Page: 873-896

URL: www.lijdlr.com

ISSN: 2583-7753

LawFoyer International Journal of Doctrinal Legal Research

[ISSN: 2583-7753]

Volume 3 | Issue 3

2025

DOI: https://doi.org/10.70183/lijdlr.2025.v03.115

FROM LAW TO LIVELIHOOD: EVALUATING THE ROLE OF THE PAYMENT OF WAGES ACT, 1936 IN SAFEGUARDING WORKERS' EARNINGS IN INDIA'S INFORMAL ECONOMY

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I. ABSTRACT

The Payment of Wages Act of 1936 was made to make sure that workers get paid properly, on time, as well as without any unfair deductions. For decades, this law has been an important means of maintaining stable wages in the official job market in India. But it doesn't have a significant effect on the massive informal economy where more than 90% of the people of the country work for. In this sector, it is often seen that the employees are not given any formal contracts, or they do not have a good relationship with the employer, which makes them more prone to be subjected to inconsistent rules, poor surveillance, and they do not have any effective way to file any complaint as well. This study analyses the effectiveness of the application of the Act in protecting these workers by using a variety of documentary sources, consisting of the legislative argumentation, official sources and the interpretation of courts, as well as the contemporary policy assessments. A study shows that the Act has a progressive goal as a law, but it doesn't do so well in practice because of problems with institutions, not enough power of enforcement, and the secretive character of unregulated employment agreements. The Code on Wages, 2019 has raised questions on whether these amendments to the legislation in recent times can resolve the flaws that have persisted in the legislation, making it difficult to protect wages. At the end of the evaluation, people discuss things that could be done in order to assist, such as making it easier to register complaints and get them fixed, scrambling digital wage transfers, and strengthening local monitoring groups. If these steps are taken correctly, they could help India's wage safeguards become more flexible and open to all. This would be more beneficial for an evolving employment environment that is less structured and growing less formal.

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II. KEY WORDS

Payment of Wages Act,1936, Wage Protection, Legal Analysis, Pertinent Sources, Informal Economy.

III. INTRODUCTION

A worker, often known as a labourer, is someone who does physical or manual work in return for money or other means of making a livelihood. Most people in ancient and medieval India were farmers, landowners, or servants in the home. But the 18th and 19th centuries were a time of major changes in society and the economy as factory-based industries expanded under colonial rule. This gave rise to a new kind of industrial workers. A lot of individuals moved from rural to urban areas due to industrialization and urbanization. Small farmers and landless workers who were destitute and didn't have many chances to work on farms came to cities to look for jobs in manufacturing, extraction, and public works.

During this time, British colonial policies, especially the high land revenue rates, caused several people to lose their land and a group of labourers who didn't own any property. A lot of the individuals who had to leave their houses migrated to other British colonies where there weren't enough workers. Chotanagpur, Bankura, and Birbhum, as well as other tribal and rural areas, were important places to find people for this new business. People moved even faster because of natural disasters like droughts and crop failures. In fact, frequent droughts in locations like Kerala, Madhya Pradesh, and coastal Andhra Pradesh left lakhs of people without farming income, thus they had to move to cities to find food.

Wages thus became a defining element of the employer–employee relationship, representing not only economic compensation but also a measure of dignity and security for workers[2]. It soon became clear that the unregulated nature of wage payment was the cause of frequent disputes, exploitation and industrial unrest. It wasn't just about economic management when it came to pay it was about fairness, it was about the health of people. Recognising this, the colonial government created the

[2] P K Padhi, *Labour and Industrial Laws* (PHI Learning Pvt Ltd 2018) 112.

Payment of Wages Act in 1936 to make sure that workers got their pay on time and to stop employers from taking money out of their wages for no reason. At first, the Act only affected a few places, or it has very limited area. But it altered throughout time to time, and it was used and interpreted, especially after India became free.

In 1947, the Indian courts began to interpret the Payment of Wages Act in accordance with the DPSP outlined in the Constitution, particularly Articles 38, 39, and 43, which aim to provide a just social order and favourable working conditions. The Act was written while India was still under British rule, but it quickly became one of the most important aspects of India's labour laws that is focused on the welfare of workers. It had an effect on later laws, such as the Minimum Wages Act of 1948, and it was the basis for the Code on Wages of 2019. These developments in the legislation suggest that more and more people are starting to think that fair wages are a vital aspect of human dignity and economic democracy.

Wage protection is very crucial in contemporary India because approximately 90% of the workforce works in the informal sector, where jobs are often not recorded and are not steady. People who work in construction, cleaning houses or making things on a small scale occasionally must cope with delayed payments, not getting paid at all or not getting paid enough. For such workers, wages are not merely a means of subsistence but the sole assurance of survival and social identity. So, ensuring that people get fair and timely pay is important not only for their wellbeing, but also for social stability, economic inclusion and implementation of constitutional notions of equality and justice.

Nevertheless, there is still a long way to go, in terms of effective implementation of wage protection in India's case, of the burgeoning informal economy. The chronic problems of delayed or denied wages and lack of enforcement of labour regulations, and ineffective grievance mechanisms mean that there are large questions about the adequacy of current legal frameworks. While Code on Wages, 2019 attempts to consolidate and simplify wage-related legislation, the practical impact remains limited due to the lack of institutional capacity and lack of awareness of the informal workers. These facts highlight the need for renewed policy focus, better implementation frameworks and necessity of legal empowerment of workers for realising the principle of "fair wages for fair work" in all parts of the society.

This study, therefore, aims at analysing the evolution, interpretation and contemporary relevance of the Payment of Wages Act, 1936 along with other related wage protection legislation in India. It is intended to measure the effectiveness of different laws for dealing with disparities and wages in the informal sector. The main research issue that drives this research is the disturbing mismatch between the legal guarantee of security of wages and the reality of millions of informal workers who are still subjected to wage exploitation despite decades of legislative reform.

A. Research objectives

1. To speak about the rationality of the Wages Act regarding Payment of 1936 and its key points.
2. Secondary data was used to establish to what extent the effectiveness of the Act has been to address the issues of compensation in the unregistered sector.
3. To evaluate the implementation of the Act, particularly in areas where the execution is complicated.
4. It expressed a need for legislative reform that could be a source of incomes for the informal economy workers.

B. Research Questions

1. What have been the modifications in the main functions and features of Payment Act regarding Wages of 1936?
2. What institutional impediments to informal work and right to payment does the Act produce?
3. What is the impact of the judicature's interpretation of the Act and administrative practices on the enforcement of the Act?
4. What are emerging processes with which it is possible to drive the 2019 Code on Wages into adaptability in face of globalisation challenge?

C. Research Methodology

1. The research is of Doctrinal nature in which the researcher mainly rely on the secondary sources of data and study the legal and institutional dimensions for the protection of wages in India.
2. It is focused on the Payment of Wages Act, 1936 as the researcher will explore the provisions, scope, and interpretation of the Payments of Wages Act, 1936 as clarified by the courts while dealing with such matters concerning wage regulation and enforcement.
3. The study uses case law to illustrate how courts have interpreted and applied the Act in various situations.
4. It utilises reports from the National Sample Survey Office (NSSO), NITI Aayog and Ministry of Labour and Employment, which provide information and analysis on trends in the labour market.
5. The ideas of academic literature, such as the peer-reviewed journals, commission reports, and legal commentaries, are also cited in support of the doctrinal analysis.
6. The secondary data is analysed to examine the effectiveness of the Payment of Wages Act, 1936 in the areas of small-scale enterprises and the informal labour market its limitations and challenges in actual life.
7. This study uses a qualitative doctrinal approach and uses secondary sources like laws, judgments, government and institutional reports, international policy documents etc., to critique the applicability and effectiveness of the Payment of Wages Act, 1936, in an informal labour market like India.

IV. IMPORTANCE OF PAYMENT ACT IN WAGES, 1936

The Wages Act, 1936 was one of the very first labour legislations enacted in India. Essentially, it was to do away with employers arbitrarily reducing salaries without notice and to ensure that the workers were paid promptly. Payment of Wages Act, 1936 was passed as Act No. 4 of 1936 on 23 April 1936 and came into force on 28 March

1937[3]. This legislation was not just a mere bureaucratic exercise but a much-needed reaction to the harsh and unjust working conditions that existed under the British colonial rule. During that time, workers, particularly those working in textile mills and plantation estates, had to suffer long delays in getting their wages or not getting any wages at all with no justification for the deductions. The Act was an attempt to remedy these injustices by making sure that workers were being paid regularly, entirely and promptly.

It was pretty much prompted by the report and recommendations of the Royal Commission on Labour in India (being known as Whitley Commission) , Report of which (Cmd. 3883), published in the year 1931, brought to the fore the high incidence of exploitation of the industrial workers.[4] The Commission emphatically called on the government to take legislative measures for the timely and just payment of wages, emphasizing that such a protection was not only for the welfare of workers but it was also required for the maintenance of industrial peace and moral justice in industrial relations.

Initially, the law only covered workers in industries that paid less than a certain level of money and only covered some industries. However, state notifications and changes to the law have since expanded its scope to encompass more types of labourers. Section 5 of the Act stipulates that the payment of emoluments should be paid on a definite day and not later than the 7th or 10th day of the wage period and this has played a critical role in providing a minimum financial certainty to those workers who live well within their subsistence level of income.

Section 7 of the Act lists the types of deductions that are allowed, such as those for taxes, contributions to a provident fund, and payments mandated by a court. It also says that employers cannot make punitive or arbitrary deductions. It also says that payment must be paid upfront coins or bank notes, and, when possible, via check or direct credit to bank accounts. This shows that the goal is to keep wage transactions

[3] The Payment of Wages Act 1936, Act No 4 of 1936, Gazette of India, 1937, Pt I, 626 (brought into force 28 March 1937).
[4] Royal Commission on Labour in India, *Report of the Royal Commission on Labour in India* Cmd 3883 (HM Stationery Office, London 1931) 345 (Chairman J H Whitley).

clear and easy to follow. The Act gives the government the right to appoint inspectors and labour commissioners who can carry out inspections, look at registers, and settle complaints under Section 15. This has the effect of making the procedures of enforcement more formal. However, the Ministry of Labour and non-government organizations such as the ILO have indicated that enforcement has been inconsistent due to slugging bureaucracy, shortage of labour inspectors, and the unawareness on the part of workers themselves. Judges have had a big impact on how the Act is used.

For example, in M. Gulamali v. Industrial Tribunal and other cases, judges have always stressed how helpful the Act is and urged a broad interpretation in favour of workers. The Act is even more important because it is part of the Code on Wage Regulation, 2019, which is meant to bring together rules about wages, make terms clearer, and protect all workers, no matter what industry they work in. In spite of being left over of colonial laws, Payment of Wages Act has laid the foundation of having a statutory system of wages in India and particularly when labour bargaining and institute safeguards is inadequate or absent.

The informal economy in India, which was decided which employs more than 90% of the labourers[5], is not protected by most conventional labour laws. This makes pay security a big issue in this area. In contrast to formal employment, which provides contracts, regulatory control, and grievance channels for protection, informal labourers frequently encounter salary delays, underpayment, or complete wage denial, with minimal legal remedy available.

The Payment of Wages Act, although not specifically intended for the informal economic performance, has been construed as a baseline for prompt and equitable compensation; yet, its effective application in informal contexts is limited due to a lack of evidence and employer accountability. According to studies by NCEUS and the ILO, the irregular payment practice in informal employment contributes to the spread

[5] G Raveendran and J Vanek, *Informal Workers in India: A Statistical Profile*, WIEGO Statistical Brief No 24 (WIEGO, August 2020) 2.

of poverty levels in households, as the household rests, to high indebtedness and getting low access to health services, education and nutrition.[6]

In addition, undocumented workers in various industries including domestic help, construction, agriculture and street vendors tend to work outside the realm of registered labour contract, further complicating the passage of statutory protections against wage loss. Similarly, lax awareness of their rights as employees, very weak labour inspection mechanisms, which in any case rarely reaches unorganized sectors, and the absence of robust wage security measures all contribute to wage exploitation. It is therefore not merely an income stability issue but also a matter of human dignity and right to livelihood under Art. 21 of the Indian Constitution.

V. LEGAL FRAMEWORK ON WAGE PAYMENT IN INDIA

Summary of the Payment Act regarding Wages -The Payment of Wages Act of 1936 was passed as a main labour regulation to stop unnecessary delays in paying wages and to provide rules for what deductions are allowed. It was one of the first laws passed to protect industrial workers from unfair wage practices that were rampant during colonial administration.

The Act became effective on 28th March 1937 and principally sought to guarantee the regular and prompt payment of wages for workers in designated occupations. Initially, it applied to industrial workers, railway employees, and individuals earning below a specific threshold, however its reach has since broadened. The Act aimed to standardize industrial relations and give workers basic financial security by making it illegal for bosses to take money out of workers' paychecks without their permission. This was especially important at a time when many workers didn't have the capacity to negotiate as a group. The Act set the tone for future wage-related laws in India by codifying wage payment as a statutory right rather than a mere contractual matter.

[6] International Labour Office, *India Wage Report: Wage Policies for Decent Work and Inclusive Growth* (ILO, 2018) xi.

A. Key Provisions, Scope, and Applicability

The Payment of Wages Act of 1936 mostly applies to labourers in factories, railroads, mines, and some other industrial settings. However, its scope has been slowly increased by notifications from both the state and central governments.[7] Over time, this has allowed the law to include more types of employments than it did when it was first written. It is now one of the most important of labour law in India.

One of the most important parts of the Act is Section 5. It says that remuneration must be paid before the expiry of seven days after the end of the wage period for businesses with less than 1,000 employees, and within ten days for businesses with 1,000 or more employees. [8] This provision is very important since it makes sure that workers get their pay on time and on a regular basis, which gives them fundamental financial stability.

The Act says in Section 6 that employees can only be paid in current coins, currency notes, checks, or direct credit to their bank accounts if the worker agrees to this. [9] This phrase was intended to bring a greater openness to the wage transactions, which would reduce the risk of manipulations or false deductions.

Section 7 gives the list of types of deduction from earnings which are allowed such as taxes, payments to provident fund, payment of fines or deduction ordered by a court. It explicitly states that companies cannot make unlawful or excessive deductions, which were protecting the take-home salary of workers from being cut for no good reason. These parts all work together to maintain wages and ensure that the employment connection is a fair and responsible.

B. Role of Inspectors and Penalties under the Act

The Act gives the govt. the right to hire inspectors and other officials to ensure that people comply with the rules contained in Sections 14 and 15. These officers have the right to look into the wage records of check-out businesses and look into complaints

[7] The Payment of Wages Act 1936, Act No 4 of 1936, *Gazette of India*, Extraordinary, 23 April 1936.
[8] Payment of Wages Act 1936, s 5(1)(a)–(b), Government of India, Ministry of Labour and Employment Notification, 28 March 1937.
[9] *Ibid.*

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from workers about late payment or improper deduction. When violations are confirmed, the competent authority can not only order the return of the money so wrongfully withheld, but they can also order compensation of up to ten times the amount wrongfully withheld.

Section 20 of the Act says that anyone who break the law may have to pay fines or go to jail, depending on how serious the crime is. [10] But in real life, these rules aren't always followed because of problems with administration, a lack of labour inspectors, and workers not knowing about them, especially in the unorganized sector. To achieve the goals of the Act, it is still important to strengthen institutional capacity and raise worker knowledge.

VI. HOW IT RELATES TO OTHER LAWS ABOUT WAGES

The act that is known as the Payment of salaries Act is a piece of legislation that supplements other pay legislation, such as the Minimum Wages Act of 1948, which is responsible for establishing minimum salaries for specific jobs. The Payment of salaries Act ensures that salaries are paid in accordance with the law in a timely manner. By ensuring that the wage received is at a level that is the prevailing minimum, the law governing minimum wages.

The Equal Pay Act of 1976 assists in the fairness of wages by ensuring that equal pay is given to both men and women when they do equal work. The minimal Wages Act makes sure that the payment is at least the minimal level. The Equal Pay Act of 1976 makes guarantees that male & female who do identical job get the same pay, which helps make salaries equitable.

The Code on W age Standards, 2019, is a big step toward rendering wage standards clearer. The Law on the Payment of Wages Act comprises one of the four main laws that make it up. The Code wants to make sure that everyone can get pay protection by getting rid of limits and making a consistent definition of salaries. But there are also problems with how well the Code can be enforced, especially in places where people labour informally and without any structure. So, a holistic framework needs

[10] Payment of Wages Act 1936, s 20; see also *M Gulamali v Industrial Tribunal* AIR 1954 Bom 59.

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to do more than just bring laws together. It additionally requires helping individuals learn new things and use them.

VII. THE INFORMAL SECTOR IN INDIA'S CHALLENGES FACED

In India, the informal sector is the most substantial segment of the job market. It provides employment for over 90 percent of the population and accounts for almost 50% of the entire nation's GDP.[11] In this field, people work without contracts, welfare, or legal protections. It is marked by unmanaged, unregistered, and mostly casual work. Informal work covers a lot of different types of jobs, like street vending, making things at home, farming, construction, and small-scale businesses. These workers are of the most prone to have their pay stolen, although formal labour laws like the Settlement of Wages Act of 1936 don't usually protect them.

Informal sector occupations are what they are because they don't have job security, paychecks that are late or not at all, no ability to file grievances, and only limited access to welfare programs. Unorganized employees generally earn less than the legal minimum wage and have little power to negotiate because associations are weak or never exist at all. The industry mainly mostly deals with cash, and these leads to a lot of wage fraud and underreporting. Official arrangements or wage documentation are usually rarely retained. A lot of the informal workers are migrants, and they often have other challenges that make it tougher for them to seek justice in wage disputes. Language difficulty, not having ID, as well as being disconnected off from local services are some of these issues.

One of the biggest problems with controlling the informal economy is that the workers are hard to see. Most informal businesses don't register with the government; thus, the government doesn't keep an eye on them very well or at all. Wage regulations such as the Payment of Wages Act and the more recent Wages Code, 2019, do not really work without the presence of employer registry services, workplace inspections, and written contracts. The unincorporated Employees Social Security legislation of 2008 as well as the registration of temporary employees on the internet,

[11] National Statistical Office (NSO), *Periodic Labour Force Survey: Annual Report, 2022–23* (Ministry of Statistics and Programme Implementation, Government of India 2023).

are two examples of developments in the law. However, due to a deficiency in institutional mechanisms continues to be a major impediment to pay justice.

VIII. REPORTED WAGE VIOLATIONS IN INFORMAL SECTORS: FIELD REALITIES FROM CONSTRUCTION, DOMESTIC, AND HOME-BASED WORK

In India, wage violations are common in many informal industries, but they are especially bad in construction, household services, and home-based jobs. Even if they're working long hours in unsafe conditions, construction workers often don't get paid on schedule, only get half of their pay, or are paid less than what is required by law.[12]

The National Campaign Organization in Central Rules on Construction Labour (NCC-CL) undertook a study that indicated that around sixty per cent of workers in construction in Delhi and NCR were not paid in more than two weeks. In the same way, there are many reports of not paying wages, taking money out of pay checks without explanation, and withholding salaries as a way to manage migrant women workers in domestic employment.

Human Rights Watch says that plenty of live-in domestic workers in big cities like Mumbai and Bengaluru make less than ₹5,000 a month and don't get a day off every week or a way to file complaints. [13]For home-based workers, who are usually women doing piece-rate labour like bidi-rolling or needlework, salaries are very low and often below the level needed to live because of greedy intermediaries and the fact that employers don't have to answer to them directly.

IX. THE CODE ON WAGES, 2019: ITS RELEVANCE AND CURRENT IMPLEMENTATION STATUS

The Indian Parliament passed the Code on Wages, 2019. In August 2019, and the President signed it into law on August 8, 2019.[14] It aims to bring together and simplify

[12] International Labour Organization, *Wage Protection in India's Construction Sector* (ILO 2019).
[13]Human Rights Watch, 'No #MeToo for Women Like Us': *Poor Enforcement of India's Sexual Harassment Law* (Human Rights Watch 2020).
[14] The Code on Wages Act 2019, Act No 29 of 2019, *Gazette of India*, 8 August 2019.

four important wage laws: The Payment of Wages Act of 1936, The Minimum Wages Act of 1948, The Payment of Bonus Act of 1965, and The Equal Remuneration Act of 1976. The Code's main goal is to make it easier for everyone to follow the rules on pay, bonuses, and equal pay for men and women. This will make it easier for everyone to follow the rules, even in the informal economy.[3]

The Code is a big change to India's labour laws, although it isn't fully in effect all around the country yet. Some parts of the Code went into effect in December 2020, but it won't be fully in effect until each state government finishes writing and posting its own rules under the law. [15]As of October 2025, this procedure is still not finished. Only a few states have written their draft guidelines. So, it's important to make it clear that the Payment of Wages Act, 1936 is still the law that governs wage-related issues until the Code is fully in effect.

"While the Code on Wages, 2019 was passed by Parliament and received Presidential assent, its complete implementation across India remains pending as states finalise their subordinate rules. As of 24 November 2025, the Payment of Wages Act, 1936 continues to be the applicable law."[16]

A. Digitalization and Economic Transfers: The Opportunity and Challenges in Wage Disbursements

The enhancement of digitization and direct bank transfers (DBT) within the confines of the Code is part of the overarching policies of financial inclusion in India or in other words, The Code also aligns with E-India's Initiative and financial accessibility initiatives by promoting digital wage payments and direct bank transfers (DBT). Connecting the payment of wages to Aadhaar-linked bank account, e-wallets, or the digital interface, has the capability to reduce leakages, increase transparency, and enable the verification of wage records by informal workers. The MGNREGA has already proved that direct benefit transfers (DBTs) may make payments far more efficient, especially in rural areas.

[15] The Code on Wages Act 2019, s 67; Ministry of Labour and Employment, Notification No GSR 432(E), 18 December 2020.
[16] Press Information Bureau, 'New Labour Codes Set for Rollout as 25 States Finalise Draft Rules' (Government of India, 16 October 2024) https://pib.gov.in accessed 24 November 2025.

Nevertheless, a few challenges exist despite the opportunities, especially in the most rural and underbanked areas where access to functional bank accounts, digital knowledge, and mobile networks is low. More so, problems such as delayed credits, biometric mismatches, and account dormancy have repeatedly broken the wage flow, resulting in worker panic due to late payoffs. Unless the introduction of digital wage systems is complemented with grievance redressal systems, training, and banking infrastructure, the shift to digital is likely to lead to more exclusionary outcomes than empowering ones.

X. DISCREPANCY BETWEEN THE LAW AND REALITY

The 1936 Payment of Wages Act as well as the 2019 Regulations on Labour, both guarantee that workers will get paid on time and fairly, although in fact, this is not always the case.[17] The law enforcers formal modes of receiving wages and specific employer obligations, but the reality of informal employment arrangements, so prevalent in the form of verbal and undocumented regulation, leaves the low-level worker with little chance to realize his or her right in the case of non-payment due to the impossibility of evidence of wages.

The Code on Wages is significant because it modernises and harmonises India's fragmented wage laws. It removes wage thresholds, making its provisions applicable to all employees, whether in organised or unorganised sectors. Moreover, it centralises rulemaking and compliance systems, promoting greater administrative efficiency and transparency. For workers, particularly in the informal economy, this integration means that the principle of timely and fair compensation will extend to a much broader workforce.

A. System Failures in Implementation

Systemic institutional failures in the form of inadequate inspectorates with poor training and susceptible to bureaucratic delay undermine the application of enforcement mechanisms in both the old Act and the new Code. Although the law permits the inspectors to make surprise visit and penalizes non-compliant employers,

[17] Payment of Wages Act 1936, s 5; Code on Wages 2019, s 15.

the bureau itself in reports has complained that more than 40 per cent of the sanctioned posts in inspectorate positions remain vacant in states like Bihar, Jharkhand, and Uttar Pradesh.[18] Further corruption, political pressures, and poor inter-depart.

XI. EVALUATION OF THE SUITABILITY OF THE NEW CODE AND THE ACT IN ADDRESSING TO THE DEMANDS OF UNORGANIZED WORKERS

People said that the Code on pay, 2019, was a much-needed change that would bring together and make sense of the many different laws about pay in India. Although the Code broadly extends the statutory definition of the term wages and tries to widen the coverage to encompass all non-traditional organised labour force, its applicability in the context of the issues of the informal workers is still questionable. The act assumes the existence of an identifiable employer employee relationship, record of wage transaction and a contracting system, many of which are not present in the informal sector where employment is verbal, casual or coordinated through several contractors.

In accordance with Article 21, the courts have often stated that the capacity to labor is an inherent right that cannot be decoupled from the ability to earn a living. In the matter of People's Union for Democratic Rights v. Union of India, the Supreme Court of India established a connection between the prohibition on forced labour in Art. 23 and the failure to pay statutory wages. A similar action was taken in the case of Sanjit Roy v. State of Rajasthan. Nevertheless, although these cases illustrate the progressive interpretation of the judiciary, they are mainly based on the disputes in the formal sector and hardly reflect the actual situation of the informal wage earners.

Scholars and policy studies have highlighted concerns about whether the Code on Wages, 2019 will adequately meet the requirements of workers in the informal sector of the economy. Shyam, by way of example, points out the absence of a clear regulatory framework and the inefficacy of institutions to address complaints makes

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[18] Labour Bureau, *Indian Labour Yearbook, 2019* (Labour Bureau, Ministry of Labour and Employment 2019).

the law much less applicable to informal labour markets. On the other hand, data provided by the Labour Bureau further highlight the fact that even with these legislative changes, a massive proportion of informal workers still find themselves unprotected by wages, as many of them still face poor access to banking services and lack digital literacy especially in the rural regions. Even the Strategy of New India by the Government of India admits these issues, though their solutions are based on the extensive use of digital wage.

A. Law, Policy and Socio-Economic, Barriers as Limiting Factors that affect Wage Protection

It is an impossible task to understand wage protection in India by just focusing on the laws. This is because its success relies to a large degree on other social and economic factors. The Payment of Wages Act, 1936 and Code on Wages, 2019 form the legal structure for on-time and equitable payment of wages. But the experiences of people who labour in the informal sector show that social hierarchy, poverty, and this systematic exclusion as a whole make it hard to really enforce these rules. Poverty itself is a component that is part of a vicious circle of vulnerability where, in order to make a living, the workers are constrained to submit themselves to being exploited via wages, because sometimes for an individual, survival precedes rights[19].

Women specially and those belonging to marginalised castes especially Scheduled Categories and Other Backward Communities, who are a major part of unregulated workforce, face aggravated challenges due to the compounding forms of discrimination. Gender and caste not only affect the ability to get access to quality jobs but also reduces the negotiating space necessary to asserticular demands of timely payment of work. For instance, domestic workers, who are mostly women, often have their wages cut or not paid at all for no good reason, and there is no real way for them to get their money back, even though the law says they should be able to.

Another problem is that the tools that kick in to boost wage protection don't work very well. Theoretically, measures such as setting a national minimum wage or the direct benefit transfer (DBT) systems could improve coverage, but it's not clear how these

[19] Naila Kabeer, *Gender, Labour Markets and Poverty: An Overview* (Routledge 2015).

could improve access for workers in the informal sector[20] Access to banking systems in India is still quite unfair. Many rural labourers, migrant workers and women don't have working bank account or find it difficult to use them due to red tape. Even when bank accounts are present, people who aren't very great with computers don't find it easy getting payments through digital platforms. The government's push for digital pay transfers is a good idea, but it could leave out the small number of people who don't have cell phones, mobile internet or the skills to use online banking. So, policies which aim for inclusiveness could have compounded forms of exclusion if not properly addressed the disparities in structures of made and received.

This is made worse by the fact that there isn't enough infrastructure to sustain it. There are still not enough people working in labour inspection systems, and they generally focus on the formal economy, whilst the informal economy is mostly not inspected. At the same time, grievance redressal systems for pay claims are excessively legalistic and hard for informal workers to use. These workers sometimes can't afford to go to court or don't have the paperwork they need to support their claims[21] Because trade unions aren't very strong in a lot of informal jobs, workers can't negotiate as well or hold their bosses accountable as well. Also, socio-cultural norms that say it's okay for women to do unpaid or low-paying work make wage regulations often useless, even when they are in existence.[22]

In sum, challenges to wage enforcement in India go beyond mere statutory limits, having caused by an entire socio-economic system of the economy detracting from the application of legal protections. The law won't be able to make significant change if it doesn't contain things like reducing poverty, promoting gender equality, including people from all castes, and giving people access to technology. For justice of wages to occur in the informal sector, it needs to be more than good laws. There also must be

[20] Ministry of Labour and Employment (MoLE), *Report on the Code on Wages* (Government of India 2019).
[21] K Sankaran, 'Informal Employment and Labour Rights in India' (2012) 55(3) *Indian Journal of Labour Economics* 371–387.
[22] M Chen, 'The Informal Economy: Recent Trends, Future Directions' (2016) 26(2) *New Solutions: A Journal of Environmental and Occupational Health Policy* 155–172.

good economic and social programs that break down systems that keep people out and let workers demand the pay they deserve.

XII. JUDICIAL PERSPECTIVE

The Indian courts have played a big role in influencing the way individuals think about protecting wages and giving workers more rights. The Payment of pay Act of 1936 specify that pay must be given on time as well as that employers can't make random deduction. But traditionally courts have dealt with these regulations in terms of fundamental rights like the right to live, work, respect, etc.

The Supreme Judicial Authority had emphasised in Ambica Quarry Works vs. State of Gujarat (1987) [23] that the right to work is an important part of the right to life, as it is spelled down in Art. 21 of the Constitution. The Court opined that the denial of payment to workers or unfair wage denial of these individuals is a blatant infringement on this fundamental right. By relating the protection of wages with Article 21, the Bench made it a Fundamental duty to pay people fairly and on time. This made the matter big not just the settlement of Salaries Act.

The Supreme Judicial Authority went even a step further in the case of the People's Alliance to stay Human Rights v. Union of India (1982), referred to as the A said Workers' Case. They said that not providing minimum wages constituted "forced labour," which is against Art 23. The Court concluded that workers who are forced to labour for less than the legal minimum because they are poor or unemployed are being exploited. This decision was very important because it put wage justice in the context of basic rights, which gave the Payment of Wages Act a constitutional basis.[24]

In *Municipal Council, Hatta v. Bhagat Singh* (1998), the Highest Court clarified that "wages" include not only the basic pay but also allowances that form part of a worker's remuneration[25]. This acknowledgment made the provisions of the Payment

[23] *Ambica Quarry Works v State of Gujarat* (1987) 1 SCC 213.
[24] *People's Union for Democratic Rights v Union of India* AIR 1982 SC 1473
[25] *Municipal Council, Hatta v Bhagat Singh* (1998) 6 SCC 338.

of wage legislation, 1936, more comprehensive, making sure that employers can't get around their legal duties by not including allowances.[26]

The Court said in Manganese Ore (India) Ltd. v. Chandi Lal Saha (1991) that the Payment of Wages Act must be read broadly to protect workers' rights[27]. The Court said that late or improper deductions from compensation hurt the dignity of work and go against the law's protection.[28]

The Supreme Court ruled in the case of Sanjit Roy v. State of Rajasthan (1983) that paying workers less than the legal minimum wage for famine relief work constitutes a kind of compelled labor under Article 23 of the Constitution. This judgment reinforced the principle that statutory wage rights cannot be suspended even in times of crisis, thereby strengthening the foundation of wage protection in India.[29]

In *Bidi, Bidi Leaves and Tobacco Merchants' Association v. State of Bombay* (1961), The Court affirmed state rules that set minimum salaries for the bidi industry. It stressed that wage regulation is essential for preventing exploitation, especially in sectors with a high concentration of informal and home-based workers. These court interventions are a pattern of seeking to safeguard the vulnerable employees against wage exploitation, although in a biased manner toward instances lodged in the authorized or semi-formal sector, resulting in an overrepresentation of the informal sector.

XIII. COMPARATIVE & INTERNATIONAL PERSPECTIVE

The idea of protecting salaries and paying them promptly has long been at the heart of workers' rights around the world. The International Labour Organization (ILO) has been at the forefront of establishing standards in this area. ILO Convention No. 95 on the Safety and Security of Wages (1949) says clearly that wages must be paid on time, in legitimate currency, and without any unlawful deductions. Even though India is not a signatory to this Convention, its ideals have shaped the domestic labour law discussions, as well as highlight international agreement on wage protection.

[26] *Municipal Council, Hatta v Bhagat Singh* (1998) 6 SCC 338.
[27] *Manganese Ore (India) Ltd v Chandi Lal Saha* (1991) 4 SCC 257.
[28]Ibid.
[29] *Sanjit Roy v State of Rajasthan* (1983) 1 SCC 525.

Further to the ILO system, other nations have other experience that can be used in teaching the informal sector in India. As an example, South Africa has established sectoral determinations procedure by way of a system of Wage Boards that establish minimum wages and terms of employment of at-risk groups of workers, such as those in informal and semi-formal sectors. Community monitoring sustains these boards and lets the voices of workers influence the wage regulation in the practice.

Another interesting example is Brazil. Brazil has entrenched effective mechanisms of investigating wage malpractices through its Labour Prosecutor office and its labour inspection mechanisms. They actively affect the areas where informal jobs prevail, including domestic services and agriculture. Social dialogue and the involvement of trade unions help in enforcing this as the protection of wages is not limited to the formalized economy.[30]

The experience of other countries demonstrates that it is not only the drafting of the legislation but also a strong enforcement, involvement of communities, and connection of timely and fair wages with other social security strategies. In the case of India, where over 90 percent of the employment is informal, there is a lesson that is held in South Africa and Brazil that it is essential to go beyond inspection-focused models. Rather wage security needs to include the incorporation of grass-roots surveillance, participatory and simplified grievance redress systems which can easily penetrate the informal employment.

The protection of those who are most exposed can be enhanced by improving Indian law in line with global level and in line with the ILO normative standards. This would in turn also help close the enforcement gap which has yet to exist in the Payment of wage legislation, 1936.

XIV. CONCLUSIONS & SUGGESTIONS

The paper sought to understand how the Payment of Wages Act, 1936 has evolved from being an act regulating the labour profession in the colonial era till its continuing APG as a protection mechanism of the labourer's earning and how it needs to adapt

[30] D Krein and A L Santos, 'Labour Inspection and Wage Protection in Brazil' (2018) 157(1) *International Labour Review* 65–83.

 (ISSN: 2583-7753)

to the change nature of labour in the informal economy of India. For years, it has been the meaning behind the Act to ensure that workers are getting their wages on time and without arbitrary deductions from their wages that has not changed. But the reality of socio-economic circumstances, in which it operates, has changed radically.

Being an administrative law, the Act has been extended in meaning in a gradual manner by the Courts to link right of fair and due remuneration to constitutional guarantee under Article 21 and Article 23 thus giving it a moral as well as a statutory colouring. Yet its model of procedure is still a relic of its formal, factory-based organisation of employment and the millions of unorganised and informal are still poorly protected.

One of the issues that has afflicted any attempt at making it work has been that of the very design of the Act itself. The unintended bias of the legislation in favour of the supply of formal establishments is related to the fact that to access it one must possess proof of formal establishment (in the form of documents), registration and identifiable employer-employee relations - all of which are often not present in the informal sector. These requirements are therefore a disincentive to the 'casual, seasonal, home-based and platform workers being covered under the protection arm of the Act.

Consequently, it is the threat to which the law is not applicable that the law is intended to deal with. Addressing these barriers can only be achieved by a wide and flexible design of the law that considers other types of work and forms of income. For the protection of wages to be a real thing for informal workers, we need to bridge this gap by making sure that informal workers have access to presume coverage, simplified claims system and inclusion of local and community level grievance mechanism.

Due to judicial and administrative interferences, the Act has taken different meanings of interpretation and implementation. Landmarks such as the People's Union for Democratic rights v. Union of India and Sanjit Roy, W.P.(Criminal) 83 of 186 State of Rajasthan have made it as a constitutional right and the right of fair wages as a right protected by the constitution since the non-payment thereof is recognized as forced labour. From this perspective, these judgments have given a new significance to the issue of wage justice, varying from being a matter of care towards the statutory compliance to approval of any rights of fundamental significance.

However, in executive enforcement, these ideals of the court have not for the most part been so quick to materialise. Disparities in how effectively labour inspection is carried out, lack of outreach in the rural area, and lack of digital grievance mechanism have diminished the impact of progressive court decisions. Thus, a more effective coordination of the guidance followed by the courts and the practice followed in the administration is of essential importance in return to achieve the level of harmonisation in the enforcement results.

The promulgation of the Code on Wages, 2019 is a decisive time to revise the legislation about the protection of wages. However, its flexibility to the fact, the reality of a globalised and digital economy, is one of its essential challenge points. The Code will only achieve a fulfilling life if it undergoes a dynamic transition from a passive amalgamation of laws of the past to being a truly dynamic instrument that can take cognizance of emergence of the brave new world of gig work, supply chain outsourcing and transnational employment models.

Furthermore, the Code will support the traditional and new forms of labour by means of embedded flexibility through contemporary labour market information systems to allow for interoperable data, portable entitlements and digital wage logs. Creating labour futures advisory process can also be an advantage to predict and control new forms of work under globalisation.

In effect, there is a need for legal reform and innovation in institutional protection of the wages of the Indian informal economy. The Code on Wages gives the background for the renewal; the tree of this reform was the Payment of Wages Act. Between law and livelihood therefore, reforms must mean simplification of procedures, reduction in documentation, empowerment to local actors, institutionalised transparency via data-driven accountability. In addition, enforcement agencies should have adequate training, technological and performance incentive to ensure timely redressal of wage dispute.

Ultimately, wage justice can only be achieved if all wage justice is developed beyond consumerism to being part of a core social protection. Seeing the right to fair remuneration as a living aspect of human dignity - and not just as a bureaucratic solution - can help change the legal framework of wage regulation as an inclusive, responsive and humane system. This process will determine whether India's wage laws will be able to provide the actual face and dignity for the workers in an economy that is gradually becoming a reality in which the informal and the globalized will occupy most of the territory.

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