

The Code on Wages -A Critical Analysis

Dr. Balwinder Kaur¹

¹ Hidyatullah National Law University.

Received: 5 February 2021 Accepted: 2 March 2021 Published: 15 March 2021

Abstract

The Indian economy is dualistic. It consists of both sectors one is well organized and another is unorganized/informal sector. The informal sector is dominated by self-employed persons. Employment in the informal sector is uncertain. The workers in the informal sector have no access to social security, wage protection, and a decent wage. To address the issue of decent jobs the government of India tried to focus on the social protection and enforcement of the wage legislation. Article 43 of the Constitution states that "The state shall endeavor to secure, by suitable legislation or economic organization or in any other way, to all workers, agricultural, industrial or otherwise, work, a living wage, conditions of work ensuring a decent standard of life, and full enjoyment of leisure and social and cultural opportunities in particular".¹ Article 39 of the Constitution states that "the State shall, in particular, direct its policy towards securing (a) that the citizen, men, and women equally shall have the right to an adequate livelihood and (b) that there is equal pay for equal work for both men and women."² In the light of the abovementioned articles of the Constitution the paper is an attempt to analyzing the code on wages, 2019 and its provisions.

Index terms— wages, minimum wages, floor wages, workers. establishment.

Introduction 3 1 Article 43 of the Indian Constitution. ?? Article 39 of the Indian Constitution. ?? See C.K. John, "Some Aspects of Wage Policy in India", in his edited book, Issues in Indian labour Policy. He points out that "it would be correct to say that instead of a wage policy we [India] have a series of procedures ..." (p. 262). S.A. Palekar attributes this to the government's "refusal to face the wage policy" question in Problems of Wage Policy for Economic Development" (p. 185). K.N. Subramaniam feels that "the planners do not seem to be troubled by the absence of any [wage] policy", in Labour-Management Relations in India (p. 549). The

1 a) Origin of Wage

Wage is as ancient as our society. In earlier times the artists and craftsmen were used to get wages in kind. The wages were paid by the king or village guilds. The evidence of this can be found before the Vedic age and Mahabharata. Wages in the form of money were not known until ancient India. The first reference to wages is found in Kautilya's 'Arthashastra' and 'Nitisara' by Sukrecharya. In common language, "the wage is a reward for the services rendered or payment for the work done." Wages play an important role in an economy. They are a reward for work as a factor of production; they provide an instrument for allocating manpower between occupations, industries, and regions. They also have an efficiency function: output-related earnings tend to improve worker efficiency and serve as an incentive to further effort. And, finally, wages contribute to the pattern of distribution of the national income: variability in the share of wages in national income also affects the size of other income shares. In short, wages perform productivity-related, allocative, and distributive functions. ?? India is a weak or underdeveloped country. ?? It was in the year 1951 India through its five-year plan aimed at achieving fast economic growth, stability in prices, increase in employment opportunities, and trying to raise the living standard of every especially the working class. ?? According to C095 -Protection of Wages ??onvention, ?? underlying note reflected in these authors is in the direction of pointing out the fact that the need for wage policy

4 D) LABOUR LAW REFORMS

44 is conspicuous. the term "wages mean remuneration or earnings, however, designated or calculated, capable of
45 being expressed in terms of money and fixed by mutual agreement or by national laws or regulations, which are
46 payable in virtue of a written or unwritten contract of employment by an employer to an employed person for
47 work done or to be done or for services rendered or to be rendered." 8

2 b) Need of a Wage Policy

49 According to International Labour Organisation "wages are among conditions of work that have the most direct
50 and tangible effect on the everyday life of workers. Although wages are necessary for the maintenance of workers
51 and their families, in many parts of the world access to adequate and regular wages is not guaranteed." 9 Protection
52 of Wages Convention, 1949-It provides regular payment of wage in case wages are paid in kind then it is the
53 obligation on the part of the employer to see that the value of payments must be just and rational. If an employer
54 becomes insolvent then wages shall be significant in the dispersal of liquidated assets. India has not ratified this
55 convention.

56 The following are main International Instruments on wages that prescribes wage protection to the workers.

57 10 Minimum Wages Convention-The purpose of this convention is to insist on the states who have ratified
58 this convention to establish in their country mechanism related to the minimum wage for shaping and reviewing
59 minimum wage. India has not ratified this convention. 11

60 Protection of Workers' Claims (Employer's Insolvency) Convention-It prescribes protection of the wages in
61 case of insolvency and bankruptcy. This convention is ratified by very a smaller number of countries. India has
62 not ratified this Convention. 12 Despite international instruments, in many countries, workers face problems
63 because of wage arrears. In some cases, because of the bankruptcy of the enterprise wages are never paid
64 to the workers. When a larger part of wages is paid in kind instead of money workers face problems, such
65 circumstances force the workers into poverty. In such situation's workers compel them to work like bondage
66 labor. The Versailles treaty has placed the belief of the provision of a satisfactory living wage. In 2009 the
67 Global Jobs Pact adopted by the ILC was a response to the international 8 Article 1 of the ILO C095 C095
68 -Protection of Wages Convention, 1949 (No. 95) 9 Available at [https://www.ilo.org/global/standards/subjects-
69 covered-by-international-labour-standards/wages/lang-en/index.htm](https://www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/wages/lang-en/index.htm) Visited on 17.6.21. 10 C095 -Protection of
70 Wages 11 Convention, 1949 12 No. 95) 11 C131 -Minimum Wage Fixing Convention, 1970 (No. 131) 12 Ratifications
71 of C173 -Protection of Workers' Claims (Employer's Insolvency) Convention, 1992 (No. 173). economic crisis.
72 13

3 c) Wage policies in India

74 It is mentioned in the pact that consistent modification of wages in consultations with the stakeholders reduced
75 the poverty and give stability to the economic crisis.

76 India was considered a pioneer to introduce legislation on wages. It was as early as 1929 minimum wage
77 policy in India was started. The Royal Commission's report on Labour was a pioneer in enacting the different
78 legislations on wages. The purpose of the Payment of Wages Act was enacted to legalize bonuses paid to the
79 employee. Despite these legislations, the wage policy has unable to produce the desired results. According to the
80 India Wage Report, "there is a sign of prevalent low wages, wage inequality, working poverty and high gender
81 pay gap, associated with international standards (ILO 2018)." Based on such findings there was a need for wage
82 policy reform and the formation of a legislative national minimum wage.

4 d) Labour Law Reforms

84 India's labor practices and laws have borrowed from British rule. It was only after liberalization the government
85 thought of changes in Labour legislations. The second National Commission on Labour 14 suggested justification
86 of existing laws and a broader regulation for guaranteeing a basic level of wages to wage-earners in the
87 formal/organized sector. In 2002 the Commission submitted its report and recommended that labor laws should
88 be amalgamated. It suggested they should be amalgamated into four codes based on legislation related to
89 Industrial Relations, Social Security, Wages, and Occupational Safety, Health, and Working Conditions. The
90 worker represents the underprivileged and most helpless sections of the country. 15 As per the World Bank India
91 is at 63 rd position on 'Ease of Doing Business Rankings, 2020'. 16 According to the Global Competitiveness
92 Report, 2019 issued by World Economic Forum India stands at 128 th position. 17 change old laws with new
93 laws. India is beholding the long-awaited reorganizations in the Labour Law regime.

94 According to National Sample Survey Office (NSSO) 18 India's 400 million workforces, nearly 49% reliant on
95 wages for the nourishment of their livelihood. According to the Economic Survey held in 2018-19 has discovered
96 that out of three workers one worker is not getting the minimum wage laws because of defective implementation
97 machinery. 19 Out of these 400 million workers, approximately two-thirds of workers are informal and denote
98 the deprived and weakest segments of the country (NSSO 2010; NCEUS 2008). 20 According to the study
99 undertaken by Patrick Belser and Uma Rani (2011) suggests full implementation depicts that "extending the
100 legal coverage certainly reduced the wage inequality by 10 percentage points; there would be chances of the
101 lower poverty level from 8-9% points among regular and around 18 percentage points among casual workers." 21
102 It is not only India but other countries like Brazil and China also supported through empirical evidence "that

103 minimum wage policy may contribute to a reduction in income inequality by raising the earnings of low-paid
104 wage workers (Lin and Yun 2016; Engbom and Moser 2018)”

105 5 e) Applicability of the Code

106 Before the Wage code, the applicability of various wage legislation was different. The Payment of Wages Act
107 applicable to specific eight different industries and establishments like mines, oil and manufacturing units, etc. it
108 also covers employees drawing salaries below a statutory limit (24,000). The code covered all the establishment
109 against the specified industries factories under the Act. There is no wage threshold. The Minimum Wages Act
110 applies to workers engaged in scheduled establishments. The code on wages extended its scope and it applies
111 to all employees not restricted to scheduled employments. The wage code prescribes that ”no employer shall
112 pay to any employees wages less than the minimum wages less than the minimum rate of wages notified by the
113 appropriate government.”(GoI 2019d: 6). ??? Moving on to another act the Payment of Bonus Act, this act
114 covers all industries that hire 20 or more persons. It also covers all the employees who earn at 21000 per month.
115 Now under the wage code, it applies to all establishments. Equal Remuneration spread over to all industries.
116 The Wage code includes an unorganized sector within its preview. Unorganized workers are not defined under
117 the wage code but it is mentioned in the statement of objects and reasons of the code. Apart from that all kinds
118 of employees/workers whether employed directly or indirectly would be covered under the purview of the code.
119 According to the Periodic Labour Force Survey(PLFS) data (NSO 2020), the wage code is a good initiative and
120 it is going to benefit around 22.47 crore wage earners in 2018-19 and protecting an additional 7.64 crore wage
121 earners. ??? According to the government, the wage code will apply to all employees and will cover 500 million
122 workers. But it is still not clear that whether self-employed workers who constitute 38.6% of the self-employed
123 will be entitled to get minimum wages. The definition of establishment excludes wage-earners in the household
124 and those persons who are engaged in agriculture sectors. In addition to this Section 50(4) of the code on wage
125 excludes employers employing less than five workers for domestic and agricultural purposes. ??? government, the
126 wage code will apply to all employees and will cover 500 million workers. But it is still not clear that whether
127 self-employed workers who constitute 38.6% of the self-employed will be entitled to get minimum wages. As far
128 as the agriculture sector is concerned it is not included how then persons who are involved in this sector will get
129 the stipulated minimum wages.

130 The three important terms Employer, Employee, and Worker are defined by the Payment of Wages, Payment
131 of Bonus, and the Minimum Wages Act. As far as the code on wages is concerned it widens the scope of each
132 term. The definition of ’employee’ is broader than that of ’worker’. As per the new definitions, all the workers
133 are an employee but all workers are not an employee. Barring the minimum wages Act which is restricted to
134 only workers. An ’Employee’ under the Wage Code is ”any person employed other than apprentice on wages
135 by an establishment to do any skilled, semi-skilled or unskilled, manual, operational, supervisory, managerial,
136 administrative, technical, or clerical work for hire or reward, whether the terms of employment be express or
137 implied.” ??? The term ’worker’ refers to ”any person except an apprentice employed in any industry to do any
138 manual, unskilled, skilled, technical, operational, clerical, or supervisory work for hire or reward, whether the
139 terms of employment be express or implied and also includes working journalists and sales promotion employees,
140 but excludes persons who are employed mainly in a managerial or administrative capacity; or the person who is
141 employed in a supervisory capacity drawing a monthly wage exceeding INR 18,000 or such amount as may be
142 notified by the Central Government from time to time.” 27 Employer -Means a person ”who employs whether
143 directly or through any person or on his behalf or behalf of any person, one or more employees in his establishment,
144 and includes occupier and manager in case of a factory. In the case of any other establishment, the person who
145 has ultimate control over the affairs of the establishment, a manager or managing director who has been entrusted
146 with the affairs. Also includes a Contractor and Legal Representative of the deceased employer.” ??? No employer
147 shall pay to any employee wages less than the ... of section 50;

148 For the factory act, the owner has been excluded from the definition of employer. As far as Payment of
149 Bonus is concerned the owner is included as the employer. A legal representative of the deceased owner has been
150 excluded from the ambit of the factory but it has been covered from the ambit of other establishments. Section
151 2(f) of the Code defines a ’contractor’ as an employer.

152 Wages-Means all ”remuneration whether, by way of salaries, allowances or otherwise, expressed in terms of
153 money or capable of being so expressed which would if the terms of employment, express or implied, were fulfilled,
154 be payable to a person employed in respect of his employment or of work done in such employment, and includes,
155 -a) Basic pay; b) Value of house accommodation/supply of water, light, medical attendance or other amenity
156 Dearness allowance; and c) Retaining allowance if any.” ??? The definition of ’wages’ was entirely different across
157 labor laws in India. The Code tries to prescribe an unvarying definition of ’wages’. This common definition of
158 wages applicable to various legislations. The definition of wage is almost similar but there are few changes in their
159 construction. As far as equal remuneration and Payment of wages are concerned the few exclusion components
160 shall be considered for the computation of wages.

161 The following components would be excluded.

6 f) Fixing of Minimum Wages

162
163
164
165
166
167
168
169
170
171
172
173
174
175
176
177
178
179
180
181
182
183
184
185
186
187
188
189
190
191
192

Under the Minimum Wage Act, there were two methods to fix minimum wages. First method fixing wages through committees and subcommittees. ??2 notification, on which the proposals will be taken into consideration. ??3 Based on this the different states were having different minimum wages. As far as the Wage Code is concerned the procedure for fixing of minimum wage is on the administrators. The administrator is hardly concerned about the rights of workers to wage that is sufficient for leading a dignified life (Sundar and Sapkal 2018). ??4 In January 2018 the center constituted an expert committee under the chair of Dr. Anoop Sathpathy (henceforth Sathpathy committee) with a wide mandate to make a detailed review of minimum wages given the historical and the judicial context and recommend the national and regional minimum wages. Keeping in mind global best practices and their adaptability and relevance to the Indian context. The committee submitted national d its report in 2019. The committee recommended a national minimum wage of Rupees 9,750 and a housing allowance of rupees 1,430 for workers living in the urban area and region-wise minimum wages. This report was not accepted by trade unions. The Code on Wage does not discuss anywhere the components on which the wages would be fixed. In earlier legislation, there was a procedure for fixing minimum wages. ??5 The Indian Labour Conference in its 15 th conference which was held in 1957 decided the need-based minimum wage for a single industrial work. According to need-based workers, a normal family is consists of a spouse and two children below the age of 14, the consumption units would be 3. Dr, Wallace Aykroyd a famous nutritionist had suggested that according to an activity performed by an average Indian adult daily he must consume 2,700 calories comprising 65 gm of protein and around 45-60 grams of fat. The purpose of minimum wages crucially depends on calorie requirements. In the newly passed Code on Wages 2019, the specified energy requirement is 2,700 kilocalories. The government for fixing minimum wages divides the concerned geographical area into three major areas metropolitan, non-metropolitan and rural area. For fixing of minimum wages employees are categorized into brackets viz. unskilled, semi-skilled, skilled, and highly skilled. Arduous nature of work specified in Schedule E to the rules, with a provision for modification/ addition/ deletion therein. ??6 The appropriate Government shall fix a minimum rate of wages for piece work or for time work. If an employee is employed based on piece work, the government shall fix a minimum rate of wages on a time work basis. If it is time work the rates may be fixed by ??3 Section 5(1) (b) of the Minimum Wages Act, 1948. ??4 The Bussinessline 'The many misses of the Wage Code' K. M. Shyam Sundar/Rahul S Sakpal March 14, 2018 ??5 Section 5(1)(a) of the Minimum Wages ??ct,1948. 36 The Code on Wage, 2019 available at <https://egazette.nic.in/Write ReadData/2019/210356.pdf> visited on 18.6.21. the hour, or by the month, or by the day. The minimum wages will vary depending upon the arduousness of the work assigned to the worker, the skill required for a particular work, and the geographical location. 37

7 g) National Floor Wage

193
194
195
196
197
198
199
200
201
202
203
204
205
206
207

The Code announces the national minimum wage be fixed by the central government. On the basis of the Floor wage, the states fix their minimum wages. The NFLMW (herein referred to as National Floor Level Minimum Wages) is non-statutory. The purpose of Floor Wage is to prescribe a wage below which the states shall not be allowed to fix the minimum wages. The central government prescribes minimum wages for its employees. The next important change is the specific timeline for payment of wages to the workers was not prescribed under the Payment of Wages Act. The Act simply prescribes that wages must be paid within the month and the so-called wage period shall not exceed one month. The Act incorporates two different wage periods for payment of wages based on the workers. The new Wage Code prescribes two working days for clearing payments concerning the full and final settlement of the employee's resignation. The Wage Code prescribes in case of daily wages worker the wage period would be at the end of the shift. In the case of weekly wage-earner wage, the period would be the last working day of the week before every week holiday. Fortnightly wage earners will get their wages before the end of the second day after a fortnight. In the case of a monthly wage earner, the wage period would be 7the day of every month. The wage code added convicted of sexual harassment a new ground for the disqualification of receiving the bonus.

8 h) Equal Remuneration

208
209
210
211
212
213
214
215
216

Equal Remuneration act prohibits gender discrimination in recruitment, promotion, wages, training, and transfer for workers performing the same work and it also prescribes the constitution of a board to promote female employment. When we compare gender-based discrimination the wage code prohibits gender-based discrimination only in terms of wages and recruitment. The Wage Code included transgender employees within its preview after passing the Transgender Person (Protection of Rights) Bill 2019. The concept of the same employer was not there in the equal remuneration Act. Under the wage code, the 'same employer' has been incorporated. It means if a male and female employee is engaged in the same work in separate units of an organization but under the same employer, they will be entitled to the same remuneration.

9 i) Duties of the Employer

217
218
219
220

The employer has certain duties towards its employees irrespective of sectors. He has to pay the minimum wages, the bonus, payment of overtime wages, and timely payment of wages to the employee. Apart from this, the employer has to maintain a register containing details of workers engaged, a register containing details of wages

221 to be paid, and the issuance of wage slips. The Wage Code enhances the limitation period for filing claims.
222 Under the payment of wages Act the limitation period was 12 months and under the minimum wages period was
223 6 months this limitation period enhances to 3 years. Under the Wage code now inspection would be web-based
224 and information would be provided electronically.

225 **10 j) Working hours**

226 According to Wages Rules, 2019, the given number of hours of work is nine. This is conflicting with the normal
227 practice of eight hours of work. The government prescribes the minimum wage for the eighthour work period.
228 The Wage Code 2019 and OSHWC nowhere prescribes the Concrete number of working hours, rest intervals, and
229 for determination of overtime, etc, and leave to the appropriate government. Developed countries are working
230 on reducing work hours. The Wages Rules 2019 suggests that work hours shall constitute a normal working day,
231 including a period of rest, should not exceed 12 hours. According to this rule, the employer would change three
232 shifts to two shifts. The 12-hour detaining of the workers at the workplace shall be misused. 38

233 **11 k) Penalties**

234 The inspection system under the wage code prescribes limited inspection. India is a founding member of the
235 ILO. India has ratified the convention on Labour inspection in 1947. The limited inspection in the wage code is
236 not in line with ILO Convention.

237 The wage code enhanced the penalty for contraventions of the provisions. The trade unions are authorized
238 to make complaints about the offense under the code. Before the wage code, the Minimum Wages Act and the
239 Payment of Bonus Act prescribed punishment of imprisonment of up to six months. Unlike earlier legislation,
240 the Code penalizes a second conviction within five years from the first offense with imprisonment. In case of first
241 offense -Penalty of Rs. 50,000 and in case of repetitive offense within Five years may lead to imprisonment up
242 to three months and a fine may extend up to one lakh rupees or both. If the employer contravenes any other
243 provisions then fine up to Rs. 20,000 and repetitive offense within Five years may lead to imprisonment up to
244 one month and a fine ??8 The WIRE 'Here Are All the Issues that Remain Unresolved in the Draft Code on
245 Wages Rules' by Kingshuk Sarkar, 08/JUL/2020. may extend up to Forty thousand rupees or both. The offenses
246 of non-maintenance or improper maintenance of records and registers in the establishment are punishable only
247 with a fine of up to ten thousand rupees.

248 **12 Suggestions and Conclusion**

249 With the enactment of Wage-Code, many workers come under the ambit of minimum wages. There is no second
250 thought that the application of code on the unorganized sector and introducing a national level floor is going to
251 hugely benefit a large number of wage-earners. The government has to clear certain areas where there is little
252 ambiguity. The minimum wages are not defined under the code in my opinion when we are having a full chapter on
253 minimum wages its needs to be defined under the code. One of the objectives of the Code is to implementation of
254 the universal wage for all workers. The Wage Code itself prescribes a different basis for determining the minimum
255 wages viz based on the skill of the workers, nature of work, and geographical peculiarities. The minimum wage is
256 a basic wage that fulfills the basic needs of a wage-earner. It should be common for all workers. This needs to be
257 clarified. The Wage Code prescribes formal payment to the wage-earners through banks and digital platforms for
258 effective implementation of formal payment the workers must be aware. The Code on Wage is being welcomed
259 as a significant step towards labor reforms. The Code would protect the vulnerable wage -earners and also
implement it with transparency and clarity. ^{1 2}

22 National Sample Survey Office (2011): "Employment and Unemployment Situation in India 2009-10," Ministry of Labour and Employment, Government of India.
22 Lin, Carl and Myeong-Su Yun (2016): "The Effects of the Minimum Wage on Earnings in China," IZA Discussion Paper No 9715, IZA.

Figure 1:

260

¹C095 -Protection of Wages Convention, 1949 (No. 95)

²Section 2(k) The Code on wages, 2019.27 Section 2(z) The Code on wages, 2019.28 Section 2 (l) The Code on wages, 2019.

