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A STUDY ON THE IMPACT OF THE MINIMUM WAGES ACT, 1948 IN PROTECTING THE WORKERS IN THE UNORGANISED SECTOR IN INDIA

AUTHORED BY - D.PRERNA¹

CO-AUTHOR - S. YUVARAJ²

ABSTRACT

The Minimum Wage Act, 1948 is a legislation enacted for the welfare of workers and to prevent exploitation of unorganized, illiterate and ignorant workers in the form of paying unjustifiably low wages. It provides minimum statutory wages for scheduled employments with a view to avoid the chance of exploitation of labour through payment of very low and sweating wages. The workforce in the informal sector has no guarantee of wage protection, social security, occupational safety or employment stability not to talk of decent wages. The main objective of the study is to examine the awareness among workers in the unorganised sector regarding their rights under the Minimum Wages Act, 1948 and to identify the challenges faced by workers in ensuring minimum wage compliance. The method of research followed here is Empirical research. The sampling method was taken in a convenient sampling method and the sample size of the research is 200 samples. The statistical tools used are Clustered Bar Graphs and other tests. The major findings of the study reveal that the minimum wages for the same category of workers varies from the organised and the unorganised sector and there is a wide disparity in wages among workers in the organised and the unorganised sector and there is also absence of allowance among the workers in the organised and the unorganised sector. It is concluded that the effects on raising the average daily wages of unskilled workers is yet to set in and also there is a huge gap in terms of payment of wages to the workers in the organised and unorganised sector.

KEYWORDS

Employment, Labour, Minimum Wages, Unorganised Sector,. Organised Sector.

¹ D.Pruna,132102059,BBA LL.B.(Hons),Saveetha School of Law, Saveetha Institute of Medical And Technical Sciences (SIMATS),Chennai - 600 077

² S.YuvarajB.com.,L.L.B,(hons),Saveetha School of Law,Saveetha Institute of Medical And Technical Sciences,(SIMATS),Chennai-600077

INTRODUCTION

The Indian economy exhibits a dual structure, with a relatively organized sector existing alongside a large, informal sector dominated by self-employment. According to the 2011-2012 National Sample Survey Organization (NSSO) Employment–Unemployment Survey, informal workers account for 92% of the total workforce, which numbered 474.23 million at the time. These informal workers contribute more than 60% to India's GDP growth. Despite the economy's annual growth rate of 5-6%, job creation remained sluggish, with only a net increase of 0.2 million jobs in 2009-2010. Most of these new jobs were low-skilled, primarily in construction, and were informal in nature. Workers in the informal sector typically lack wage security, social protection, occupational safety, and employment stability, making decent wages rare. To tackle the challenge of providing decent work, the Indian government has adopted an inclusive strategy focused on skill development, social protection, and labour reforms. This strategy includes stricter enforcement of the Minimum Wages Act, 1948. The Minimum Wages Act, 1948, is rooted in Article 43 of the Directive Principles of State Policy in the Constitution of India, which urges the state to secure a living wage and decent working conditions for all workers. Article 39 further reinforces the principles of adequate livelihood and equal pay for equal work for both men and women. The Act was introduced in response to industrialization and the exploitation of workers, particularly in the unorganized sector, who often lack collective bargaining power and are vulnerable to unfair treatment. Both Central and State governments are empowered by the Act to set and revise minimum wages for various scheduled employments. Over time, its scope has expanded to include more occupations and sectors characterized by vulnerability and informality. To strengthen the Act's implementation, the government has introduced various policies and administrative reforms. Advisory Boards at both central and state levels recommend fair wage rates in consultation with employers and labour unions. Technological tools like the Shram Suvidha Portal and E-SHRAM platform have been developed to promote compliance and facilitate registration of informal workers. The Code on Wages, 2019, aims to universalize minimum wage coverage and sets a national floor wage—ensuring no state can prescribe wages below this threshold. Labour inspection systems are also being reformed, with randomized inspections and digital reporting introduced to enhance transparency and reduce corruption. These measures are supported by welfare schemes such as the Pradhan Mantri Shram Yogi Maandhan and the Atmanirbhar Bharat Rozgar Yojana, which seek to provide income security and formalize informal employment. Despite these efforts, several challenges hinder the effective enforcement of minimum wage laws. Many workers, particularly women, migrants, and daily wage earners, are unaware of

their legal entitlements or the procedures for filing complaints. Employer non-compliance is widespread, with many wage payments made in cash and without documentation, making oversight difficult. The use of informal contracts and intermediaries further compounds the problem, as does the fear of losing jobs or facing retaliation, especially in the absence of strong worker organizations. In addition, administrative shortcomings, such as understaffed labour departments and weak inspection mechanisms—particularly in remote areas—impede enforcement. Penalties for violations are often not rigorously applied, reducing their effectiveness as deterrents. Recent trends show an increased focus on safeguarding wages in the informal sector. The emergence of the gig economy and digital work platforms presents new challenges but also opportunities for better wage monitoring. Some states have adopted online wage payment systems, making transactions more transparent and reducing the risk of wage theft. The launch of the E-SHRAM portal is a notable step towards registering unorganized workers and connecting them with social security benefits. Internationally, countries like Brazil, South Africa, and Mexico have established national minimum wage frameworks, supported by strong social dialogue and awareness programs. For example, Brazil employs a tripartite system involving government, employers, and worker representatives to set wage levels, while South Africa reviews its national minimum wage annually. In comparison, India's system is fragmented, with more than 1,700 scheduled employments and varying wage rates across states, complicating enforcement. Germany's introduction of a national minimum wage in 2015 led to tangible improvements in wages and job quality in low-pay sectors, while the United Kingdom relies on its Low Pay Commission to make regular, evidence-based adjustments to its minimum wage policy. The primary objective of this research is to assess the contributions of government agencies, NGOs, and trade unions in promoting wage protection in the informal labour market, and to evaluate the impact of the Minimum Wages Act on the economic and social well-being of workers in the unorganized sector.

OBJECTIVES

- ❖ To examine the awareness of workers in the unorganised sector regarding their rights under the Minimum Wages Act, 1948.
- ❖ To identify the challenges faced by workers and enforcement authorities in ensuring minimum wage compliance.
- ❖ To analyse the role of government agencies, NGOs, and trade unions in promoting wage protection in the informal labour market.

- ❖ To evaluate the impact of the Minimum Wages Act on the economic and social well-being of unorganised sector workers.

REVIEW OF LITERATURE

1. **(Preethika Vijayakumar, 2022)** This study *aims* to highlight the challenges in the implementation of the Minimum Wages Act, 1948, in India—one of the first developing nations to introduce a minimum wage policy and among the earliest to enact such labour legislation post-independence. The act was designed to ensure fair wages and prevent the exploitation of workers by employers. The *findings* reveal that although the act was progressive at the time of its introduction, its effectiveness has been more pronounced in the organised sector due to regular wage revisions. In contrast, the unorganised sector, where the need for such protections is most critical, continues to remain largely outside the purview of the act. The study *concludes* that addressing implementation gaps is essential to extend the intended benefits of the Minimum Wages Act to all segments of the workforce.
2. **(Uma Rani, Patrick Belser, 2012)** This study *aims* to analyse the resurgence of minimum wage policies as a vital tool for promoting social justice and enhancing the lives of low-paid workers globally. The *findings* indicate that numerous countries have witnessed successful implementation and positive perception of minimum wages. For instance, in the United Kingdom, the national minimum wage introduced in 1999 is considered one of the most effective policies of recent decades. Similarly, in emerging economies like Brazil and South Africa, minimum wage policies have played a crucial role in reducing poverty, inequality, and addressing historic injustices in sectors with weak labour representation. The study *concludes* that the global revival of minimum wage frameworks has been driven by their demonstrable impact on promoting economic equity and protecting vulnerable workers.
3. **(Shreya Pandey, Shreshthi Dubey, 2024)** This study *aims* to examine the impact of India's newly introduced labour codes on small and medium enterprises (SMEs) and the unorganised sector. It investigates the government's efforts to streamline 44 existing labour laws into four consolidated codes to improve working conditions and reduce regulatory complexity. The *findings* reveal that while these codes have the potential to enhance business efficiency and worker welfare, they also introduce challenges such as increased compliance burdens, higher operational costs, and ambiguities regarding gig

and platform workers. The study *concludes* that although the labour reforms are well-intentioned, further modifications are necessary to ensure that they equitably balance the needs of businesses and the rights of workers, particularly within the unorganised sector.

4. (Mayank Kumar, 2015) The *aim* of this study is to provide a comprehensive overview of India's labour market, particularly focusing on the dominance of unorganised or informal labour. The *findings*, based on data from the National Sample Survey Organisation and Economic Survey, reveal that the overwhelming majority of India's workforce operates in the unorganised sector, with agriculture, construction, and informal services being the major areas of employment. It highlights that self-employment and informal arrangements constitute the employment model for most workers, who lack social security and formal protection. The study *concludes* that any meaningful labour policy reform must prioritise the needs of this massive informal workforce, which represents the backbone of the Indian economy.
5. (Devanshi Singh, 2021) This study *aims* to explore the socio-economic and legal factors that have influenced the status of women in India's labour force over the decades. The *findings* indicate that while there has been a visible increase in female labour participation, especially in paid employment, most women are still engaged in unpaid or undervalued work, particularly in rural and informal sectors. Their economic contribution often remains unrecognised due to traditional definitions of work and productivity. The study *concludes* that despite progress, women's participation remains significantly lower than men's, and gender disparities in employment persist, calling for a redefinition of economic activities and targeted policies to acknowledge and integrate women's work into formal economic discourse.
6. (Meenakshi Gupta, 2007) The *aim* of this study is to explore and understand the complex realities of the unorganised sector in India, its various categories, and the socio-economic challenges faced by its workers. The *findings* reveal that workers in the unorganised sector lead extremely difficult lives, facing constant exploitation and lacking the visibility and benefits available to those in the organised sector. The study *concludes* that providing effective protection and welfare for unorganised workers is highly complex, and while some efforts have been made, much more is needed to ensure their social security and dignity.

7. **(Debi S Saini, 2008)** This chapter aims to critically assess the Indian labour law framework in light of the constitutional mandate of social and economic justice, especially under a globalising economy. It finds that while several statutes exist governing wages, working conditions, and social security, their implementation is uneven, and quasi-judicial mechanisms often fail to ensure quick redressal. The chapter concludes that although the legislative framework is broad, gaps in enforcement and adaptability to current labour market needs hinder its ability to deliver true justice to workers.
8. **(Manoj Jatav, 2020)** The task of preparing a comprehensive package of social security to the unprotected workers has still remained an unsolved for the government due to a number of reasons beginning from administrative and financial constraints, scattered and fragmentary nature of existing social security legislations in the country to inadequacy of available information and lack of data on the unorganised sector. This study *aims* to evaluate the ongoing challenges in implementing a comprehensive social security system for unorganised workers in India. The *findings*, supported by PLFS 2017–18 data, show that nearly 90% of workers are engaged in informal employment and lack coverage under any formal social security law. The *conclusion* drawn is that due to administrative, financial, and informational gaps, India still struggles to extend meaningful social protection to its vast informal workforce, necessitating urgent reforms in legislation and implementation.
9. **(Muna Kalyani, 2015)** The Indian economy is characterised by the existence of a vast majority of informal or unorganised labour employment. As per a survey carried out by the National Sample Survey Organisation (NSSO) in 2009–10, the total employment in the country was of 46.5 crore comprising around 2.8 crore in the organised and the remaining 43.7 crore workers in the unorganised sector. Out of these workers in the unorganised sector, there are 24.6 crore workers employed in the agricultural sector, about 4.4 crore in construction work and remaining in manufacturing and service. The *objective* of this analysis is to understand the composition and scale of informal labour in India and to categorise unorganised workers based on employment types. Using NSSO data from 2009–10 and the Economic Survey of 2007–08, the *findings* highlight that over 93% of India's workforce belongs to the unorganised sector, predominantly in agriculture, construction, and services. The study *concludes* that the Indian labour system remains largely informal and fragmented, necessitating targeted labour policies and categorisation strategies to address diverse needs across worker groups.

- 10. (Arasu Karthikeyan, 2021)** The research has the key purpose of examining minimum wage policy of India, as assess its role in promoting equality and social justice in India, wherein, a focus on examining the current state, issues and ways to overcome issues and ensuring effective enforcement has been made. In order to examine the research purpose, an empirical inquiry, utilising a semistructured method to collect qualitative data has been conducted. The sample for the semistructured interview comprised 6 Indian economic experts who are selected using the purposive sampling technique. This research *aims* to assess India's minimum wage policy in terms of its effectiveness in promoting social justice and equality. Through semi-structured interviews with Indian economic experts, the *findings* significant issues like regional disparity, compliance challenges, and lack of standardisation across wage levels. The *conclusion* emphasises that while minimum wage policies hold transformative potential, their enforcement must be strengthened to address inequalities and uplift disadvantaged worker groups effectively.
- 11. (Dr Mahabir Singh Gourav, 2023)** Social security being a broad phrase, this article aims to clarify the definition as applied to unorganised workers under statute, as well as the statutory requirements & court rulings concerning it. Unquestionably, resolving the concerns and problems of the unorganised workers due to the future threats to the labour market is the most pressing challenges at present. The main *objective* of the article seeks to define and examine the statutory social security provisions applicable to unorganised workers, especially under the Unorganised Workers Social Security Act, 2008. It *finds* that while the Act symbolised progress, it has failed to comprehensively meet its intended goals. The *conclusion* is that to truly address the pressing concerns of unorganised labour in a changing labour market, the law must be restructured to be more inclusive, enforceable, and responsive to future challenges.
- 12. (V Goyal, 2010)** India comprises 135.26 crore people. According to National Sample Survey Organization (NSSO) IN 2009-10, the total employment in the country was 46.5 crore comprising around 2.8 crore in the organized sector and the remaining 43.7 crore workers in the unorganized sector. This paper *aims* to outline the structural issues and challenges faced by unorganised sector workers in India. Drawing from NSSO 2009–10 data, the study *finds* that the majority of Indian workers are in unorganised employment, facing problems like lack of regulation, casual work culture, and limited legal coverage. It *concludes* that while labour laws exist, their conditional applicability

often excludes unorganised workers, rendering legal protections ineffective for those who need them most.

- 13. (Anurag Sahoo, 2023)** The condition of unorganized sector labourers in India is closely tied to labor law. Despite the existence of various laws and regulations aimed at protecting workers' rights, labourers in the unorganized sector often do not receive these protections. Many unorganized sector workers are not covered by labor laws, as the laws are limited to the formal sector, leaving unorganized sector workers vulnerable to exploitation. The *objective* of this paper is to analyse the effectiveness of Indian labour laws in safeguarding the rights of unorganised sector workers. The *findings* reveal that a vast number of such workers are excluded from legal coverage due to the narrow application of labour laws and poor enforcement mechanisms. It *concludes* that to improve conditions in the unorganised sector, labour protections must be expanded, legal awareness increased, and enforcement significantly strengthened.
- 14. (Sharad Pandey, 2020)** The Indian labour market has been, and continues to be, predominantly informal. In the year 2018-19, the nature of employment for around 90 per cent workers in India's labour market was informal. These workers are either inadequately covered or not covered under the existing labour legislations, social protection schemes, and other employment benefits. This study *aims* to highlight the predominance of informality in the Indian labour market and the lack of adequate protections for informal workers. Using data from 2018–19, it *findings* that approximately 90% of workers remain informal and largely outside the ambit of labour protections, exposing them to exploitation. The *conclusion* stresses that while social protection is vital to ending poverty and ensuring worker rights, achieving this in India will require systemic changes and substantial investment in governance and implementation.
- 15. (Akanksha Rajput, 2024)** Trade unions have long been a cornerstone of labour relations in India, shaping the rights and conditions of workers. As defined under Section 2 (h) of the Trade Unions Act, of 1926, a trade union refers to any combination, whether temporary or permanent, formed primarily to regulate the relations between workmen and employers, or between workmen and workmen, or between employers and employers. The *aim* of this paper is to explore the role of trade unions in shaping labour rights and working conditions in India. The *findings* trace the historical contributions of unions, particularly in achieving major reforms like the Factories Act and Minimum Wages Act. The study *concludes* that despite changes in the labour

market, trade unions continue to be critical for advocating workers' rights and maintaining checks on employer practices in both the organised and unorganised sectors.

METHODOLOGY

The method of research followed is Empirical research. The sampling method was taken in a convenient sampling method and the sample size of the research is 200 samples. The sample frame was collected in a public area in and around Poonamallee, Chennai. The Independent variables are Age, Gender and Place of Residence and Occupation. The Dependent variables are Major challenges faced in the implementation of the Minimum Wage Act, 1948. The Statistical tools used are Clustered Bar Graphs, Chi-Square Test, and One Way Anova, Regression, Paired Sample T-test.

RESEARCH HYPOTHESIS

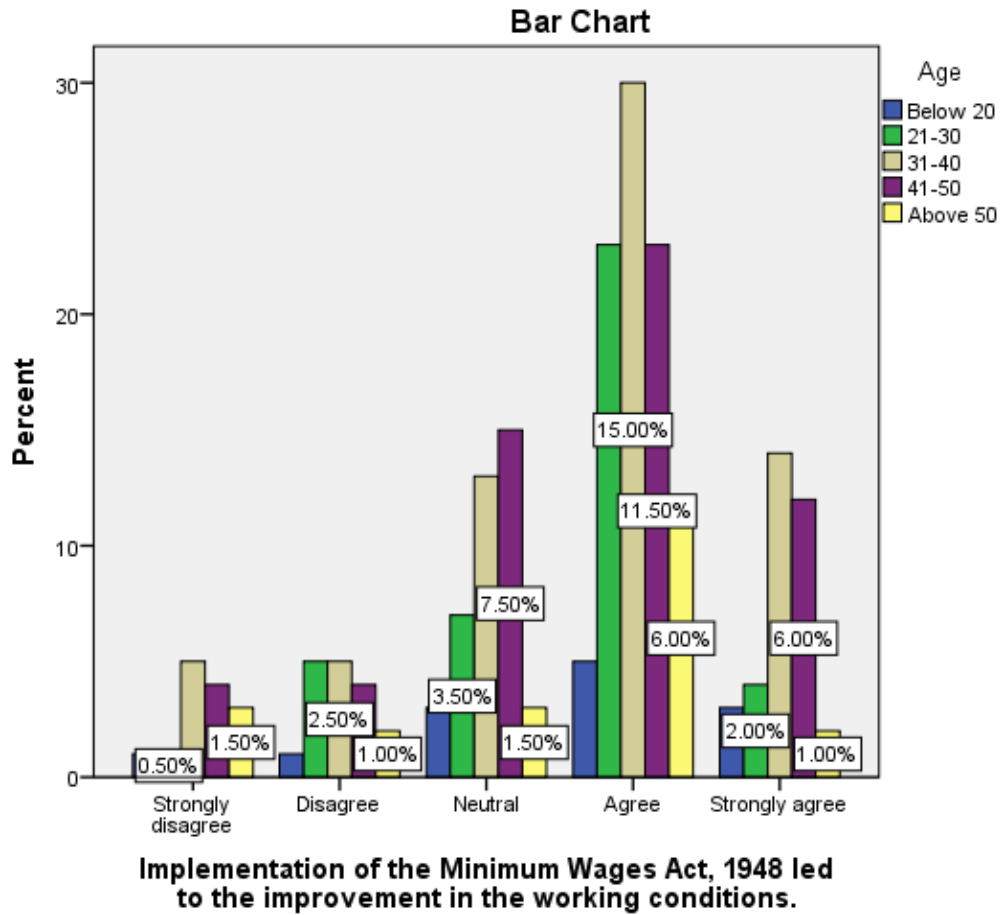
The study aims to determine whether there is a impact of the Minimum Wages Act, 1948 on the protection and welfare of workers in the unorganised sector in India.

HO: It is ascertained that there is no significant impact of the Minimum Wages Act, 1948 on the protection and welfare of workers in the unorganised sector in India.

Ha: It is ascertained that there is a significant impact of the Minimum Wages Act, 1948 on the protection and welfare of workers in the unorganised sector in India.

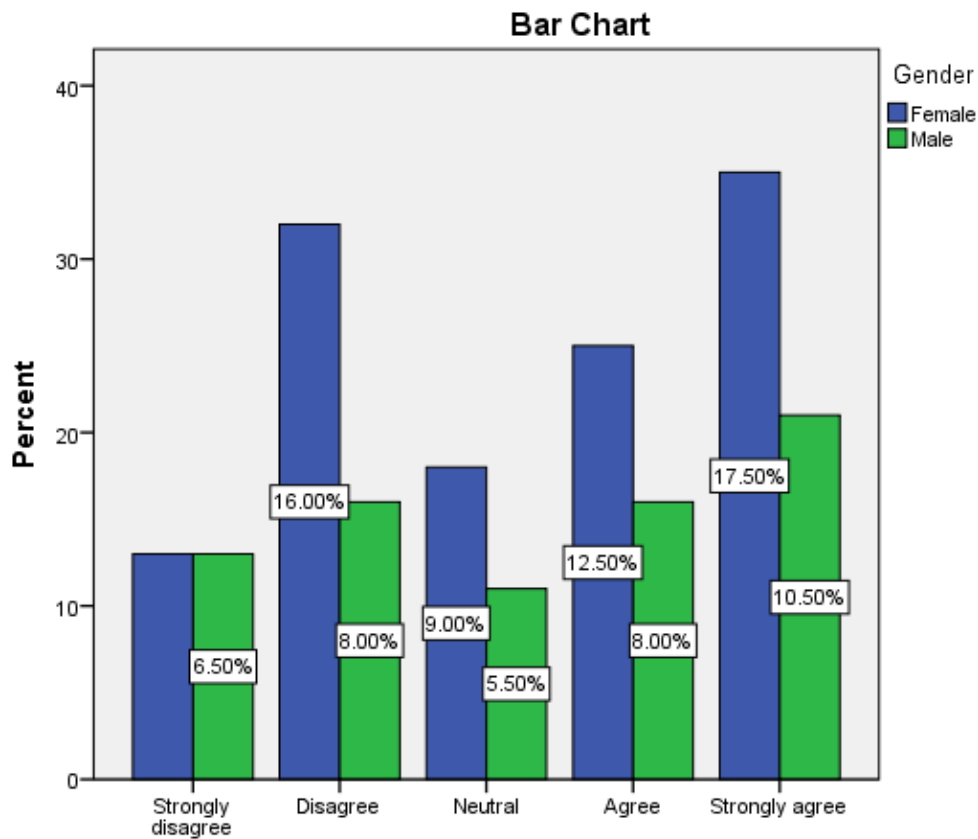
DATA ANALYSIS AND INTERPRETATION

FIGURE 1



LEGEND: Figure 1 shows the Age distribution pertaining to the statement “Implementation of the Minimum Wages Act, 1948 led to the improvement in the working conditions ”.

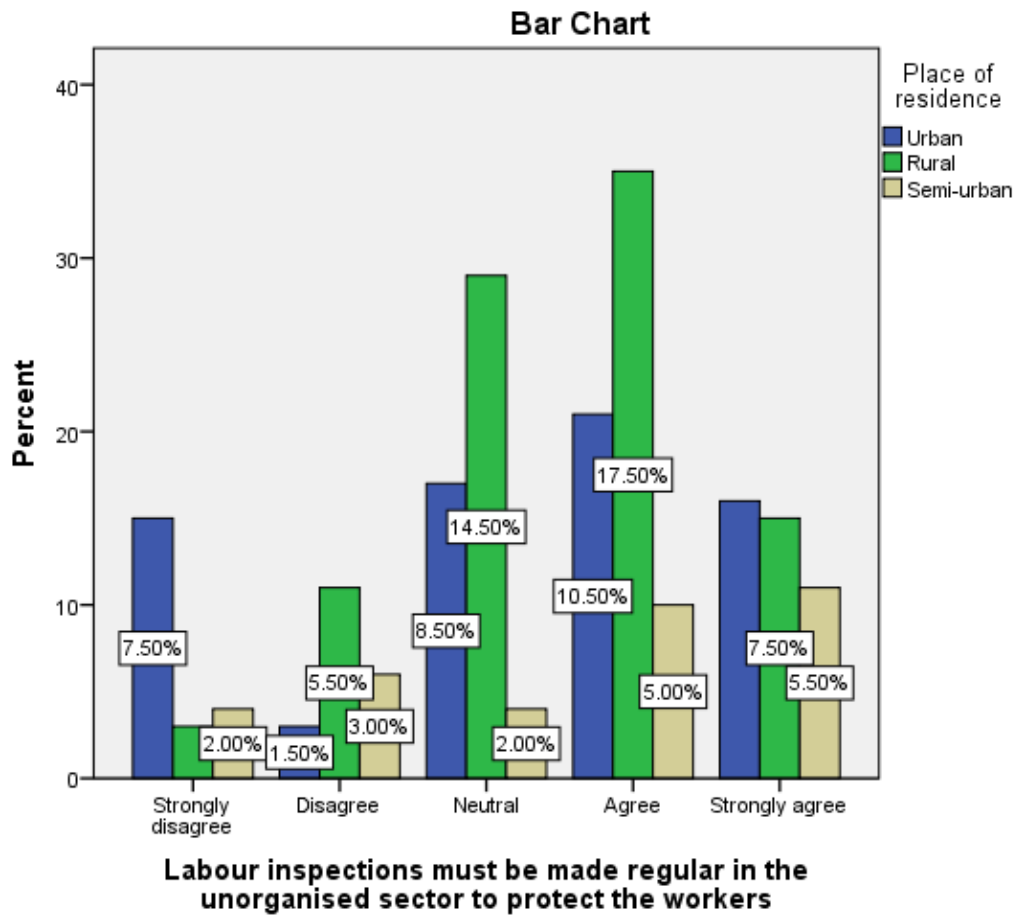
FIGURE 2



The Minimum Wage Act, 1948 has helped reduce exploitation or unfair treatment by the employer

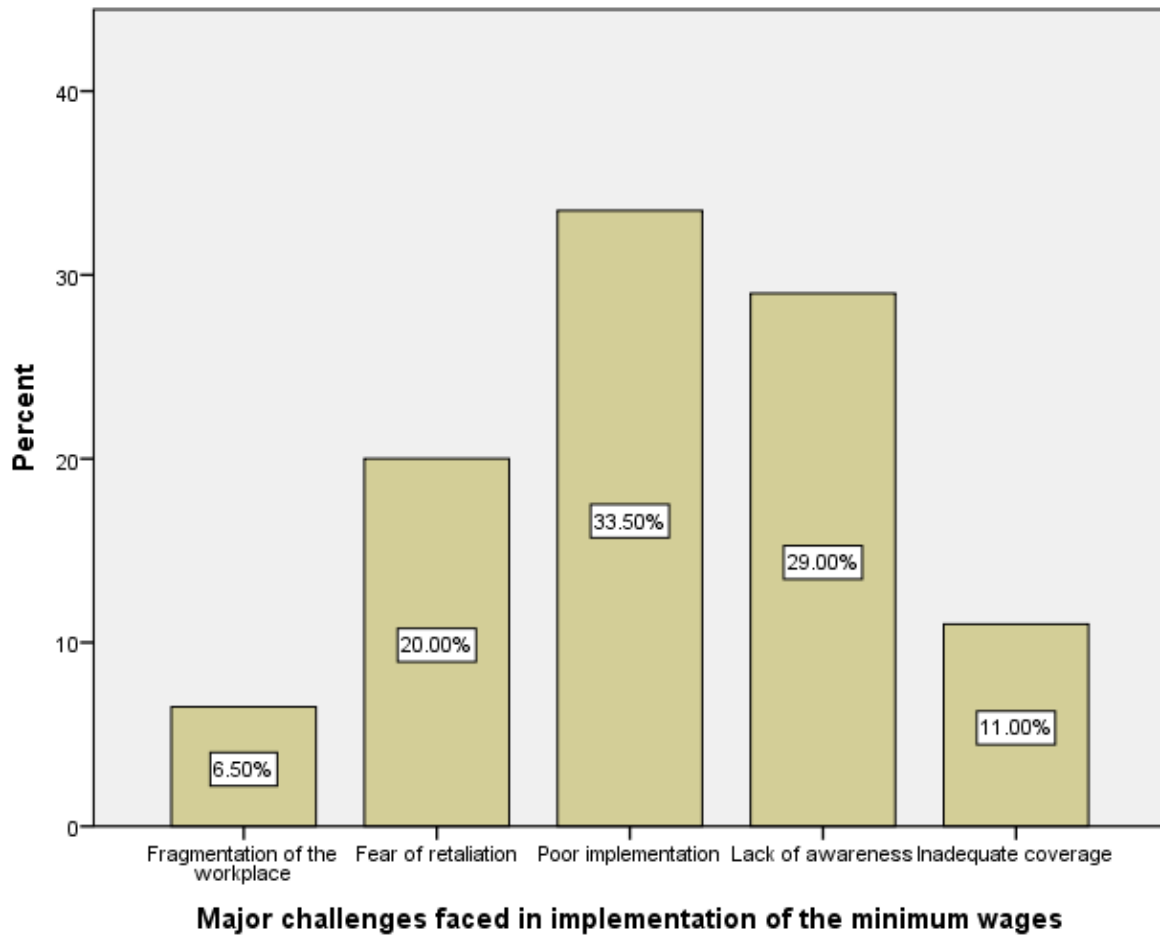
LEGEND: Figure 2 shows the Gender distribution pertaining to the statement “The Minimum Wage Act, 1948 has helped reduce exploitation or unfair treatment by the employer”.

FIGURE 3



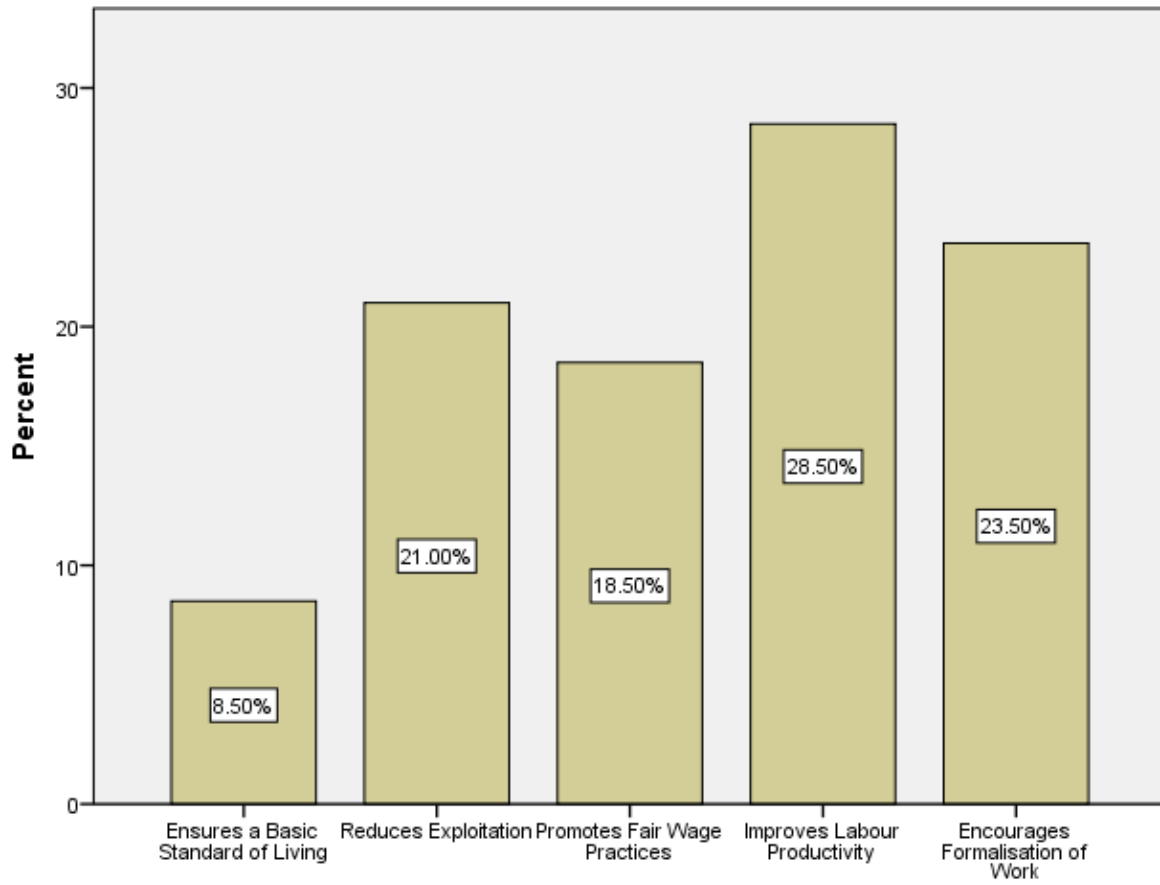
LEGEND: Figure 3 shows the Place of residence distribution pertaining to the statement “Labour inspections must be made regular in the unorganised sector to protect the workers”.

FIGURE 4



LEGEND: Figure 4 shows the respondents views on “Major challenges faced in the implementation of the minimum wages”.

FIGURE 5



Major positive impact of Minimum Wage Act, 1948

LEGEND: Figure 5 shows the respondents view on the “Major positive impact of Minimum Wage Act, 1948.

CHI-SQUARE TEST

Major challenges faced in implementation of the minimum wages * Income Crosstabulation

| Count | | Income | | | | | Total |
|---|--------------------------------|------------|------------|-------------|-------------|-------------|-------|
| | | Below 5000 | 5001-10000 | 10001-15000 | 15001-20000 | Above 20000 | |
| Major challenges faced in implementation of the minimum wages | Fragmentation of the workplace | 0 | 2 | 4 | 6 | 1 | 13 |
| | Fear of retaliation | 3 | 10 | 6 | 20 | 1 | 40 |
| | Poor implementation | 13 | 9 | 8 | 33 | 4 | 67 |
| | Lack of awareness | 3 | 9 | 15 | 21 | 10 | 58 |
| | Inadequate coverage | 2 | 2 | 2 | 14 | 2 | 22 |
| Total | | 21 | 32 | 35 | 94 | 18 | 200 |

Chi-Square Tests

| | Value | df | Asymptotic Significance (2-sided) |
|------------------------------|---------------------|----|-----------------------------------|
| Pearson Chi-Square | 27.032 ^a | 16 | .041 |
| Likelihood Ratio | 27.334 | 16 | .038 |
| Linear-by-Linear Association | 1.551 | 1 | .213 |
| N of Valid Cases | 200 | | |

a. 10 cells (40.0%) have expected count less than 5. The minimum expected count is 1.17.

NULL HYPOTHESIS: There is no significant association between Income and Major challenges faced in the implementation of the minimum wages.

ALTERNATIVE HYPOTHESIS: There is a significant association between Income and Major challenges faced in the implementation of the minimum wages.

RESULT

In (Figure 1) 15% of the respondents of the age is 31-40 and 11.5% of the respondents of the age 41-50 and 6% of the respondents of the age above 50 agree and 6% of the respondent of the age 41-50 and 2% of the respondents of the age 21-30 and 1% of the respondents of the age above 50 strongly agree that implementation of the minimum wages act, 1948 led to the improvement in the working condition. **In(Figure 2)** 17.5% of the female respondent and 10.5% of the male respondents strongly agree and 12.5% of the female respondent and 10% of the male respondents agree that the minimum act 1948 has helped reduce exploitation or unfair treatment by the employer. **In(Figure 3)** 7.5% of the urban respondents and 8.5% of the rural respondents and 5.5% of the semi-urban respondents strongly agree and 10.5% of urban respondents and 17.5% of the rural respondent and 5% of the semi-urban respondents agree that the labour inspections must be made regular in the unorganised sector to protect the workers. **In(Figure 4)** 33.5% of the respondent say poor implementation and 29% of the respondent say lack of awareness and 11% of the respondent say inadequate coverage and 20% of the respondents say fear of retaliation and 6.5% of the respondent say fragmentation of the workplace are the major challenges faced in the implementation of minimum wages. **In(Figure 5)** 28.5% of the respondent say increase labour productivity and 23.5% of the the respondent says encourages formalisation of work and 18.5% of the respondent say promote fair wage practices and 21% of the respondents say reduces exploitation and 8.5% of the respondents say ensures a basic standard of living as the major positive impact of Minimum Wage Act, 1948. **In(Chi-square test)** The P value is 0.041. Since the P value is less than 0.050, null hypothesis is rejected. So there is a significant association between Income and Major challenges faced in the implementation of the minimum wages or the unorganised sector.

DISCUSSION

In(Figure 1) Respondents from different age groups show varied perceptions regarding the impact of the Minimum Wages Act, 1948 on working conditions. Those in the mid-age brackets, particularly between 31 to 50 years, seem more inclined to acknowledge an improvement. Younger and older respondents show comparatively lower levels of agreement or strong agreement. This may reflect differences in workplace exposure or awareness levels across age groups. **In(Figure 2)** Female respondents show stronger agreement that the Minimum Wages Act has helped reduce exploitation or unfair treatment. Male respondents also agree, but with less intensity. This may suggest that female workers have experienced

more tangible benefits from the Act, or feel more protected under its provisions. **In(Figure 3)** Rural respondents strongly advocate for regular inspections, followed closely by urban workers. This demand likely arises from frequent experiences of wage-related violations and lack of enforcement. Semi-urban respondents show lower levels of concern, suggesting a possible lack of awareness or confidence in regulatory mechanisms. **In(Figure 4)** When assessing challenges in implementing the Minimum Wages Act, respondents identify poor implementation, lack of awareness, and fear of retaliation as the most pressing issues. These barriers reflect both systemic failures and the vulnerability of workers, particularly in informal settings. Fragmentation of workplaces and inadequate coverage also contribute to enforcement difficulties. **In(Figure 5)** Respondents highlight several positive impacts of the Minimum Wages Act, including improved labour productivity, encouragement of formal work, and promotion of fair wage practices. Many also note its role in reducing exploitation and ensuring a basic standard of living. These views suggest that despite shortcomings, the Act has had a meaningful influence on the working conditions in the unorganised sector. **In(Chi-square test)** There appears to be a significant association between a respondent's income level and the type of challenges they perceive in implementing the Minimum Wages Act. Different income groups seem to experience distinct hurdles, possibly due to varying degrees of vulnerability in their employment conditions. This highlights the need for income-sensitive strategies in addressing implementation issues, ensuring that the most affected groups receive targeted support.

CONCLUSION

India's unorganised sector comprises the majority of the country's workforce and is typically marked by informal employment arrangements, irregular working hours, minimal job security, and limited legal safeguards. In response to the vulnerability faced by these workers, the Minimum Wages Act of 1948 was introduced to guarantee a basic standard of living and to protect labourers from exploitation by establishing fair wage standards. This study assesses how effectively the Minimum Wages Act has been implemented and whether it succeeds in safeguarding the rights and interests of workers in the unorganised sector. The results reveal that the impact of the Act has been mixed. While the legislation does provide a legal structure for setting wages and offers avenues for workers to challenge underpayment, a large proportion of respondents, especially those with little or no formal education remained unaware of the wage laws that applied to their work. As a result, many continue to earn less than the legal minimum and lack formal contracts or access to legal remedies. To address these challenges,

it is recommended that government agencies, NGOs, and trade unions join forces to launch extensive awareness campaigns, specifically targeting rural communities and individuals with low literacy levels. Additionally, strengthening labour inspection and enforcement systems is crucial. Increasing the number of labour inspectors, digitising wage records, and establishing anonymous complaint mechanisms would enable workers to report violations without fear of retaliation. Developing a centralised online platform that displays minimum wage rates by sector and region in local languages would empower workers to understand their rights and assess whether they are being paid fairly. Future research could focus on particular industries such as agriculture, construction, domestic work, and small-scale manufacturing, each of which faces unique challenges and varying degrees of legal enforcement.

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