
FROM MINIMUM WAGE TO LIVING WAGE: TIME FOR A LEGAL SHIFT IN INDIA

Introduction

Wages constitute a key element which entails in the relationship of an employer and an employee which includes all remuneration expressed in terms of money in respect of the work done and fulfilled as per the terms of the contract which is either express or implied.¹ Minimum wage is a concept under section 3 of the Minimum Wages Act, 1948 which fixes the minimum rates of wages payable to employees of the employment ensuring that the worker meets with the basic needs administered and regulated by the government where such regulation is revised periodically, if necessary, on account of inflation and changing costs of living not exceeding five years.² The Code on Wages, 2019 integrates wage laws merely focusing on minimum wage rather than a living wage.

A living wage is an idea where it offers remuneration to an employee exceeding the minimum wage enabling a comfortable standard of living meeting the essential needs and affording a decent standard of living, considering the country's circumstances calculated for the work done or performed during the normal hours. While minimum wage primarily aims for the protection of workers from lower pay, living wage goes further by providing sufficient income to cover the cost of the worker's family's basic needs such as food, clothing, healthcare, transport, education, and shelter, showcasing a wider scope than minimum wage and in accordance with the provisions of the International Labour Organisation.³ It is time India must reevaluate its wage policy through a rights-based lens.

Minimum Wage vs. Living Wage: Conceptual and Legal Gap

Both the Minimum Wages Act, 1948 and the Code on Wages, 2019, specify minimum wage which is a legally enforceable baseline wage that cannot be reduced by a collective agreement or by an individual contract. Minimum wages are not uniform in India and vary across different states as they are fixed by the appropriate Government payable to employees. A minimum rate of wages can be fixed by fulfillment of the work done by time of work done (hourly, daily, or monthly) or by piece work on a time work basis.⁴ This framework focuses on basic survival needs which may fall short of addressing the broader reality of living.

On the other hand, living wage denotes a wage level which is necessary to afford a decent standard of living for oneself and their families which would be enough to cover the cost of family's basic needs such as food, clothing, healthcare, transport, education, and shelter, in

¹ The Minimum Wages Act, 1948, § 2(h).

² The Minimum Wages Act, 1948, § 3.

³ *World Economic Forum - What Is a Living Wage and How Is It Different from the Minimum Wage?*, <https://www.weforum.org/stories/2024/04/ilo-living-wage-explained/>.

⁴ The Code on Wages, 2019, § 6.

consideration with the circumstances of the country and that is calculated as per the work performed during the regular working hours. It provides a sufficient income even for unforeseen circumstances apart from the basic necessities. The International Labour Organisation also recognizes this concept and specifies its principles on wage setting.⁵ This shift from a survival-based framework to a rights-based framework would be exemplary.

The Constitution of India lays down the Directive Principles of the State Policy which, being non-justiciable in nature, are not enforceable therefore, cannot be compelled to implement through legal action but are still fundamental in the governance of the country. Article 43 directs that the State shall endeavour, by suitable legislation or economic organisation or in any other way, to secure to all workers, agricultural, industrial or otherwise, work, a living wage, conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities.⁶ Article 39 states that the State shall, in particular, direct its policy towards securing that citizens, men and women equally shall have the right to an adequate livelihood, and that there shall be an equal pay for equal work for both men and women.⁷

Challenges in Transitioning to a Living Wage Framework

The shift from minimum wage to a living wage framework would be a knotty socio-economic transition if not merely a legal reform as one of the primary challenges lies in the structure where majority of workforce is engaged in the unorganised sector where a major challenge could include lack of formal contracts making it difficult to collect data related to social security schemes or even enforcement of minimum wages under the Code on Wages, 2019.

Another major challenge is that some business, particularly Micro, Small, and Medium Enterprises (MSMEs), may face financial strain due to increased labour costs which could potentially lead to reduced hiring or even business failures.

The cost of living also significantly differs between states and even cities often making it difficult to ascertain a living wage requiring careful planning.

The fact that the minimum wage being enforced in an uneven manner which varies from state to state, the living wage is bound to be resisted by state governments along with the private industries as the goal to shift towards a living wage will make such labour cost expensive as the current wage determination includes a basis linked with inflation and living standards in a periodic revision under regulation but still lacks proper implementation.

⁵ *What Is a Living Wage ? | International Labour Organization*, (Apr. 20, 2024), <https://www.ilo.org/what-living-wage>.

⁶ The Constitution of India, § 43.

⁷ The Constitution of India, § 39.

Transitioning to a living wage would require coordinated efforts of government, employers, and workers to achieve this desired objective enhancing the standard of living of the workers.

Pathways for Legal and Policy Reform

Transitioning from a minimum wage to a living wage framework would require a blend of legislative approach with institutional strengthening and economic perspectives focusing on practical approaches and solutions. One step which can be taken to recognise living wage formally would be instituting its concept in the Code on Wages, 2019. Presently, the code does not define or mandate the living wage and rooting the concept with a statutory definition stating clearly the inclusion of factors such as food, clothing, healthcare, transport, education, and shelter would be an advancement.

Setting Adequate Wages, often termed as ‘SAW Project India’ supports wage setting mechanisms making a legal pathway with the use of data and evidence on the needs of workers and their families and economic factors identifying national variables and conditions which enable and support measures to raise awareness on living wages. SAW Project India also provides technical assistance to national constituents and engages with the existing living wage initiatives to promote alignment with the International Labour Organisation living wage principles. This particular project which covers Costa Rica, Cote d’Ivoire, Vietnam along with India, started in October 2022 and is planned to be completed by September 2026. National strategic framework is divided into three main pillars, each supporting the cause. The first pillar aims to support the wage setting mechanisms which provides technical support to Minimum Wage Advisory Board through studies on evidence-based needs of workers and their families setting a minimum wage at an adequate level including overseeing on its compliance. The second pillar helps enable wage growth via assessment and training about the factors that condition productivity and wage improvement at economic unit level. Lastly, the third pillar helps Government have a better understanding of living wages through engaging with existing living wage initiatives to promote alignment with the living wage principles.⁸

Realtime compliance monitoring, use of technology driven inspection systems, and digitisation of wage payments can help bridge the enforcement gaps for a working living wage system. Covering the workers from unorganised sectors through registration drives and simple compliance mechanisms would promote oral communication among the individuals.

An immediate implementation would strain businesses including the MSMEs. To combat this, a phased approach becomes necessary to balance worker welfare with sustainability. Gradual escalation of wage standards with additional incentives such as tax benefits, grants,

⁸ *SAW Project India*, <https://www.ilo.org/sites/default/files/2024-10/SAW%20country%20brochure%20-%20India.pdf>.

procurement policies, or subsidies can ease the transition to such a framework while also encouraging employer compliance.

Collective bargaining and negotiation would also help establish fair wages acceptable to both the stakeholders ensuring that the policies are practical and inclusive of government, employers and workers. Public awareness and worker education campaigns would further help the individuals to discover such rights. The pathway to a living wage does not lie in direct implementation or transformation but in a structured, evidence-based reform which would harmonise the fundamental idea with economic reality.

Conclusion

The Government of India has sought technical assistance from the International Labour Organisation to create a necessary framework for living wage signifying that steps are being taken towards the improvement of individuals lives, particularly workers. Despite the challenges, India is committed to achieve Sustainable Development Goals (SDGs) by 2030 ensuring to 'put people first' and 'no one is left behind' and to advocate for adequate financing to achieve SDGs.⁹ Transitioning from a minimum wage to a living wage is not merely economic but also an ethical and constitutional vital which would require coordinated efforts of government, employers, and workers to achieve this desired objective enhancing the standard of living, reducing inequality, and strengthening social stability of the workers. The issue is no longer about whether India can provide a living wage, but whether it can afford to neglect implementing one.

⁹ *Sustainable Development Goals | United Nations in India*, <https://india.un.org/en/sdgs> (last visited Apr. 20, 2026).