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MINIMUM WAGE LEGISLATION: IMPACT, COMPLIANCE AND LEGAL ENFORCEMENT

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INTRODUCTION:

In this era of rapid globalization, minimum wage regulation become necessity of the time. Seeing the recent trend, countries across the globe are adopting framework for regulation of minimum wage.

The concept of payment of minimum wage ensures a healthy work culture where workers actively perform their duties. The payment of minimum wage is subject of human rights and each individual is protected by law, i.e. statutes and legislations provide for frameworks that ensures no worker is deprived if monetary benefit. The minimum wage is set by the government of a country and each individual and institution has to adhere to the parameters set by the government.

The concept of minimum wage is strictly followed in developed countries like U.S.A. and Russia. However, this is not well executed in developing countries and least developed countries. This blog will deal with the various aspect of minimum wage legislation and focus on its enforcement mechanism.

HISTORICAL PERSPECTIVE:

The concept of minimum wage kept on evolving with time. This concept, initially was entertained by the labour welfare organization that were advocating for labour rights. *“Initially, minimum wages covered relatively few categories of workers and sought to protect those considered to be especially vulnerable. New Zealand was the first country to implement a minimum wage in 1894, followed by the Australian state of Victoria in 1896, and the United Kingdom in 1909. Frequently, minimum wages were considered as a temporary measure, to be phased out once wage bargaining between social partners would be established.”*¹

The expansion of legislation related to minimum wage can be witnessed. Various countries adopted legislation for minimum wage to safeguard the rights of the workers.

In India, with the advent of world-war I greater opportunities were provided to manufacturers to increase the production and their profits. Labour, however, inarticulate as it was, did not reap the fruits of war, as did the industries. Wages did not keep pace with the rising prices. The culmination of the World War I brought many a world problem that the democratic countries were called upon to tackle and solve. It would be opportune here to digress a little to study the effects of the conditions of labour in foreign countries on India. It can be studied without any fear of contradiction that the Britishers were in no mood to industrialize India. It was a developing market for the import of the finished products from the United Kingdom and for the export of raw material to it. The initiative started with the resolution placed by one Shri. K. G. R. Choudhary in 1920 for setting up Boards for determination of minimum wages in each industry.²

The Constitution of India accepts the responsibility of the State to create an economic order in which every citizen finds employment and receives a ‘fair wage’.³ The legislation on minimum is much celebrated topic as it attracts human rights as well.

IMPACT OF MINIMUM WAGE LEGISLATION

Minimum wage laws have a complex effect that can have positive and adverse impacts. While raising the minimum wage can help low-wage workers make more money and possibly lift families out of poverty, there is reason for concern about possible job losses, especially for low-skilled workers, as companies may reduce staff in order to reduce labour expenses.

¹ https://www.ilo.org/global/topics/wages/minimum-wages/definition/WCMS_439071/lang--en/index.htm, 29/02/2024, 04:59 PM.

² Mullookkaaran, Minimum Wages Act 1948, Feb 29, 2024; 05:23PM.

³ Article 43 of the Constitution.

Furthermore, minimum wage regulations have an impact on pricing, economic growth, income distribution, and poverty rates in addition to individual earnings. Raising the minimum wage will have complex and intertwined effects on the economy as a whole, depending on a number of variables including pay agreements, inflation, monetary policy, and general demand.⁴

Overall, the impact of minimum wage legislation is complex and multifaceted, with various economic, social, and political considerations at play. While minimum wage laws aim to protect workers and promote social justice, policymakers must carefully weigh the potential benefits and drawbacks to ensure effective and sustainable outcomes for all stakeholders.

LEGAL ENFORCEMENT MECHANISM

The legal enforcement mechanisms of minimum wage legislation encompass various avenues to ensure compliance and protect workers' rights. These mechanisms include administrative enforcement by government agencies like the Department of Labour, civil enforcement through lawsuits, criminal enforcement for serious violations, information and advice services for dispute resolution, and adherence to international labour standards set by organizations like the International Labour Organization.⁵

The legal enforcement mechanisms for minimum wage legislation in India involve a variety of approaches to ensure compliance and protect workers' rights. These mechanisms include administrative enforcement by government agencies like the Department of Labour, which can investigate complaints, issue citations, and impose penalties for non-compliance. Civil enforcement involves private individuals or organizations filing lawsuits against employers for violations of minimum wage laws, and if successful, the plaintiff can receive compensation for damages caused by the violation. Criminal enforcement involves prosecuting employers for violations of minimum wage laws that are considered criminal offenses, such as wage theft or child labour violations. Information and advice mechanisms provide information, advice, and recommendations on how to address disagreements, accessible by both workers and employers, to help settle disputes. Adherence to international labour standards set by organizations like the International Labour Organization ensures that countries that ratify these agreements are legally bound to enforce them. These mechanisms play a crucial role in upholding labour laws,

⁴ U.S. Department of Labour. "History of Changes to the Minimum Wage Law." Adapted from Minimum Wage and Maximum Hours Standards Under the Fair Labour Standards Act, 1988 Report to Congress under Section 4(d)(1) of the FLSA.

⁵ U.S. Department of Labour. "Enforcement." Department of Labour.

promoting fair working conditions, and safeguarding the well-being of employees across different sectors in India.⁶

CHALLENGES AND RECOMMENDATIONS

Challenges with minimum wage legislation include the risk of setting rates too low to alleviate poverty effectively or too high, potentially leading to job losses, particularly in low-skilled sectors. Regional disparities in living costs also pose challenges, as minimum wage laws may not adequately address these differences. Enforcing minimum wage laws in the informal economy is difficult due to limited oversight. Rapid increases in the minimum wage can also fuel inflation, as businesses may pass on higher labour costs to consumers. Small businesses may struggle to absorb these costs, risking job losses or closures.

To address these challenges, regular reviews of minimum wage levels are crucial to ensure they align with changes in the cost of living and economic conditions. Implementing regionally adjusted minimum wage rates can account for variations in living costs. Targeted support for small businesses, such as tax incentives or subsidies, can aid in adjusting to higher labour costs. Strengthening enforcement mechanisms and penalties for non-compliance is essential, along with fostering social dialogue between stakeholders to negotiate minimum wage levels and address concerns about their impact on employment. Additionally, complementary policies like social safety nets and support for job creation can help mitigate adverse effects on businesses and employment while promoting fair wages and economic stability.

CONCLUSION

In conclusion, while minimum wage legislation presents challenges such as potential job losses, regional disparities, and enforcement difficulties, proactive measures can address these concerns. Regular reviews, regional adjustments, and targeted support for businesses can help ensure that minimum wage laws effectively alleviate poverty without unduly burdening employers. Strengthening enforcement mechanisms and fostering social dialogue among stakeholders are also vital for achieving the intended goals of fair wages and economic stability. By implementing complementary policies and maintaining a balance between protecting

⁶ Terri Gerstein and Lijia Gong, *The Role of Local Governments in Protecting Workers Rights*, Economic Policy Institute, June 13, 2022.

workers' rights and supporting business viability, governments can maximize the benefits of minimum wage legislation while minimizing its potential drawbacks.