

Labour Law Reforms in India: A Critical Analysis of the Code on Wages, 2019

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ABSTRACT

India's labour law system was historically governed by numerous separate statutes regulating wages and employment conditions. The existence of nearly twenty-nine central labour laws created complexity in compliance, interpretation, and enforcement. To simplify this framework, the Government of India consolidated these laws into four labour codes, including the Code on Wages, 2019. This research paper critically examines the structure and key provisions of the Code on Wages, 2019, which integrates four earlier legislations relating to wage regulation. The study analyses important features of the Code such as the uniform definition of wages, extension of minimum wage protection, introduction of the national floor wage, and provisions relating to equal remuneration and timely payment of wages. Using a doctrinal research methodology based on statutory provisions and academic sources, the paper evaluates the potential impact of the Code on labour welfare and regulatory efficiency. It concludes that while the Code represents an important step toward simplifying wage regulation in India, its effectiveness will largely depend on proper implementation and enforcement.

KEYWORDS

Rights, trade unions, collective bargaining, minimum wages, social security, labour welfare and occupational safety

INTRODUCTION

Labour legislation plays a crucial role in shaping the relationship between employers and employees and in ensuring fair and humane working conditions. In India, the development of labour laws can be traced back to the colonial period when certain laws were enacted to regulate factory conditions and protect workers from exploitation. After independence, the Indian government expanded the labour law framework to address various aspects such as wages, industrial relations, workplace safety, and social security. Over the decades, a large number of labour laws were enacted to address different issues faced by workers. Although these laws aimed to protect labour rights, their multiplicity created a complex regulatory environment. Employers often faced difficulties in understanding and complying with multiple statutes, while enforcement agencies struggled to implement them effectively.

In response to these challenges, the Government of India initiated a comprehensive labour law reform process. As part of this reform, twenty-nine central labour laws were consolidated into four labour codes. These codes seek to simplify legal provisions, promote transparency in administration, and create a balanced framework that protects workers' interests while encouraging industrial growth. Despite these objectives, the reforms have sparked discussions regarding their potential consequences. Labour unions and worker organizations have raised concerns about the impact of certain provisions on labour rights, particularly in relation to job security and collective bargaining. On the other hand, industry groups believe that the labour codes will reduce regulatory burdens and encourage investment and employment generation. In this context, a detailed academic examination of the four labour codes becomes essential to understand their legal and practical implications.¹

RESEARCH OBJECTIVES

The primary objective of this research is to examine the transformation of labour legislation in India through the introduction of the four labour codes and to evaluate their broader implications for workers and employers. It also aims to analyse the major provisions contained in each of the four labour codes and assess how these provisions attempt to address issues related to wages, industrial relations, workplace safety, and social security. Furthermore, the research intends to explore the potential impact of these reforms on labour welfare and industrial development.

RESEARCH METHODOLOGY

This research is based primarily on the doctrinal method of legal research, which involves the analysis and interpretation of legal texts and secondary sources. The study relies on statutory provisions of the labour codes, government reports, judicial pronouncements, academic writings, and policy documents. By examining these sources, the research seeks to develop a comprehensive understanding of the objectives and implications of labour law reforms in India.

HISTORICAL DEVELOPMENT OF LABOUR LAWS IN INDIA

The development of labour laws in India has been closely linked with the country's economic, social, and industrial transformation. Labour legislation emerged primarily as a response to the challenges created by industrialization and the need to protect workers from exploitation. Over time, the legal framework governing labour relations evolved through different phases, beginning with colonial regulations and eventually expanding into a comprehensive system of labour welfare laws after independence. Understanding this historical evolution is essential for analysing the rationale behind the recent consolidation of labour legislation into modern labour codes.

1 LABOUR REGULATION DURING THE COLONIAL PERIOD

The origin of labour legislation in India can be traced to the colonial era when industrialization began to expand under British rule. During the nineteenth century, industries such as textile mills, plantations, railways, and mines employed large numbers of workers under harsh and often unsafe working conditions. Long working hours, low wages, and the absence of safety measures created serious social concerns. The British administration initially introduced labour laws primarily to address international criticism regarding poor labour conditions in Indian industries. One of the earliest labour laws was the Factories Act, 1881, which aimed to regulate the working conditions of labourers in factories. Although the Act was limited in scope, it marked the beginning of labour regulation in India.

Subsequent amendments and new legislation gradually expanded the scope of worker protection. For instance, the Factories Act, 1911 introduced provisions relating to working hours and safety measures, while the Workmen's Compensation Act, 1923 provided compensation to workers in case of injury during employment. Similarly, the Trade Unions Act, 1926 legally recognized trade unions and granted them certain rights to represent workers' interests. Despite these developments, colonial labour laws were limited in their effectiveness. Their primary purpose was to regulate labour conditions in order to maintain industrial productivity rather than to ensure comprehensive welfare for workers.

2 LABOUR LAW REFORMS AFTER INDEPENDENCE

After India gained independence in 1947, the newly formed government placed significant emphasis on social justice and economic welfare. The framers of the Constitution recognized the importance of protecting workers and ensuring fair labour standards. Several constitutional provisions reflect this commitment, particularly within the Directive Principles of State Policy, which encourage the State to promote just and humane conditions of work, living wages, and social security for workers. During the early decades after independence, the government enacted numerous labour laws to address different aspects of employment. Important statutes enacted during this period included the Minimum Wages Act, 1948, which aimed to ensure fair wages for workers in scheduled employments, and the Employees' State Insurance Act, 1948, which introduced a system of social security providing medical and financial benefits to employees.

Another significant piece of legislation was the Industrial Disputes Act, 1947, which established mechanisms for the resolution of industrial disputes between employers and employees. Similarly, the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 created a provident fund scheme to provide financial security to workers after retirement. These laws collectively formed the foundation of India's labour welfare framework and reflected the country's commitment to protecting the rights and interests of workers.

3 EXPANSION OF LABOUR LEGISLATION

Over the years, the Indian labour law system expanded considerably as new laws were introduced to address emerging issues in the workforce. Different statutes were enacted to regulate wages, working hours, social security, occupational safety, maternity benefits, and other aspects of employment. Examples include the Payment of Wages Act, 1936, the Payment of Bonus Act, 1965, and the Maternity Benefit Act, 1961. These laws played an important role in improving labour welfare and establishing minimum standards for employment conditions. However, the gradual expansion of labour legislation also resulted in a complex regulatory structure. Each law addressed a specific issue, and many of them applied to different sectors or categories of workers. As a result, employers often had to comply with multiple legal requirements, while workers sometimes faced difficulties in understanding their rights under different statutes.

4 CHALLENGES OF THE EXISTING LABOUR LAW FRAMEWORK

By the early twenty-first century, India had developed a vast network of labour laws, including approximately twenty-nine central statutes and numerous state-level laws. While these laws aimed to protect workers, their multiplicity created significant challenges. One of the major concerns was the complexity of compliance. Employers were required to maintain multiple registers, file numerous returns, and follow different regulatory procedures under separate statutes. This increased administrative burdens and sometimes discouraged formal employment.

Another challenge was the uneven implementation of labour laws. In many cases, enforcement agencies lacked adequate resources to effectively monitor compliance. As a result, workers in the informal sector often remained outside the scope of legal protection. Furthermore, globalization and technological changes brought new forms of employment such as contract labour, gig work, and platform-based services. The traditional labour law framework was not always well-equipped to address these emerging employment relationships.

5 NEED FOR LABOUR LAW CONSOLIDATION

In view of these challenges, policymakers and legal experts began advocating the simplification and consolidation of labour legislation. The objective was to create a more coherent and efficient regulatory framework that could balance labour welfare with economic development. Consequently, the Government of India initiated a comprehensive labour law reform process aimed at merging existing labour statutes into a smaller number of comprehensive codes. This reform eventually resulted in the introduction of four labour codes, namely the Code on Wages, the Industrial Relations Code, the Code on Social Security, and the Occupational Safety, Health and Working Conditions Code. These codes aim to simplify the legal framework, enhance transparency in compliance, and improve labour welfare while promoting industrial growth.

The evolution of labour laws in India reflects the country's efforts to balance economic development with social justice. From the limited regulatory measures introduced during the colonial era to the comprehensive labour welfare legislation enacted after independence, labour law has continuously evolved to address changing economic and social conditions. However, the multiplicity of labour laws eventually created a complex and fragmented regulatory system. The recent labour law reforms represent an attempt to modernize and streamline this framework. A detailed examination of these reforms is therefore necessary to understand whether they effectively achieve their intended objectives of improving both labour protection and industrial efficiency.²

THE CODE ON WAGES, 2019: STRUCTURE AND LEGAL ANALYSIS

The introduction of the Code on Wages represents a major step in the reform of India's labour law framework. For several decades, wage regulation in India was governed by multiple independent statutes that addressed different aspects of wage determination and payment. While these laws were designed to protect workers' interests, the presence of numerous overlapping provisions often created confusion in interpretation and difficulties in compliance. To address these issues, the government introduced the Code on Wages with the objective of consolidating various wage-related legislations into a single comprehensive statute. The Code integrates four major laws that previously governed wage regulation: the Payment of Wages Act, 1936, the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965, and the Equal Remuneration Act, 1976. By bringing these statutes under one legislative framework, the Code seeks to simplify wage regulation while strengthening worker protection and promoting transparency in wage administration.

1. Purpose and Policy Objectives of the Code

The primary purpose of the Code on Wages is to establish a clear and consistent legal framework governing wage payments and wage standards across the country. One of the central objectives of the legislation is to ensure that employees receive fair remuneration for the work performed. By introducing uniform definitions and regulatory standards, the Code attempts to eliminate inconsistencies that existed under the earlier system of multiple statutes. Another important objective is to guarantee that wages are paid within a specified time frame. Delayed wage payments have historically been a major issue in many sectors, particularly where workers depend on regular income for their daily livelihood. The Code therefore emphasizes timely payment as a legal obligation for employers. The legislation also reflects an effort to promote equality in the workplace. Through its provisions relating to non-discrimination, the Code reinforces the principle that workers performing the same or similar work should receive equal remuneration irrespective of gender.

2. Broader Coverage of Minimum Wage Protection

One of the significant reforms introduced by the Code is the extension of minimum wage protection to a wider category of workers. Under the earlier system, the Minimum Wages Act applied primarily to specific “scheduled employments” identified by the government. As a result, a considerable number of workers remained outside the scope of minimum wage regulations. The Code removes this limitation by providing that minimum wage standards may be applied to all employees, regardless of the nature of employment. This broader approach seeks to reduce wage exploitation and ensure that every worker receives a basic level of income necessary for maintaining a minimum standard of living. The responsibility for fixing minimum wages continues to rest with both the central and state governments. However, the Code introduces guidelines to ensure that these wages are determined after considering factors such as the cost of living, skill level of workers, and regional economic conditions.

3. Introduction of the National Floor Wage

A notable innovation introduced by the Code on Wages is the concept of a national floor wage. The central government is empowered to determine a baseline wage level that reflects the minimum amount required for basic subsistence. While determining this floor wage, the government may consider factors such as inflation, living costs, and overall economic conditions. State governments are expected to fix their respective minimum wage rates in such a manner that they do not fall below the national floor wage. This mechanism aims to prevent extremely low wage levels in economically weaker regions and to reduce disparities in wage standards across different parts of the country. The concept of a national floor wage also reflects an attempt to create a more uniform wage policy at the national level while allowing states sufficient flexibility to adjust wages according to local conditions.

4. Regulation of Wage Payments

The Code also contains provisions intended to ensure that wages are paid regularly and without unnecessary delays. Workers often depend on their wages for meeting essential needs, and irregular payments can create significant financial hardship. To address this issue, the Code requires employers to adhere to clearly defined payment schedules. Wages may be paid in cash, through bank transfers, or by other electronic means, thereby promoting transparency in financial transactions. The use of digital payment systems is particularly encouraged as it creates verifiable records and reduces the possibility of disputes. Additionally, the Code defines the components that constitute “wages,” which helps eliminate ambiguity in calculating salary and benefits.

5. Equality and Non-Discrimination in Wages

Another important feature of the Code is the incorporation of principles relating to gender equality in employment. The legislation explicitly prohibits discrimination in wage payments on the basis of gender when employees perform the same or similar work. This provision continues the principles that were earlier contained in the Equal Remuneration Act and aligns with broader constitutional values relating to equality and social justice. By reinforcing these principles, the Code seeks to address the persistent problem of wage disparity between male and female workers in various sectors. Such provisions are particularly important in promoting inclusive labour markets and ensuring fair treatment of workers irrespective of gender.

6. Provisions Relating to Bonus Payments

The Code also regulates the payment of bonuses to employees in certain establishments. Bonus payments are intended to allow workers to share in the financial success of enterprises and to encourage higher productivity. The legislation prescribes eligibility criteria for employees and establishes limits regarding the minimum and maximum bonus that may be paid. These provisions ensure that workers receive a fair share of organizational profits while also maintaining a balanced approach that considers the financial capacity of employers. Through these regulations, the Code attempts to maintain fairness in the distribution of economic benefits generated within establishments.

7 Compliance and Enforcement Mechanisms

For any labour legislation to be effective, proper enforcement mechanisms are essential. The Code therefore establishes a system of inspection and monitoring to ensure that employers comply with wage-related provisions. Authorities appointed under the Code are empowered to examine records, conduct inspections, and investigate complaints filed by employees. These officials play a crucial role in ensuring that the legal requirements regarding minimum wages, payment schedules, and bonus provisions are followed. The Code also introduces penalties for non-compliance. However, it adopts a balanced approach by encouraging voluntary compliance and allowing opportunities for employers to rectify minor violations before strict penalties are imposed.

8. Critical Assessment of the Code on Wages

The Code on Wages has been widely viewed as an important reform in India's labour law framework because it simplifies multiple wage-related statutes into a single legislative instrument. This consolidation reduces administrative complexity and provides greater clarity regarding wage regulation. Nevertheless, some scholars and labour organizations have raised concerns about certain aspects of the Code. One issue relates to the practical implementation of

minimum wage provisions, particularly in sectors dominated by informal employment. In such sectors, enforcement mechanisms may face significant challenges. Differences and living costs to ensure fairness across different states. Despite these concerns, the Code Another point of debate concerns the determination of the national floor wage. Experts have emphasized that the floor wage must be calculated carefully by considering regional economic on Wages is widely recognized as a major step toward modernizing India's wage regulation system.

The Code on Wages, 2019 represents a significant legislative effort to simplify and modernize the regulation of wage-related matters in India. By consolidating several earlier statutes, the Code creates a unified framework governing minimum wages, wage payments, bonus provisions, and equality in remuneration. Through measures such as the introduction of a national floor wage and the extension of minimum wage protection to a broader workforce, the Code aims to strengthen the economic security of workers. At the same time, the legislation attempts to simplify compliance procedures for employers. The effectiveness of these reforms, however, will largely depend on proper implementation and enforcement. If implemented efficiently, the Code has the potential to contribute to both labour welfare and sustainable industrial development in India.³

MAIN FEATURES OF THE CODE ON WAGES 2019

1. Universal Applicability of the Code

One of the most notable aspects of the Code on Wages, 2019 is its broad scope of application. Section 1 of the Code clarifies that the legislation extends to the whole of India and applies to all employees working in organized as well as unorganized sectors. Unlike earlier wage laws that were confined to specific employments, the Code adopts a universal approach.

Section 2 of the Code provides key definitions such as “employee,” “worker,” and “employer.” The definition of employee is intentionally broad so that individuals working in different forms of employment relationships can be covered. This approach marks a departure from the earlier framework under the Minimum Wages Act, 1948, which limited its operation only to certain scheduled employments. By expanding coverage, the Code attempts to ensure that wage protection is available to a much larger segment of the workforce.

2. Uniform Definition of Wages

A major reform introduced by the Code is the establishment of a uniform definition of wages under Section 2(y). Prior labour laws contained different interpretations of the term “wages,” which often resulted in confusion and disputes regarding the calculation of statutory benefits. According to the Code, wages primarily include basic pay, dearness allowance, and retaining allowance, while certain components such as bonuses, house rent allowance, conveyance allowance, and statutory contributions are excluded.

At the same time, the Code introduces a rule that if the excluded components exceed 50 percent of total remuneration, the excess amount must be added back to wages for calculation purposes. This provision was designed to prevent employers from artificially reducing the wage component by increasing allowances, thereby safeguarding the effective implementation of labour welfare benefits.

3. National Floor Wage

Section 9 of the Code empowers the Central Government to determine a national floor wage after considering the minimum living standards of workers and other relevant economic factors. The purpose of this provision is to establish a minimum wage threshold across the country. While state governments retain the authority to fix minimum wages for different employments within their jurisdiction, they cannot set wages below the national floor wage determined by the Central Government. This mechanism attempts to reduce extreme disparities in wage levels between different states and regions. The introduction of a national floor wage also reflects the broader objectives of social justice embedded in the Constitution of India, particularly the Directive Principles that encourage the State to secure a decent standard of living for workers.⁴

4. Fixation of Minimum Wages

Sections 6 to 8 of the Code deal with the fixation and revision of minimum wages. The appropriate government (either the Central Government or the State Government, depending on the employment) is authorized to determine minimum wage rates for employees. The Code allows the government to fix wages based on several criteria, including

- the nature of employment,
- the level of skill required, and
- Geographical location.

Section 8 further provides that minimum wages must be reviewed and revised at intervals not exceeding five years. This ensures that wage rates remain relevant and responsive to changes in the cost of living. By establishing a structured framework for wage determination, the Code seeks to ensure that workers receive remuneration sufficient to meet basic economic needs.

5. Timely Payment of Wages

Another important feature of the Code is the emphasis on timely payment of wages, which is addressed under Section 17. The provision requires employers to ensure that wages are paid within the prescribed time limits after the completion of the wage period.

The Code also permits the payment of wages through electronic transfer, bank credit, or other prescribed digital modes, although cash payments may still be allowed in certain circumstances. This shift toward digital wage payments enhances transparency and helps prevent

exploitation or unauthorized deductions. The emphasis on timely wage payment is particularly significant in sectors where wage delays have historically affected workers' economic stability.

6. Equal Remuneration for Gender Equality

Section 3 of the Code reinforces the principle of non-discrimination in wage payment. Employers are prohibited from paying unequal wages to employees on the basis of gender for the same or similar work. This provision essentially carries forward the principle that previously existed under the Equal Remuneration Act, 1976. In addition to wage equality, the Code also prohibits discrimination in matters relating to recruitment for the same type of work. By incorporating gender equality provisions within the new labour code, the legislation seeks to promote fairness and equal opportunity within the workplace.

7. Payment of Bonus

The Code also contains provisions relating to the payment of bonus, primarily under Sections 26 to 36. These provisions apply to establishments that meet the prescribed employee threshold. Eligible employees whose wages fall within the statutory limit are entitled to receive a minimum bonus of 8.33 percent and a maximum bonus of 20 percent of wages, depending on the profitability and productivity of the establishment. These provisions are largely derived from the earlier Payment of Bonus Act, 1965, but they are now incorporated into a single comprehensive labour code.

8. Inspector-cum-Facilitator System

Section 51 introduces the concept of Inspector-cum-Facilitators. Unlike the traditional inspection system, which was often viewed as punitive, the new framework combines inspection with advisory functions. These officials are authorized not only to inspect workplaces for compliance but also to guide employers and employees regarding their rights and obligations under the Code. The system is supported by technology-driven inspection schemes and electronic records. This reform is intended to create a more transparent and cooperative compliance environment.

9. Penalties and Enforcement

The Code contains provisions relating to penalties for non-compliance, primarily under Sections 52 to 56. Employers who fail to comply with minimum wage requirements, timely payment of wages, or other statutory obligations may be subject to fines or imprisonment in serious cases. However, the Code also introduces the concept of compounding of offences, allowing certain violations to be resolved through payment of a penalty without prolonged legal proceedings. This mechanism attempts to balance strict enforcement with administrative efficiency⁵.

SUGGESTIONS FOR IMPROVEMENT

Although the recent labour law reforms aim to simplify the regulatory framework, certain steps may improve their effectiveness. First, stronger enforcement mechanisms are necessary to ensure proper implementation of the Code on Wages, 2019, particularly in sectors where informal employment is widespread. Without effective monitoring, many workers may continue to remain outside the scope of legal protection. Second, awareness programs should be conducted to educate workers about their rights relating to minimum wages, wage payments, and grievance mechanisms. Increased awareness can help workers claim the benefits guaranteed under the law. Third, the determination of minimum wages and the national floor wage should consider regional economic differences and the cost of living across states. A consultative approach involving government authorities, employers, and trade unions can help ensure fair and realistic wage standards. Finally, the use of digital systems for wage payments and record maintenance may improve transparency and simplify compliance for employers while reducing disputes related to wage payments.

CONCLUSION

The consolidation of several labour statutes into four labour codes represents an important stage in the evolution of India's labour law framework. Among these reforms, the Code on Wages, 2019 plays a significant role by integrating earlier wage-related laws and establishing a more uniform system of wage regulation. By extending minimum wage protection, introducing the concept of a national floor wage, and reinforcing principles of equality in remuneration, the Code attempts to improve wage security and labour welfare. At the same time, the success of these reforms will depend largely on effective implementation and enforcement. If properly implemented, the labour codes have the potential to create a more transparent and balanced labour regulatory system that supports both economic development and the protection of workers' rights.

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