

Code on Wages: Key Insights from Mehta & Mehta Webinar

The Code on Wages, 2019 marks a significant shift in India's labour law framework by consolidating and rationalising wage-related legislations into a single comprehensive code. In a recent knowledge-sharing webinar organised by **Mehta & Mehta**, professionals and experts deliberated on the scope, implementation challenges, and practical implications of the Code on Wages for employers, employees, and compliance professionals.

The discussions focused on simplifying wage structures, ensuring timely payment of wages, reducing interpretational disputes, and strengthening enforcement mechanisms, while balancing employer flexibility and worker protection.

Evolution of Wage Legislation in India

India's wage regulation framework has historically been governed by multiple fragmented statutes, leading to overlaps, inconsistencies, and compliance complexity. The **Minimum Wages Act, 1948**, **Payment of Wages Act, 1936**, **Payment of Bonus Act, 1965**, and **Equal Remuneration Act, 1976** operated independently, often resulting in interpretational challenges and administrative burden.

The Code on Wages, 2019 was introduced as part of the Government's broader labour law reforms to consolidate these enactments, promote uniformity in wage determination, and enhance ease of doing business while safeguarding employee interests.

Statutory Framework Governing the Code on Wages

The primary legal framework discussed during the webinar included:

- ⇒ The **Code on Wages, 2019**
- ⇒ Central Rules framed under the Code
- ⇒ Draft and notified State Rules
- ⇒ Notifications relating to floor wage and minimum wage fixation

The panellists highlighted that while the Code has been enacted, its effective implementation depends largely on State-specific rules and notifications, requiring employers to track developments across jurisdictions.

Applicability of the Code on Wages

A key highlight of the webinar was the **universal applicability** of the Code. Unlike earlier legislations with limited coverage, the Code on Wages applies to:

- ⇒ All employees, irrespective of wage ceiling; and
- ⇒ All establishments, unless specifically exempted.

The Code extends to organised and unorganised sectors, thereby significantly widening its regulatory reach and compliance expectations for employers.

Key Provisions and Concept of “Wages”

One of the most debated aspects of the Code is the **uniform definition of “wages”**, which forms the basis for calculating minimum wages, bonus, and other statutory dues.

The Code mandates that:

- ⇒ Wages must constitute at least **50% of total remuneration**; and
- ⇒ Excess components such as allowances beyond the prescribed threshold shall be treated as wages.

Panellists discussed how this provision directly impacts salary structuring, cost-to-company (CTC) models, and long-standing industry practices, requiring employers to revisit compensation frameworks.

Minimum Wages, Floor Wage and Payment Provisions

The webinar deliberations emphasised the introduction of the **floor wage**, to be fixed by the Central Government, below which minimum wages cannot be prescribed by States. States retain the power to fix minimum wages above the floor wage, taking into account regional and sectoral factors.

Other critical aspects discussed included:

- ⇒ Timely payment of wages in prescribed modes;
- ⇒ Simplified bonus eligibility and calculation;
- ⇒ Gender-neutral provisions ensuring equal remuneration; and
- ⇒ Streamlined inspection-cum-facilitation mechanisms.

Practical Insight

The panelists emphasised that the Code on Wages is not merely a consolidation exercise but a **structural reform** with far-reaching practical implications. Particular focus was placed on the redefinition of wages and its cascading impact on statutory contributions and employee benefits. Employers were advised to proactively realign salary structures, update employment contracts, and strengthen payroll systems to ensure compliance.

The webinar also highlighted that enforcement under the Code is expected to be more technology-driven, with increased accountability on employers. Regulators are likely to focus on substance over form, making documentation, internal controls, and consistent compliance practices critical.

Conclusion

The Code on Wages, 2019 represents a foundational change in India's labour law ecosystem, aimed at simplifying compliance while enhancing wage security and transparency. Its success, however, will depend on effective implementation, clarity in State rules, and the preparedness of employers to adapt to the new regime.

As India transitions to a unified labour law framework, the Code on Wages serves as a cornerstone reform, requiring informed understanding, strategic planning, and continuous compliance vigilance.

To stay informed or access the webinar recording, visit the YouTube channel:

 **“Decoding Corporate Laws with Mehta & Mehta**