

# **TOPIC: - The legal and economic Justification for Living Wage Laws: Examining the Impact on Workers, Employers and the Society**

## **ABSTRACT**

The corpus of legislation, administrative decisions, and case law known as labour laws, often known as employment laws, addresses the legal rights and limitations of working individuals and their organisation. The interactions between an employer or group of employers and their employees are regulated by labour regulations. Because it has a greater impact on both men and women than any other branch of law, this one has the broadest application. It is also the most exciting field to study because of its broad implications and changing features. These laws typically cover topics like collective bargaining, unfair labour practises, certification of unions, labor-management relations, general holidays, annual leave, working hours, unfair terminations, the minimum wage, layoff procedures, severance pay, and so forth.

Keywords: Challenges, Minimum Wage, Labour Law, Living Wage

## INTRODUCTION

Despite these efforts, India's labour laws continue to be criticized for their complexity and for not providing enough protection to workers in the informal sector, who make up a significant portion of the country's workforce. There have been calls for further reforms to make the laws more worker-friendly and to ensure that they are enforced effectively.

Here are some some factors that influence the labour laws in india

- **Historical factors:** India's labour laws have a historical context, which includes the British colonial period and the struggle for independence. The labour laws that were initially introduced during the colonial period were designed to protect the interests of British employers and to keep the cost of labour low. After independence, India began to develop a more worker-friendly approach to labour laws.
- **Economic factors:** The state of the economy also plays a role in the development of labour laws. For instance, during periods of economic growth, there may be greater demand for workers, which could result in more worker-friendly laws. On the other hand, during times of economic downturns, employers may push for more flexible labour laws to reduce their labour costs.
- **Social factors:** The social context of the country, including factors such as poverty, inequality, and the status of women, also influences labour laws. Laws related to child labour, discrimination, and gender equality are examples of laws that have been influenced by social factors.
- **Political factors:** <sup>1</sup>The political context of the country also plays a significant role in the development of labour laws. Changes in government, political ideologies, and pressure

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<sup>1</sup> VIEW OF SOCIAL SECURITY CODE 2020: AN ANALYSIS, <https://journals.christuniversity.in/index.php/culj/article/view/3250/2159> (last visited Apr 17, 2023)

from interest groups such as trade unions and business associations can all influence the development of labour laws.

- International factors: Globalization has led to an increase in international trade and investment, which has influenced the development of labour laws in India. For example, trade agreements with other countries may include provisions related to labour standards, which can influence the development of domestic labour laws.

## **HISTORY OF LIVING WAGES AND EVOLUTION IN INDIA**

The concept of living wages has a long history in India, dating back to the pre-colonial era when wages were linked to the cost of living.<sup>2</sup> However, it was during the colonial period that the modern concept of living wages emerged, as the British introduced minimum wage laws to address the problem of low wages and poor working conditions. After India gained independence in 1947, the government took steps to improve the living standards of workers, including introducing the concept of a "fair wage." The Minimum Wages Act of 1948 was enacted to ensure that workers in certain industries were paid a minimum wage that would enable them to meet their basic needs.

Over the years, the concept of living wages has evolved in India to encompass not only basic needs but also the cost of education, healthcare, and other necessities.<sup>3</sup> In 2017, the government introduced the Code on Wages, which consolidated several existing wage laws and established a framework for determining minimum wages. The code includes provisions for ensuring that wages are sufficient to meet the basic needs of workers and that they are adjusted regularly to account for inflation and other factors, the concept of living wages has a long history in India and has evolved over time to reflect changing social and economic conditions. While significant progress has been made in recent years, there is still a need for further reforms to ensure that

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<sup>2</sup> NEW LABOUR CODE FOR NEW INDIA - MINISTRY OF LABOUR AND EMPLOYMENT, [https://labour.gov.in/sites/default/files/Labour\\_Code\\_Eng.pdf](https://labour.gov.in/sites/default/files/Labour_Code_Eng.pdf) (last visited Apr 17, 2023)

<sup>3</sup> THE CODE ON SOCIAL SECURITY, 2019 - MINISTRY OF LABOUR AND EMPLOYMENT, [https://labour.gov.in/sites/default/files/375\\_2019\\_LS\\_Eng\\_0.pdf](https://labour.gov.in/sites/default/files/375_2019_LS_Eng_0.pdf) (last visited Apr 17, 2023)

workers in all sectors receive wages that are sufficient to meet their basic needs. The informal sector, which accounts for a significant portion of the country's workforce, often does not have access to minimum wage protections, and many workers in formal employment still earn wages that are below the living wage.

## **COMPARISON BETWEEN MINIMUM WAGE AND LIVING WAGE**

### Minimum Wage:

Minimum wage is the legally mandated minimum amount of compensation that an employer must pay to its employees for their work. The minimum wage is typically set by the government and varies from country to country and from state to state. The minimum wage is generally intended to provide workers with a basic standard of living and to prevent employers from exploiting their workers.

### Living Wage:

A living wage, on the other hand, is the minimum amount of money that a worker needs to earn in order to cover their basic living expenses such as housing, food, healthcare, transportation, and other essential needs. The living wage is usually calculated based on the cost of living in a particular region, and it takes into account factors such as the size of the worker's family and their location.

### Comparison:

The main difference between the two is that minimum wage is the legally mandated minimum amount that an employer must pay, while a living wage is the amount that a worker needs to earn in order to cover their basic living expenses. In general, the living wage is higher than the minimum wage because it takes into account the actual cost of living in a particular region. While the minimum wage is intended to provide workers with a basic standard of living, it may

not be enough to cover all of their expenses. The living wage is often considered a more accurate measure of the minimum amount that a worker needs to earn in order to live a decent life.

## **IMPORTANCE OF STANDARD OF LIVING AND FINANCIAL STABILITY ALONG WITH LEGAL AND ETHICAL ARGUMENT**

From a legal perspective, standard of living and financial stability are closely linked to human rights and social justice.<sup>4</sup> The Universal Declaration of Human Rights recognizes the right of all individuals to an adequate standard of living, including access to food, clothing, housing, and medical care. Similarly, the International Covenant on Economic, Social, and Cultural Rights requires governments to take steps to ensure that all individuals can enjoy an adequate standard of living, including access to healthcare, education, and social security.

Financial stability is also recognized as a fundamental right, particularly in the context of consumer protection.<sup>5</sup> Laws and regulations are in place to protect consumers from abusive lending practices, fraud, and other forms of financial exploitation. These laws and regulations aim to ensure that individuals have access to transparent and fair financial products and services, and are not subject to unreasonable debt burdens or other financial risks.

From an ethical perspective, standard of living and financial stability are closely linked to the principles of social justice, fairness, and equality. The distribution of wealth and resources within a society can have a significant impact on the well-being of individuals and communities, and can contribute to or exacerbate social inequalities. Ethical considerations require policymakers and stakeholders to take steps to promote social justice and reduce inequalities, including ensuring that individuals have access to basic necessities and opportunities for social and economic advancement.

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<sup>4</sup> LABOUR LAWS & PRACTICE - ICSI, [https://www.icsi.edu/media/webmodules/LabourLaws&Practice\\_June\\_2020.pdf](https://www.icsi.edu/media/webmodules/LabourLaws&Practice_June_2020.pdf) (last visited Apr 17, 2023)

<sup>5</sup> LABOUR LAW IN INDIA: STRUCTURE AND WORKING - RESEARCHGATE, [https://www.researchgate.net/publication/260276132\\_Labour\\_Law\\_in\\_India\\_Structure\\_and\\_Working](https://www.researchgate.net/publication/260276132_Labour_Law_in_India_Structure_and_Working) (last visited Apr 17, 2023)

Similarly, ethical considerations require businesses and financial institutions to act in the best interests of their customers and clients, and to avoid engaging in practices that may harm or exploit them. This includes providing clear and transparent information about financial products and services, and ensuring that individuals are not subjected to unreasonable fees, charges, or interest rates. Standard of living and financial stability are two critical factors that contribute to the overall well-being of individuals, families, and communities. They have important legal and ethical implications that highlight the need for policies and practices that promote these outcomes.

Standard of living refers to the level of material well-being enjoyed by individuals and communities, including access to basic necessities such as food, housing, and healthcare, as well as opportunities for education, recreation, and cultural enrichment, standard of living and financial stability are critical factors that contribute to the overall well-being of individuals, families, and communities. They have important legal and ethical implications that require policymakers and stakeholders to take steps to promote social justice, fairness, and equality, and to protect individuals from financial exploitation and abuse. By prioritizing these outcomes, we can create a more just and equitable society that promotes the well-being of all its members. A high standard of living is essential for promoting physical and mental health, social cohesion, and economic development. It is also a basic human right recognized by international law, which requires governments to take steps to ensure that all individuals can enjoy an adequate standard of living.

Financial stability, on the other hand, refers to the ability of individuals and communities to manage their finances and meet their financial obligations without undue hardship. Financial stability is essential for promoting economic growth and prosperity, as well as reducing poverty and inequality. It is also a key factor in ensuring social stability and reducing the risk of financial crises and economic instability.

## **VARIOUS PROVISIONS AND ACTS IN THE CONSTITUTIONAL**

The Trade Unions Act of 1926 is one of the country's early labour regulations. Trade unions have been helped in legitimising their existence and operations by the early ratification of the Trade Unions Act and the constitutional guarantee of freedom of association. Trade unions' primary purpose is to make it possible for employees to take collective action. People are in a weak bargaining position when dealing with employers because strikes are a last choice for trade unions and should only be utilised in extreme cases.

The absence of standing orders is one of the most frequent causes of conflict between management and employees in Indian industrial enterprises. <sup>6</sup>To solve this issue, the Industrial Employment (Standing Orders) Act, 1946 was created with the intention of regulating the terms of hiring, firing, disciplinary action, vacation time, and other benefits for employees in industrial ventures. According to the Act, employers must fully identify and specify the working conditions for their employees in industrial facilities. In industrial organisations, standing orders that outline the terms of hiring, firing, disciplinary action, holidays, leave, and other things help to lessen conflict between management and employees. Any industrial facility with 100 or more employees is subject to it. A progressive piece of social legislation designed to enhance industrial workers' working conditions is the Industrial Disputes Act of 1947. With the highest level of assurance for economic and social fairness, this Act's main goal is to lessen friction between labour and management. This Act was created with the intention of addressing the investigation and resolution of labour disputes.

The Act sets processes for amicable dispute settlement and promotes harmonious relationships between employers and employees. The Act is a useful piece of law that tries to create channels for resolving disputes and prevent industrial tensions. The Act outlines the authority, responsibilities, and procedures for Conciliation Officers, Work Committees, Courts of Inquiry, Labour Courts, Industrial Tribunals, and National Tribunals.

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<sup>6</sup> OVERVIEW OF LABOUR LAW REFORMS PRS LEGISLATIVE RESEARCH, <https://prsindia.org/billtrack/overview-of-labour-law-reforms> (last visited Apr 17, 2023)

The two most prevalent employer misbehaviours in the early phases of industrialization were late payment of wages and unlawful deductions from earnings. The Royal Commission on Labour's 1931 suggestion to stop such fraud led to the passage of the Payment of Wages Act, 1936. Paid on time and without any unauthorised deductions, this Act's primary goal is to eliminate all malpractices. In the future, the Act grants the government the right to increase the ceiling by notification in order to broaden its application and enable more effective enforcement.

In order to protect workers' rights, the Minimum Wages Act was passed in 1948 and established a minimum wage for a number of jobs. For different vocations, areas, or classes of labour, as well as for adults, youths, children, and apprentices, the Act establishes a minimum wage for time work, a minimum wage for piece work, a guaranteed time rate, and an overtime rate. The fact that this Act complies with Article 43 of the Indian Constitution, which guarantees a livable wage and respectable working conditions, is also significant to note.

The Act was mainly passed to safeguard the rights of employees in the unorganised sector. The minimum wage for workers in scheduled employment is set down in the Act and is subject to revision.

## **THE CHALLENGES ASSOCIATED WITH ENFORCING WAGE AND ENSURING COMPLIANCE**

Enforcing living wage laws and ensuring compliance can be challenging for several reasons. First, there may be a lack of awareness or understanding of the laws among employers and workers. This can make it difficult to enforce the laws effectively, as violations may go undetected or unreported.

Second, there may be insufficient resources or capacity within government agencies responsible for enforcing the laws. This can lead to delays in processing complaints, conducting inspections, and enforcing penalties, which can undermine the effectiveness of the laws.

Third, some employers may be resistant to complying with living wage laws, either due to financial constraints or ideological opposition. This can lead to non-compliance, underpayment



of wages, and other forms of exploitation, which can harm workers and undermine the goals of the laws.

Fourth, there may be difficulties in determining what constitutes a living wage in different industries and regions, which can lead to disputes and inconsistencies in enforcement.

To address these challenges, it is important to raise awareness and understanding of living wage laws among employers, workers, and the public. This can help to build support for the laws and promote compliance.

Governments can also allocate sufficient resources and capacity to enforcement agencies to ensure that complaints are processed and penalties are enforced in a timely and effective manner. Additionally, efforts can be made to work with employers and industry groups to address any concerns or challenges they may have with the laws and to promote compliance.

## **CITIES OR STATES WHICH HAVE IMPLEMENTED LIVING WAGES INCLUDING SUCCESS AND CHALLENGES**

In India, there is no national living wage law, but some states and industries have implemented their own minimum wage laws. One example is the state of Kerala, which implemented a minimum wage of Rs. 600 per day for unskilled workers in 2019. The law has been praised for helping to improve the economic well-being of low-wage workers, but there have been challenges in enforcing compliance, particularly in the informal sector.

Another example is the garment industry in Bangalore, which implemented a minimum wage of Rs. 8,000 per month in 2019. The law has been credited with improving wages and working conditions for garment workers, but there have been concerns about its effectiveness, particularly in light of the COVID-19 pandemic and the closure of many garment factories.

One of the main challenges in implementing living wage laws in India is the large and diverse informal sector, which can make it difficult to enforce compliance and ensure that workers receive the wages they are entitled to. There is also a need for greater awareness and

understanding of living wage laws among employers and workers, as well as more resources and capacity for enforcement agencies.

## **CONCLUSION**

Workers' worldwide battles for their justly entitled rights and lives led to the development of labour law. They got into fights to protect themselves and better their living circumstances. The practise of labour law is evolving and occupies a distinct position in the legal community. It contains certain elements geared for employees. The labour regulations in India are comparable to those in mature industrial economies in several ways. Social security, workplace health and safety, as well as other topics like minimal employment standards, are all governed by a number of regulations. But even among those who are nominally covered by the country's labour laws, just a small part of India's workforce really sees the law's full impact. All social groups must be treated equally, regardless of their circumstances, according to the central premise of social justice. Since it is apparent that some groups face social disadvantage when it comes to job or labour, it aims to end social inequality. The key element of this idea is the preservation of labor-friendly social equity legislation because situations periodically change and conditions don't always stay the same. As a result, laws require regular updating. Based on the concept of social equality, the government steps in to make modifications or changes that take into account the changing circumstances. In a nutshell, social equity is the process of establishing equitable standards for all people through legal requirements. Social security refers to a person's total sense of safety in their family, place of job, and society. The social security system provides for both essential requirements and unforeseen life occurrences in order to maintain a sufficient level of living. In order to combat social dangers, which are at the core of labour regulations, it proposes collaborative action. Its objective is to guarantee that everyone has equal access to work opportunities, regardless of social standing.

