
**A SHIFT FROM STATE INTERVENTION TOWARDS INNOVATION: POLICY
INSIGHTS FROM INDIA AND DENMARK**

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ABSTRACT

A minimum wage refers to the legally mandated baseline remuneration that an employer must provide to a worker in return for labour rendered within a specific time frame. In the Indian context, this responsibility lies with the “appropriate government”, either the central or state, depending on the nature of employment. However, India’s continuous state-led regulation over various components of wage determination has not effectively resulted in comprehensive labour security or social welfare outcomes.

This research explores the structural inconsistencies within India’s minimum wage system and places it in contrast with Denmark’s model. While India, as a developing country, contends with multiple socio-economic barriers to ensuring just and sufficient compensation, Denmark has emerged as a successful welfare state with a minimum wage framework driven primarily by non-state actors, such as trade unions and employer associations, without direct governmental control. This model has contributed to more consistent worker protection and economic stability.

The study further examines how wage policies affect the overall socio-economic advancement for workers in both nations. Denmark's decentralized and collectively bargained wage-setting mechanism offers valuable insights into achieving equitable labour outcomes with minimal

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government interference. By learning from Denmark's experience, the research aims to identify policy recommendations that could help Indian legislators and stakeholders build a more inclusive, fair, and sustainable labour market that promotes worker empowerment and social justice.

KEYWORDS: Labour, Minimum Wage, State Intervention, Collective Bargaining, Trade Unions

INTRODUCTION

MINIMUM WAGE POLICY IN INDIA

In India, we follow the principle of Dualism, which means that there are both organized and unorganized sectors in the economy. Around 94% amounting to 422.6 million workers out of the total workforce belong to the unorganized sector when the fact is that these workers contribute more than 60% to the Indian GDP.³

In India, the policy on wages has been to fix a minimum wage to provide and promote fair wages, which is agreed upon after many negotiations and settlements between the employer and employee. But this is only the case for the organized sectors; in the unorganized sector, the labourers are vulnerable, they are not in a position to negotiate with their employers and this is where the role of government comes in to intervene and help the labourers get a fair wage.

India has a compound system when it comes to minimum wage. The constitution of India provides for the concept of a just and humane society and a living wage. As per Article 43 of the constitution, it is the state's duty to secure and provide a living wage and a decent standard of living to the

³ Babu Pottaveetil Remesh, Extending social protection for unorganized sector workers in India: One step forward, two steps backward? (2010)

labourers⁴ and that is why the word ‘labour’ is a part of the concurrent list so that any legislation on wages can be made by both, the Central and State governments.

It was 1929 when the idea for a policy for minimum wage first arose in India with the ‘Royal Commission on Labour’, providing us the Payment of Wages Act of 1936. The result of the “Labour Standing Committee” and the “Indian Labour Conference” was the “Labour Investigation Committee”, whose work was to find out the issues faced by labourers. The outcome of this was the Minimum Wage Act of 1948, and India became one of the first developing nations to introduce such an enactment.

Section 3 of the Act provides for the fixation of minimum wage in certain employments. It provides for fixation by the appropriate government for the employments mentioned in the schedule and to review and revise them accordingly every five years. The “rate” is based on time, piece, guaranteed time, and overtime. The “rate” may also be fixed for different scheduled employments, works in the same employment; adult, adolescent and children; in different locations; or male and female. Also, such “rate” may be fixed by an hour, day, month, or any other period as may be prescribed by the notified authority.

Now, even after so many discussions, recommendations, and grounds for the fixation of minimum wage, the Act does have its flaws, which is the issue. Some of its discrepancies were resolved by a conference⁵ which recommended wage based on the principle of a household’s needs, another being SC⁶, which recommended linking minimum wage with aspects such as children’s education, medical requirements etc, and the commissions and committees⁷ by the Planning Commission

⁴ National Commission for Enterprises in the Unorganised Sector Report Bill (July 2007), http://nceus.gov.in/Report_Bill_July_2007.html.

⁵ ILC Report, 1957.

⁶ Supreme Court Recommendations 1992,

⁷ National Commission on Labour 1969, 1999-2022,

(Now Niti Aayog) which has also contributed a lot towards the issues related to the minimum wage in India. Then, it was in 1988 when the “Labour Ministers’ Conference” decided to link minimum wage with the “Consumer Price Index” for “Industrial Workers” to address the changes in the cost of living over time. Then, further in 1996, the “National Floor Level Minimum Wage” (NFLMW), a non-binding national minimum wage, was implemented to tackle wage disparities in various scheduled employments within and across states.

Recently, in August 2017, the “Code on Wages Bill” was introduced in the Lok Sabha by “Santosh Gangwar” (Minister of State for Labour and Employment), which consolidated 4 major Acts and recommended a mandatory national minimum wage with the option to have regional minimum wages as well.

MINIMUM WAGE POLICY IN DENMARK

Well, unlike India, Denmark does not have any history on the subject of minimum wage laws because there are no such laws there. Instead, the Danish labour market operates on a collective bargaining system where wages and working conditions are negotiated between trade unions and employer associations. If we talk about the pre-industrialization era, direct individual negotiations used to happen between the employer and the employee and there was no law, even though some labour movements made their appearances in the late 19th and early 20th century with the aim of getting better working conditions, wages and reforms but they focused majorly on collective bargaining method and not any law. This system has evolved over time and reflects the unique socio-economic model of Denmark, often referred to as the Nordic model.

A strong welfare state, high levels of social trust, and strong labour market institutions characterize the model⁸. In Denmark, labour unions have historically played a critical role in securing fair

⁸ Caroline de la Porte and Trine Larsen, *The Nordic Model: Capable of Responding to the Social Side of Crises and Sustaining Social Investment?*, Volume 58, *Intereconomics Review of European economic policy* (2023).

wages for workers. Rather than relying on government-mandated minimum wages, Denmark's system is based on sectoral agreements that set minimum wage standards for various industries.

The roots of Denmark's collective bargaining system can be traced back to the early 20th century when labour disputes between workers and employers led to the development of negotiated wage agreements⁹. These agreements laid down the foundation for Denmark's system of industrial relations, recognizing the legitimacy of trade unions and employer associations in negotiating wages and working conditions. After World War II, a period of economic growth came and trade unions became more influential. During this time, wage negotiations expanded to cover a wide range of industries, ensuring that workers across various sectors were protected by collective agreements.

If we talk keeping in mind the current scenario, 22 of 28 countries in Europe have a national minimum wage while the rest don't. Countries besides Denmark that don't have a national minimum wage include Austria, Cyprus, Finland, Italy and Sweden. It is because they fear that it would not only wear out their policy of collective bargaining but also the relations between the labour unions and social partners as then, it would also lead to de-unionization.¹⁰

Another reason for the non-adoption of any law in the matter is the political factor. If a law is made or the government is given a chance to intervene, then the whole purpose for non-adoption of any law and relying on bargaining would get defeated and would lead to the setting of a wage that will be different from the one set currently and the workers would definitely not get an adequate wage, better working and living conditions which are required and essential for their own development and to build a fair and resilient economy.

⁹ The September Agreement, 1899.

¹⁰ Eurostat, *Minimum wage Statistics* (31 Jan 2025), https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Minimum_wage_statistics.

Recently, a directive on minimum wage¹¹ came forward which was adopted by the European Council and Parliament. It is based on The Treaty on the Functioning of the EU (TFUEU), and the objective is to get fair and adequate minimum wage across the member states with a deadline for implementation in national legislation set for 15th November 2024.

The directive puts a mandate only on the countries or member states that already have statutory legislation on minimum wage rather than the ones without it. The member states shall have to establish a procedure and update the minimum wage so that adequate living conditions, poverty reduction and narrowing of the gender pay gap can be achieved.

Denmark, where there is no legislation still, is required by the directive to provide the European Commission with reports detailing collective bargaining coverage rates, minimum pay rates established through collective agreements, and the wages of individuals not encompassed by such agreements every two years. This is because they require member states with a coverage rate of less than 80% and according to the Danish Employers Association, approximately 82% of the employees are covered by collective agreements.¹²

Even though the directive does not have any major impact on Denmark's policy, the Government initiated a legal action on 18th January 2023 to annul it and the action has been widely supported. Denmark's Employment Minister, Ane Halsboe-Jorgensen emphasized the sovereignty of the country in determining wages and has said that such policies should be made domestically rather than by the EU.

¹¹ Directive (EU) 2022/2401 of the European Parliament and of the Council of 19th Oct 2022.

¹² Christine Aumayr-Pintar, Jakub Kostolny and Marco Seghesio (Eurofound); Janna Besamusca (Utrecht University), *Industrial relations and social dialogue: Minimum wages for low-paid workers in collective agreements*, Eurofound, (2024).

Currently, Denmark's labour market remains one of the most flexible and secure in the world.

¹³The collective bargaining system continues to function effectively, with wage negotiations occurring regularly and in a transparent manner. The absence of a statutory minimum wage has not led to widespread concerns about worker exploitation, primarily due to the high levels of unionization and the influence of trade unions in ensuring fair wages.

INTERVENTION AND ISSUES

The Indian government, as of today, has failed to make the act viable or enough for the betterment of the labourers. There are still labourers in a vulnerable state in the unorganized sector who are facing problems and not getting a minimum wage from their employers, the result of which comes out in the form of strikes by the labourers and their unions. If the efforts of the committees, sub-committees, advisory and the central advisory board, as established under the act were enough or efficient in resolving issues related to minimum wage, then we would have never seen any strikes by the labourers, unsatisfied with their wages, but the fact is that we do see strikes much often on such issues and so it is evident that the very act, enacted to set a basic minimum wage has failed for, and in the eyes of the same people it was enacted for in the first place.

India has yet to ratify several key conventions of the International Labour Organization (ILO), particularly those related to the Freedom of Association and Protection of the Right to Organize and Collective Bargaining¹⁴. While Indian law nominally grants workers the right to form and join trade unions without the need for prior approval, the practical implementation of these rights often falls short.

¹³ The Ministry of Foreign Affairs of Denmark, *The Danish Labour Market-Flexible, Competitive and Highly Productive*, www.investindk.com.

¹⁴ International Labour Organisation Convention No. 87 and Convention No. 98,

A notable change came in 2001 with an amendment to the Trade Unions Act of 1926, which increased the threshold for forming a trade union. Originally, only seven workers were needed to register a union. However, the amendment raised this requirement to either 100 workers or 10% of the total workforce, whichever is lower. When compared to international labour standards, this threshold is considered excessively high. The ILO has criticized countries for imposing minimum union membership requirements as low as 50 individuals, suggesting that India's threshold creates significant barriers to union formation¹⁵.

Additionally, while the Trade Unions Act includes provisions against discrimination toward union members, certain regions like Sikkim still operate under different or outdated legal standards. Despite its integration into India in 1975, the Act is not fully applicable in Sikkim. Workers attempting to form unions there are subject to police verification, prior authorization, and a pre-approval opposition process, all of which hinder the exercise of associational rights¹⁶.

In the “public sector”, employees face notable restrictions on union activity and collective bargaining. The right to strike is curtailed, and in cases involving “essential services,” the government holds the power to mandate arbitration. However, the term “essential services” is vaguely defined, and its interpretation varies across states¹⁷. For instance, in Tamil Nadu, the “Essential Services Maintenance Act” (ESMA) allows for penalties of up to three years in prison and fines up to Rs. 5,000/- for participating in strikes in sectors deemed essential, without a clear legal framework identifying those sectors.

¹⁵ ILO Committee of Experts on the Application of Conventions and Recommendations (CEACR), Reports, Individual Observations, general Observations and Direct Requests, 2007-2010.

¹⁶ ITUC, Annual Survey of violations of trade union rights, 2010 and 2011.

¹⁷ International trade union confederation (ITUC), internationally recognised core labour standards in India- report for the WTO general council review of the trade policies of India (Geneva, 14 and 16 september, 2011).

In the “private sector”, there is no statutory obligation for employers to recognize trade unions or take part in collective bargaining. Instead, some companies promote internal unions or “workers’ committees”, often as a strategy to sideline independent, representative unions.

Although the Industrial Disputes Act prohibits employers from retaliating against workers engaged in lawful strikes, the reality on the ground is inconsistent. For example, in Kerala, the law considers general strikes illegal, and organizers may be held financially liable for any damages that result, effectively deterring workers from collective action. The sad truth is that the right to peaceful assembly, an essential component of union and labour activism is not always upheld by the authorities, with reports of arbitrary restrictions and suppression of protests in various parts of the country.

In 2016, India saw an unprecedented nationwide strike led by public sector employees, hailed by central trade unions as one of the most extensive industrial actions globally. The strike reportedly resulted in an economic loss of approximately ₹18,000 crore¹⁸. It was called to press for several key demands, notably an increase in minimum wages and the extension of social security benefits to workers in the unorganized sector, as outlined in a 12-point charter of demands. A total of ten central trade unions including but not limited to “INTUC”, “AITUC”, “HMS”, “CITU”, “AIUTUC”, “TUCC”, “SEWA”, “AICCTU”, “UTUC”, and “LPF”, jointly spearheaded the strike, marking their second coordinated protest within two years. The prior strike, conducted on September 2, 2015, saw participation from nearly 150 million workers.

“Tapan Sen”, (General Secretary of the Centre of Indian Trade Unions (CITU)) noted that the massive turnout reflected workers’ growing discontent with the government’s market-driven economic agenda, despite efforts to downplay the movement. He described the strike as a strong

¹⁸ Yogima Seth Sharma, *Strike by 18 crore workers all over India to push government to raise minimum wages*, ET Bureau, (Sep 02, 2016), <https://economictimes.indiatimes.com/news/politics-and-nation/strike-by-18-crore-workers-all-over-india-to-push-government-to-raise-minimum-wages/articleshow/53981125.cms?from=mdr>.

expression of the workforce's resolve to defend their rights, along with the nation's economic independence and sovereignty. Similarly, "D.L. Sachdev", (Secretary of the All-India Trade Union Congress (AITUC)) recognized the increase in participation compared to previous actions. The effects of the strike were felt across several key industries, such as transport, coal, oil refining, automobiles, banking, insurance, telecom, postal services, and private transit. Notably, a large number of scheme workers also actively took part in the protest across the country.

In 2022, a two-day nationwide strike took place, drawing participation from workers across multiple industries. The protest was aimed at voicing strong opposition to the government's prevailing economic policies and advocating for better protections and rights for industrial workers, public employees, and farmers¹⁹. Among the major concerns raised were the demand for universal social security for informal sector workers, a higher minimum wage tied to a broader employment guarantee framework, and resistance to the privatization of public sector banks. In response, the government maintained that limited privatization was necessary to modernize and make the banking system more efficient.

While the impact of the strike was limited in New Delhi, and the financial hub of Mumbai, its repercussions were significant elsewhere. Daily life faced disruptions, particularly in southern Kerala, where the state government supported the protest. Protestors from various regions resorted to blocking highways and railway tracks, thereby hampering public transportation services.

Last year, the workers again went to the streets in a striking display to raise the concerns of working people, particularly in light of the general elections that year. One of the primary demands put

¹⁹ Subodh Varma, *India's workers and peasants fight back – and fight on*, People Dispatch Org. (Jan 03, 2023), <https://peoplesdispatch.org/2023/01/03/2022-indias-workers-and-peasants-fight-back-and-fight-on/>.

forth by trade union organizations was the repeal of the four labour codes and the establishment of a minimum wage set at INR 26,000.²⁰

“Sanjay Vadhavkar”, (General Secretary of the Steel, Metal, and Engineering Workers' Federation of India) (affiliated with IndustriALL), expressed strong criticism of the government, arguing that it had not fulfilled the commitments made during the previous election campaign. He highlighted that recent labour policies have ignored the principles of fair and dignified employment, causing widespread difficulties for workers across the country. Echoing this sentiment, ‘Kemal Özkan’, (Assistant General Secretary of IndustriALL), voiced solidarity with the Indian trade union movement, reaffirming the organization's support for their ongoing efforts to protect workers' rights.

Even after all these years, the workers are still suffering, unsatisfied with the minimum wage set by the government. The fact is that the concept of minimum wage is a debatable one. In 1981, in the case of Lakshmaiah Setty Sons, “Adoni v State of Andhra Pradesh”²¹, the Hon’ble Court held that the Minimum Wages Act does not violate any of the fundamental rights. On the other hand, it fulfils in part, at least, the obligations of the state under the directive principles of the state policy.

Also in 1994, in the case of “Bakshish Singh v Darshan Engineering Works”²², the Hon’ble Court held that there is one principle that admits no exception. No industry has the right to exist unless it can pay its workman at least a bare minimum wage. If an employer cannot maintain his enterprise without cutting down the wages of his employees below even a bare subsistence or minimum wage, he would have no right to conduct his enterprise on such terms.

²⁰ *India: workers’ strike ahead of upcoming general elections*, Industrial Union Org., <https://www.industrialunion.org/india-workers-strike-ahead-of-upcoming-general-elections>.

²¹ *Adoni v State of Andhra Pradesh*, 1981 Lab IC 690.

²² *Bakshish Singh v Darshan Engineering Works*, 1994 LLR 61 S.C.

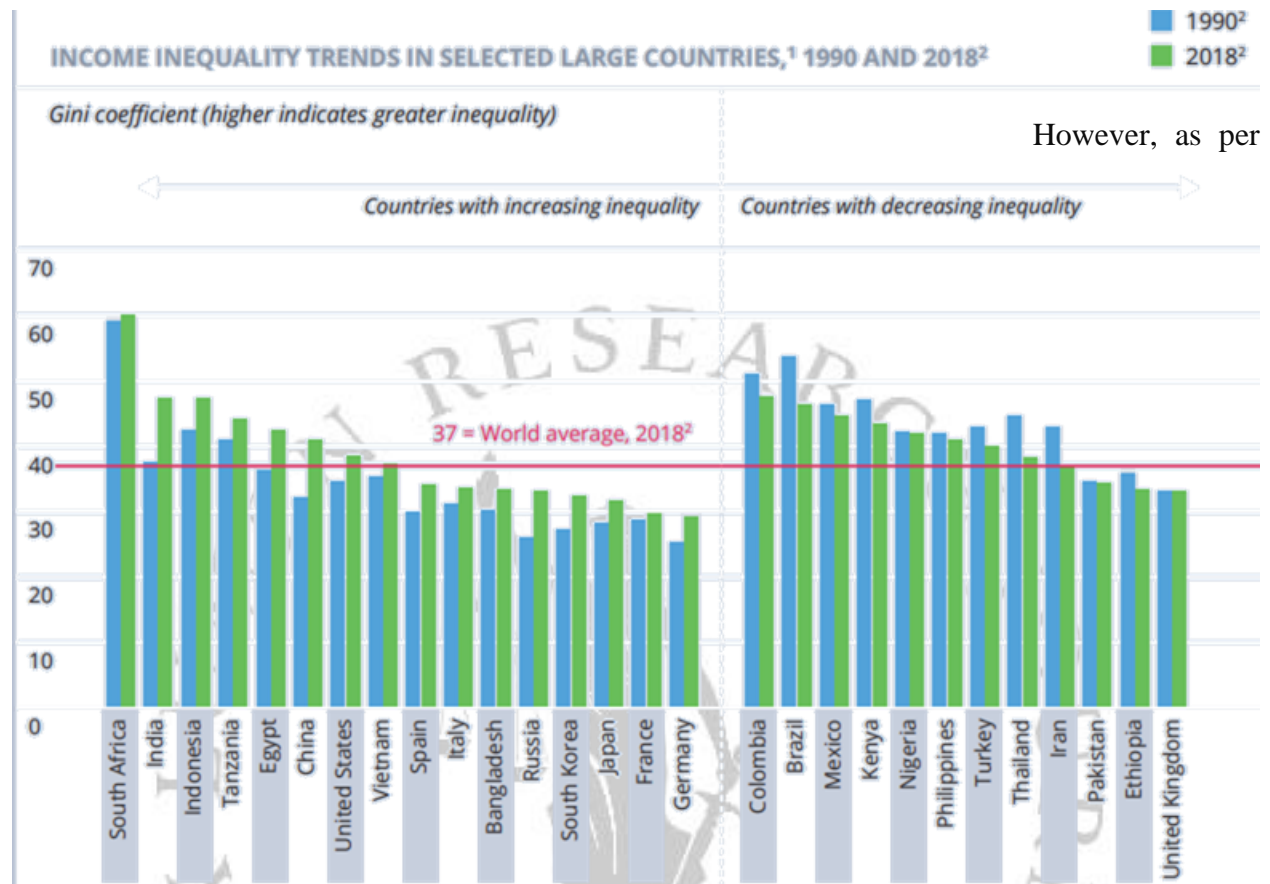
So, does just making an act really fulfil the state's obligation? If that's the case, then the state and the act both have utterly failed their purpose. Even if the industry pays the minimum wage to their employees, it will not make any difference because today, the minimum wage set as per the act which is Rs. 178/- per day is itself not enough. It is the state that needs to make changes for the betterment of the labourers and not just blame the enterprises for paying low wages.

For a nation like India, characterized by a mixed economy and significant income inequality, determining minimum wages for its workforce poses a complex challenge. The Minimum Wages Act was among the pioneering legislations enacted in post-independent India, during a time when the country operated as a predominantly closed economy. In such an environment, numerous job sectors lacked sufficient labour bargaining power to secure wages conducive to basic survival. Instances where employers exploit workers with inadequate compensation result in various social costs, including poverty, malnutrition, and child labour, all of which could be mitigated through the implementation of minimum wages.

Since its inception, the Minimum Wages Act has remained unamended, even as India transitioned to a mixed economy in 1991 with the policy of LPG. Liberalization emphasizes market-driven pricing mechanisms to enhance efficiency and competitiveness, implying that the government's intervention in determining wages may hinder these objectives²³. Additionally, flagship government initiatives like "Make in India" which poses India as a global platform for industrial development can be a setback because of the non-availability of cheap labour especially when the initiative prioritizes maintaining competitive labour costs vis-à-vis countries such as China and Vietnam, thereby disincentivizing revisions to minimum wage rates.

²³ Rashmi Banga, *Impact of Liberalisation on Wages and Employment in Indian Manufacturing Industries*, working paper no. 153, Indian Council for Research on International Economic Relations (Feb 2005).

TABLE 1



'Table 1', it is imperative to recognize that despite the economic growth facilitated by liberalization, its benefits have predominantly accrued to the upper echelons of society²⁴. The gap between the affluent and the impoverished has widened, with sectors like agriculture and primary industries failing to experience commensurate development. Consequently, a significant portion of the population remains vulnerable to poverty, lacking access to basic necessities.

Another issue regarding the Minimum wage is that if the state fixes a lower minimum wage, then it will affect the living of the workers because firstly, the workers may believe that the minimum

²⁴ *Global Trends 2040*, NIC 2021-02339 ISBN 978-1-929667-33-8, National Intelligence Council (MAR 2021).

wage fixed by the government is inadequate or not sufficient to meet their needs, especially considering factors such as inflation and cost of living. Secondly, if the government authorities delay or fail to revise the minimum wage in considering the current economic conditions or rising cost of living, the workers may feel neglected and perceive this as unjust leading to frustration and labour unrest. Thirdly, the minimum wage rates can vary across different states and industries in India. Workers working in regions with low minimum wage can get discouraged. This disparity may lead to dissatisfaction and labourers resorting to options such as going on strikes to seek equitable treatment. Lastly, we know that, in India, enforcement mechanisms may be a little weak in some cases. The employer may take advantage of such situations and exploit the workers by paying them less than the minimum wage leading to grievances among workers.

But, if the state fixes a higher minimum wage just to please the workers, then it may also affect the Employers and the Market²⁵ because today, workers are represented by Trade Unions which may organize strikes to negotiate higher wages and may resort to industrial actions to put pressure not only on employers but also government authorities; minimum wages will make exports costly and divert employers to other countries with cheap labour; for businesses, especially small and medium-sized enterprises (SMEs), higher minimum wages can increase labour costs significantly. This can lead to financial strain, potentially forcing employers to cut costs elsewhere, including reducing investments in technology, innovation, or workforce development.

Higher minimum wages may discourage employers from hiring additional workers, especially those with lower skill levels or those entering the workforce for the first time. This could lead to higher unemployment rates and market distortion, particularly among vulnerable groups such as youth or unskilled workers. In some cases, higher minimum wages might lead to the displacement

²⁵ William Brink, Xi (Jason) Kuang, Michael Majerczyk, *The Effects of Minimum-Wage Increases on Wage Offers, Wage Premiums and Employee Effort under Incomplete Contracts*, Volume 89 101195, Accounting, Organizations and Society (Feb 2021).

of workers from the formal sector to the informal sector, where wages are not regulated. This can result in a decrease in productivity due to the lack of oversight, training, and access to benefits in the informal economy.

In agrarian economies like India, where many rely on small-scale farming for their livelihoods, mandated minimum wages may place additional financial strain on agricultural businesses. This could exacerbate challenges in the agricultural sector, where profitability is already precarious for many small-scale farmers.

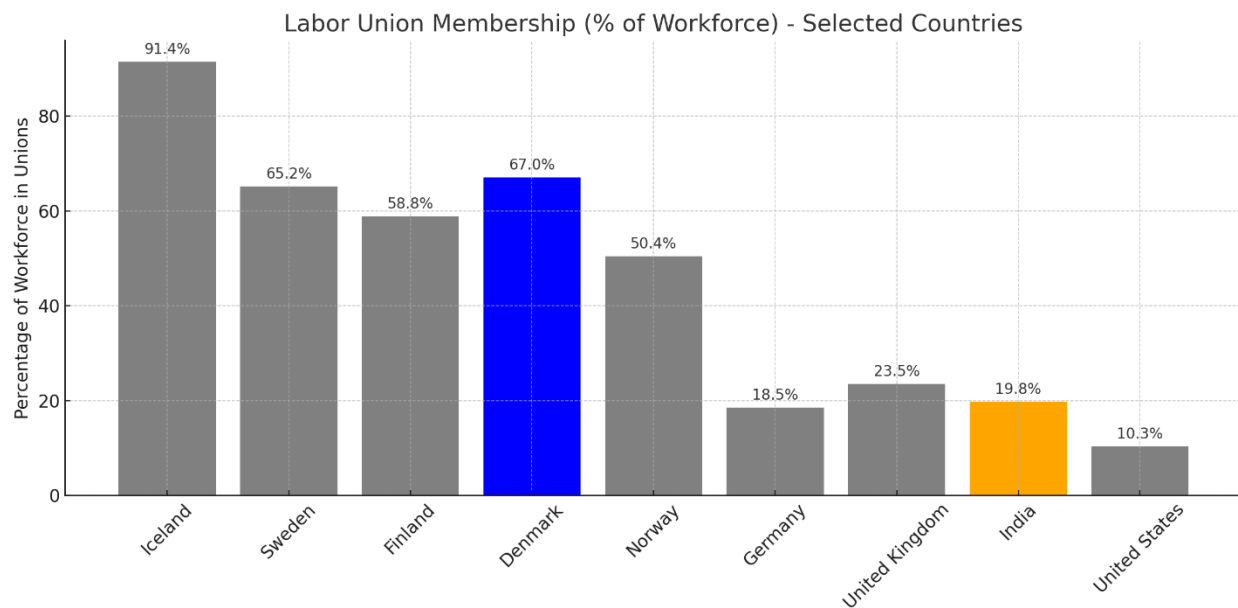
THE REASON BEHIND DENMARK'S SUCCESS

Minimum wage policies play a crucial role in shaping labour markets, ensuring fair compensation, and promoting economic stability. While India relies on statutory wage fixation through government intervention, Denmark has successfully maintained high wages and labour welfare without a legislated minimum wage. The stark difference in outcomes between the two countries can be attributed to structural, economic, and policy-related factors that define their labour markets.

Denmark stands out globally for not having a government-mandated minimum wage. Instead, wages are determined through collective bargaining agreements (CBAs) between trade unions and employer associations. According to *Table 2*, as of 2020, over 67% of Danish workers²⁶ are unionized, giving them substantial bargaining power to negotiate fair wages and working conditions. Since these agreements are industry-specific, they allow flexibility, ensuring that wages are adjusted based on economic conditions and sectoral productivity.

²⁶ Catalina Espinosa, *labour Unions: countries with highest share of workforce unionized worldwide* (Sep 2, 2024), <https://www.statista.com/statistics/1356735/labour-unions-most-unionized-countries-worldwide/#statisticContainer>.

TABLE 2



This decentralized model has resulted in higher wages across all sectors without requiring government intervention²⁷. Moreover, because trade unions and employers negotiate directly, wage agreements reflect real market conditions, preventing wage stagnation or unfair compensation practices.

In contrast, India follows a statutory wage fixation system under the Minimum Wages Act, of 1948, where the government sets minimum wages for different sectors and states. This approach aims to protect workers, especially in the unorganized sector, from exploitation. However, the implementation of minimum wage policies in India has faced significant challenges.

²⁷ Per Kongshøj Madsen, University of Copenhagen, *Denmark: Flexibility, security and labour market success*, ILO Country Employment Policy Review in selected OECD countries, Employment and Training Department International Labour Office, Geneva.

One of the biggest hurdles is weak enforcement. The presence of a vast informal sector—where most workers lack contracts and legal protection makes compliance difficult. Many employers bypass wage laws due to a lack of monitoring, corruption, and the inefficiency of labour inspection mechanisms. As a result, a large portion of India's workforce remains underpaid despite legal wage regulations.

Denmark's strong trade unions play a key role in ensuring compliance with fair wage practices. In contrast, India's labour unions are fragmented and politically influenced, limiting their effectiveness. With only 19.8 % of Indian workers unionized²⁸, collective bargaining remains weak, particularly in the informal sector, where most workers have little negotiating power.

Without strong unions, Indian workers are often at the mercy of their employers, who can exploit loopholes in wage laws. Additionally, the government's involvement in wage fixation sometimes leads to politicization and bureaucratic inefficiencies, further complicating wage determination and enforcement.

Another critical difference lies in compliance with wage policies. In Denmark, adherence to wage agreements is strictly monitored by labour market institutions. Employers who violate wage agreements face legal and reputational consequences, ensuring a high level of compliance.

India, on the other hand, faces a major enforcement gap. Many businesses, particularly in the unorganized sector, do not adhere to minimum wage laws due to lax enforcement and poor oversight. This is exacerbated by the sheer size of India's workforce, where the majority of workers lack access to legal recourse if they are underpaid.²⁹

Denmark's economy, characterized by high productivity and technological advancements, supports its high-wage structure. Even in low-skilled jobs, automation, efficiency, and upskilling

²⁸ labour Unions: countries with highest share of workforce unionized worldwide, *Supra* note 26.

²⁹ Mr. M. Govindarajan, [hereinafter Govindarajan], *Social Security Law- Unorganized Labour* (02/15/21).

ensure that workers earn well. The Danish model also benefits from a comprehensive welfare system, including free healthcare, unemployment benefits, and strong social security measures, reducing income inequality and wage disparities³⁰.

India, in contrast, has a low-productivity economy dominated by agriculture and informal labour, making it difficult to sustain high wages. The lack of a strong social security system also forces workers to rely entirely on wages for survival, increasing their vulnerability to exploitation.

The government's role in wage policies differs significantly between Denmark and India. While Denmark facilitates fair negotiations through a well-structured legal framework for collective bargaining, it does not directly intervene in wage determination. This prevents wage policies from becoming politicized and ensures that wages reflect economic realities.

In India, however, frequent government intervention in wage settings often leads to state-wise disparities, bureaucratic delays, and inefficiencies in implementation. As a result, minimum wage policies often fail to create the intended impact, especially for vulnerable workers in the unorganized sector.

HOW CAN INDIA IMPROVE

India's wage policy framework, even though designed to protect workers, faces challenges in enforcement, coverage, and effectiveness. Denmark, despite not having a statutory minimum wage, has successfully ensured high wages through collective bargaining, strong union representation, and effective compliance mechanisms. Now establishing a direct replica of Denmark's model may not be feasible due to differences in labour market structures, India can still work to adopt several key elements from Denmark while implementing additional reforms tailored to its own economic and social realities.

³⁰ The Economic Council of the Labour Movement, *A Successful Danish Social Model*, (May 2019).

Denmark primarily has a collective bargaining-based model, where trade unions and employer associations negotiate wages sector-wise. This ensures that wages are fair, adaptable, and sustainable without any direct government intervention.

Now the opportunity for India is that, instead of only relying on the method of setting wages through government intervention, India can also encourage sectoral-based negotiations between trade unions and employer bodies to determine minimum wages that reflect economic conditions. Danish trade unions represent over 67% of the workforce, while India's unionization rate is only 19.8%.³¹ Working on strengthening trade unions, particularly in the informal sector, can enhance wage bargaining power for good. Other than that, India can introduce laws that mandate employer participation in collective wage agreements, ensuring workers are not left without bargaining power.

Denmark regularly makes sure that wage agreements are strictly followed in their country through strong compliance and stringent legal consequences for non-compliance. In India, we have one labour inspector for workers, but the enforcement mechanism is hardly effective. The government can expand this rate and use technology-driven solutions to monitor wage compliance and impose higher fines, cancel business licenses, or take legal action against wage violations to deter non-compliance. In addition to that, workers should have easy access to a digital complaint system where they can report wage violations and track their cases in real-time.

Today, India has social security schemes like ESI and EPFO, but the harsh reality is that they mostly benefit the formal sector employees. Extending universal healthcare, pension schemes, and unemployment benefits to the informal workforce may reduce their vulnerability.

³¹ labour Unions: countries with highest share of workforce unionized worldwide, *Supra note 26*.

Another issue is that India's economy is labour-intensive and low in productivity, particularly in the agriculture and informal sectors. Strengthening vocational training programs like Skill India, ITI training, and apprenticeships can be an attempt to curb it and to ensure workers have the skills needed for higher-wage jobs.

In India, we have state-wise wage variations which can sometimes create economic inequalities. Since wage varies significantly across states, people's earning capacity and lifestyle also differ. In India, the subject of labour is a matter of 'Concurrent list'³² which means that both the Center and State can make laws for it and yet the state plays the primary role of wage policy formulation. Creating a uniform national wage floor, adjusted for local cost of living, may reduce regional wage disparities.

The "Code on Wages, 2019", notified on 08 August 2019, talks about a universal minimum wage across employment in organized and unorganized sectors. The "Code" mandates the Central Government to fix floor wage below which, the minimum wage fixed by the appropriate Governments shall not go. Here, the problem remains the same which is that people across states will face income inequalities. This is something that the government of India still need to work on if they want to completely solve the issue of minimum wage disparity. A tactic that can be used is that the government can offer tax benefits or certifications to companies that voluntarily pay above the minimum wage and follow fair labour practices.

In addition, laws should be amended in way to bring about a change in which the public sector workers fully enjoy the rights to organize, collective bargaining and strike. A legal obligation should be imposed on employers of the private sector to recognize registered trade unions and to engage in collective bargaining. The law should prevent and explicitly prohibit employers from

³² INDIA CONST. Schedule 7.

establishing and recognizing company unions or “workers’ committees” aimed at avoiding representational unions. Employers in violation of it should be penalized. The government should remove the excessive requirement of 100 workers for forming a union thereby complying with the international labour legislations.

Another aspect where Denmark is ahead of India is that their employers actively participate in wage-setting mechanisms, reducing conflicts between workers and companies and India should promote fast-track labour courts and mediation centers to resolve wage disputes quickly.

Denmark’s wage policies offer valuable insights into how a country can ensure high wages without a statutory minimum wage. While India cannot directly replicate the Danish model, it can adopt the above recommendations to improve their policies.

Lastly, India must take context-specific measures, such as expanding minimum wage coverage, promoting digital wage payments, and incentivizing fair-wage employers, to create a more sustainable and equitable wage system. By integrating these reforms, India can move towards a fairer, more effective wage policy framework that protects labourers while promoting economic growth.