

Ensuring Fair Wages: India's Commitment to an Inclusive Wage Policy

The concept of minimum wage is fundamental to the realisation of decent work and economic & social justice. It is a critical policy tool to ensure that workers are not paid below a socially acceptable threshold that promises a basic standard of living. Recognising this, the Government of India has progressively worked towards strengthening the country's minimum wage framework, including introducing the concept of a national floor wage. These efforts underscore the state's commitment to equity, inclusive growth, and social protection.

Historically, the regulation of minimum wages in India was overseen by the Minimum Wages Act, 1948, which empowered both Central and State Governments to fix minimum wages across scheduled employments. However, the wage landscape remained fragmented, with over 1,900 scheduled wage categories across 429 types of employment, often varying widely across states. This complexity rendered enforcement difficult and left a significant portion of India's workforce without wage protection.

Recognising these challenges, the Economic Survey 2018-19 advocated for a comprehensive reform of the wage system. It proposed the establishment of a national minimum wage floor, regionally adjusted and indexed to inflation, to bring greater coherence and fairness to wage regulation. This recommendation informed the formulation of the Code on Wages, 2019, a landmark legislation consolidating four major wage-related laws and introducing the concept of a statutory floor wage for the first time. Under Section 9 of the Code, the Central Government is empowered to fix a floor wage, below which no State Government can propose minimum wages. This provision ensures a nationally coherent wage benchmark while preserving the federal structure. The floor wage may be varied across geographical regions to account for differences in the cost of living. The Code also mandates consultations with the Central Advisory Board, comprising representatives from workers, employers, and independent experts, thereby promoting social dialogue and evidence-based wage setting.

Although the statutory floor wage is yet to be officially notified, its inclusion in the Code marks a significant step towards strengthening wage protection, especially for informal and low-paid workers. The Government of India has also sought technical guidance and global best practices by partnering with the International Labour Organisation (ILO). The Setting

Adequate Wages (SAW) project, implemented by the ILO with support from the Government of the Netherlands, exemplifies India's proactive approach. As one of the pilot countries, India has collaborated with the ILO to strengthen its wage-setting systems across four states—Assam, Jharkhand, Telangana, and Tamil Nadu. The project has provided technical assistance, revitalised minimum wage boards, improved data systems, and facilitated dialogue between stakeholders. It has also integrated previously overlooked groups, such as domestic and gig workers, into wage frameworks. The mid-term evaluation of the project affirmed its alignment with national priorities and laid the foundation for sustained improvements in wage governance.

Scholarly research has also shown the positive impact of India's wage policies. A 2023 study by Khurana, Mahajan, and Sen found that minimum wage increases between 1999 and 2018 contributed to a 26% decline in wage inequality. Significantly, the lowest quintile of wage earners experienced substantial gains, without adverse effects on employment. This evidence challenges the traditional economic narrative that minimum wages reduce job creation, instead presenting them as instruments for promoting shared prosperity.

Moreover, the Government of India has supported evidence-based policymaking by drawing from the Anoop Satpathy Committee's recommendations, which proposed scientifically calculated wage floors using normative consumption data. This effort intends to anchor wage setting in objectively assessing workers' needs, ensuring wages support a life of dignity.

The Government's commitment extends beyond legislation. It acknowledges the importance of awareness generation, digital wage registers, improved enforcement mechanisms, and state-level capacity building. These are crucial for ensuring that minimum wage provisions are implemented effectively and reach the most vulnerable sections of the workforce.

India's minimum wage reforms are also increasingly linked to the broader concept of a living wage, supported by ILO frameworks that assess the actual needs of workers and their families. By aligning domestic wage policies with international standards and practices, the Government reinforces its resolve to build an inclusive and equitable labour market. Through legislative innovation, institutional strengthening, and global cooperation, India is laying a robust foundation for ensuring fair remuneration and reducing income inequality. While challenges remain in implementation and enforcement, the trajectory is clear: a modern, unified, and equitable wage system that reflects the aspirations of a just society.
