inclusion.

Gender Equality and Non-Discrimination

The Code reinforces the principle of equal remuneration for men and women for the same work or work of similar nature, alongside strict anti-discrimination clauses.¹⁷⁹ These provisions aim to bridge the gender pay gap and strengthen workplace equity. This aligns with India's constitutional mandate of equality before the law (Article 14)¹⁸⁰ and protection against discrimination (Article 15).¹⁸¹

Enforcement and Compliance Mechanisms

The Code introduces inspector-cum-facilitators, replacing traditional labour inspectors. Their role is not only to enforce compliance but also to educate businesses on adhering to wage laws, fostering a cooperative rather than punitive regulatory environment. The introduction of compounding of offenses for

¹⁷⁵ <https://www.citehr.com/42858-minimum-wages-act-1948-central-government.html>

¹⁷⁶ https://labour.gov.in/sites/default/files/the_code_on_wages_as_introduced.pdf

¹⁷⁷ https://dtnbwed.cbwe.gov.in/images/upload/Code-on-Wages--_03L6.pdf

¹⁷⁸ <https://prindia.org/billtrack/the-code-on-wages-2019>

¹⁷⁹ Section of the Wage Code of 2019

¹⁸⁰ <https://indiankanoon.org/doc/367586/>

¹⁸¹ <https://indiankanoon.org/doc/609295/>

minor violations reduces the burden of litigation on businesses and the judiciary.¹⁸²

Economic Perspective

Impact on Employment and Business Costs

The extension of minimum wages to all employees can lead to higher labour **costs** for businesses, particularly in the informal and SME sectors. While this ensures better earnings for workers, it may also lead to employment contraction if firms are unable to bear the increased wage burden. Small enterprises may struggle with higher payroll expenses, potentially leading to downsizing or automation.

Boost to Worker Productivity and Consumption

Higher and fair wages can lead to improved worker productivity, as financially secure employees tend to be more motivated and engaged in their work. Increased earnings also boost consumer spending, positively impacting demand in the economy, particularly in sectors like retail, healthcare, and services. This can lead to economic growth and improved living standards for low-wage workers.

Formalization of the Labour Market

With the push towards digital wage payments and better record-keeping, the Code encourages formalization of employment. This can enhance tax compliance, social security coverage, and access to financial services for workers. Formal employment can also lead to improved work conditions, job security, and access to benefits like pensions and healthcare.

Effect on Small Businesses and Informal Sector

Small businesses and the informal sector, which employ a large portion of India's workforce, may struggle with compliance costs. This could lead to higher informal employment or increased subcontracting to avoid wage regulations. Policymakers need to ensure that small businesses receive adequate support in transitioning to the new wage regime.

Impact on Foreign Investment and Business Confidence

A transparent and uniform wage structure can improve ease of doing business in India, making it attractive for foreign investors. However, concerns over rising wage costs might deter investment in labour-intensive industries such as textiles, manufacturing, and agriculture. To mitigate this, the government could consider phased implementation or incentives for businesses adapting to new wage laws.

Conclusion

The Code on Wages, 2019 introduces a contemporary framework for wage regulation in India, effectively balancing the rights of workers with the needs of businesses. It promotes fairness, transparency, and the formalization of labour practices, establishing a foundation for equitable treatment.

By simplifying wage regulations and bolstering compliance, the Code aspires to secure equitable wages for all workers, thereby fostering economic and social justice. If implemented successfully, it could become a reference point for labour reforms in emerging markets, enhancing both worker rights and economic development.

The Code on Wages, 2019, is a progressive step toward ensuring wage justice in India. However, its success depends on effective implementation, periodic wage revisions, and strong enforcement mechanisms. The government must address compliance challenges, support SMEs, and promote labour awareness to achieve the Code's intended goals.

¹⁸² Section 51 of the Wage Code of 2019