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Code on Wages, 2019: A Review of Its Implications and Implementation

Shruti Agarwal

Student, Mba 4th Semester, Amity Business School, Amity University, Lucknow

Dr. Jayanti Srivastava

Professor, Amity Business School, Amity University, Lucknow

Abstract

The 2019 Code on Wages, which aims to standardize and streamline wage regulations, is a significant labor reform in India. To ensure equitable remuneration, enhance transparency, and promote government-sponsored retirement for workers nationwide, it unifies four compensation-related laws. This study examines the key provisions of the code, its implications for representatives and organizations, and the challenges associated with its implementation. Although the move is intended to improve workers' financial security, its successful implementation depends on awareness, corporate consistency, and consistent state-level enforcement. Measures for smooth adaptation and policy improvement are also suggested.

Keywords: Code on Wages 2019, Wage standardization, Minimum wage, Labour reforms India, Digital wage payment, Salary structure, Wage compliance, Employee benefits, Employer compliance, Unorganized sector, Equal remuneration, Social security, Payroll restructuring, Universal wage code, Labour law consolidation, Industrial relations.

1. Introduction

Wage regulation plays a crucial role in economic growth, labor welfare, and social justice. Ensuring fair wages is essential not only for individual financial stability but also for overall workforce productivity and industrial harmony. However, India's wage laws were previously governed by multiple regulations, leading to inconsistencies across sectors and regions. Recognizing this, the Indian government introduced the Code on Wages, 2019, consolidating the Minimum Wages Act (1948), Payment of Wages Act (1936), Payment of Bonus Act (1965), and Equal Remuneration Act (1976).

The reform brings universal applicability of minimum wages, covers the unorganized sector, standardizes wage definitions, and mandates that basic pay constitutes at least 50% of total salary. This significantly impacts provident fund contributions, gratuity, and digital wage payments, aligning with the government's vision of a shift from minimum to living wages.

Despite its progressive outlook, implementation is hampered by dual governance between central and state governments, compliance costs, and restructuring challenges for small businesses. This paper analyzes the advantages, challenges, and suggests strategic recommendations for better compliance and execution.

2. Objectives

- To understand the key features of the Code on Wages, 2019.
- To analyze its impact on salary structures, employers, and employees.
- To identify execution challenges.
- To recommend strategies for effective compliance and implementation.

3. Literature Review

Several studies discuss the Code's transformative potential:

- Sharma (2020) highlighted its benefits for informal workers through simplified compliance.
- Kumar & Mehta (2021) pointed out increased operational costs due to enhanced social security, recommending phased implementation.
- ILO (2021) compared global practices, endorsing India's move toward wage standardization.
- Joshi (2022) emphasized the benefits of digital wage payments, while cautioning against rural digital illiteracy.

- Patel (2023) attributed delays in execution to bureaucratic and state-level inconsistencies.

While acknowledging the progressive nature of the Code, studies identify areas requiring attention such as compliance mechanisms, digital infrastructure, and employer readiness.

4. Key Features of the Code on Wages, 2019

- Standardized Wage Definition: Includes basic salary, dearness, and retention allowance. Excludes bonuses and HRA from calculation.
- Universal Minimum Wage: Applies to all employees including unorganized and gig workers.
- Revised Salary Structure: At least 50% of total salary must be basic pay, affecting PF, gratuity.
- Living Wage Model: Proposes aligning wages with essential living costs.
- Digital Payment: Encourages cashless salary payments to improve transparency and reduce disputes.

5. Comparison: Code on Wages, 2019 vs. Previous Wage Laws

<i>Aspect</i>	<i>Previous Wage Laws</i>	<i>Code on Wages, 2019</i>
<i>Applicability</i>	<i>Specific sectors</i>	<i>Universal</i>
<i>Minimum Wages</i>	<i>Scheduled industries</i>	<i>All employees</i>
<i>Definition of Wages</i>	<i>Multiple definitions</i>	<i>Uniform definition</i>
<i>Payment Enforcement</i>	<i>Weak</i>	<i>Stronger</i>
<i>Bonus Eligibility</i>	<i>Limited</i>	<i>Extended</i>
<i>Gender Equality</i>	<i>Separate act</i>	<i>Integrated</i>
<i>Compliance & Penalty</i>	<i>Lower penalties</i>	<i>Stricter enforcement</i>
<i>Digital Transactions</i>	<i>Not emphasized</i>	<i>Encouraged</i>

6. Benefits of the Code on Wages, 2019

For Employees:

- Universal wage protection.

- Timely payments.
- Equal pay for equal work.
- Bonus eligibility expanded.
- Improved job security.

For Employers:

- Simplified legal compliance.
- Reduced wage law complexity.
- Encouragement of digital systems.
- Reduced wage-related disputes.

7. Implementation Challenges

- State-Level Variations: Different minimum wage rules across states.
- Awareness and Training: Low awareness among employers and workers.
- Enforcement Issues: Particularly in informal sectors.

8. Conclusion

The Code on Wages, 2019 is a comprehensive reform toward wage uniformity and employee welfare. It offers clear benefits but demands coordinated implementation efforts. Key challenges include compliance costs, structural overhauls, and delayed rule-making by states. Addressing these issues through strategic awareness campaigns, robust digital infrastructure, and central-state collaboration is critical.

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