

The background of the journal cover features a top-down view of a desk. On the left, a pair of black leather brogue shoes is partially visible. In the center, an open notebook with lined pages and a silver pen lies on a light-colored wooden surface. To the right, a black leather bag with a zipper is partially shown, and a black leather watch with a silver dial is resting on the desk. A large, semi-transparent white rectangular box is centered over the image, containing the journal's title and ISSN information.

INTERNATIONAL LAW
JOURNAL

**WHITE BLACK
LEGAL LAW
JOURNAL**
**ISSN: 2581-
8503**

Peer - Reviewed & Refereed Journal

The Law Journal strives to provide a platform for discussion of International as well as National Developments in the Field of Law.

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THE TRAGEDY OF TIME-BASED WAGES: A CRITICAL LEGAL AND ECONOMIC ANALYSIS

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Abstract

The prevailing wage system in modern economies largely compensates labour based on time—hours, days, or months—rather than the nature, quality, or potential of the work performed. While this method offers administrative simplicity and uniformity, it often fails to reflect the true value of human effort. This paper critically examines the limitations of time-based wages, their historical foundations, and their impact on worker motivation, productivity, and economic justice. It also analyses international and Indian legal frameworks, highlighting the gap between legal ideals and practical implementation. The study argues for a shift toward a more balanced wage system that incorporates skill, performance, and output alongside time.

Introduction

The determination of wages is a fundamental aspect of any economic system. Traditionally, wages have been linked to the number of hours worked rather than the complexity, creativity, or impact of the work performed. This time-based wage structure originated during the Industrial Revolution, when work was standardized and productivity was closely tied to measurable time.

However, in the modern knowledge-driven economy, this system appears increasingly inadequate. Labour today involves not only physical effort but also intellectual ability, innovation, and emotional engagement. Two individuals working the same number of hours may produce vastly different outcomes, yet receive similar compensation. This creates a disconnect between effort and reward, often discouraging excellence and limiting human potential.

The “tragedy” lies in reducing labour to time alone, ignoring the broader dimensions of skill, efficiency, and contribution.

Historical Foundations of Wage Determination

In pre-industrial societies, wages were often linked to output, such as agricultural yield or piecework. With industrialization, time became the dominant measure due to the need for standardization and control.

Classical economists like Adam Smith and David Ricardo viewed labour as a key factor of production, often associating wages with subsistence levels. Later, Karl Marx criticized this system, arguing that workers were paid less than the value they produced, with surplus value appropriated by employers.

In the 20th century, institutional theories emphasized the role of bargaining power, legal frameworks, and social norms in wage determination. Despite these developments, time-based wages continued to dominate due to their simplicity and ease of measurement.

Limitations of Time-Based Wages

The time-based wage system presents several critical shortcomings:

1. Lack of Recognition for Skill and Efficiency

Highly skilled workers who complete tasks efficiently are not rewarded proportionately, leading to undervaluation of talent.

2. Reduced Motivation and Innovation

When wages are not linked to performance, workers may focus on completing hours rather than improving quality or productivity.

3. Inequality Between Effort and Reward

Workers producing high-value outcomes may receive the same compensation as those with lower productivity.

4. Encouragement of Inefficiency

Employees may deliberately slow their work to fill required hours, reducing overall productivity.

5. Inadequacy in Modern Work Environments

In knowledge-based sectors, output depends on creativity and problem-solving rather

than time, making hourly wages less relevant.

These limitations highlight the growing mismatch between traditional wage systems and modern economic realities.

Impact on Workers and Society

The consequences of time-based wages extend beyond individual dissatisfaction:

- On Workers: Reduced motivation, lack of recognition, and job dissatisfaction.
- On Organizations: Lower productivity and limited innovation.
- On Society: Underutilization of human potential and slower economic progress.

While the system provides income stability, especially for low-skilled workers, it often fails to encourage excellence and efficiency.

Legal Framework: International Perspective

International labour laws emphasize fair remuneration beyond mere time-based compensation.

- The Universal Declaration of Human Rights (Article 23) recognizes the right to “just and favourable remuneration.”
- The Equal Remuneration Convention, 1951 promotes equal pay for work of equal value, considering skill, effort, and responsibility.
- The Minimum Wage Fixing Convention, 1970 encourages wage determination based on workers’ needs and economic conditions.

These frameworks highlight that wages should reflect dignity and value, not just hours worked. However, practical implementation often remains time-based due to ease of measurement.

Indian Legal Framework

Indian law also recognizes the importance of fair wage determination:

* Constitutional Provisions:

- Article 14: Equality before law
- Article 21: Right to dignified life
- Article 39(d): Equal pay for equal work

- Article 43: Living wage

* Code on Wages, 2019:

Emphasizes non-discrimination and considers skill and nature of work in wage determination.

* Judicial Approach:

Courts have consistently stressed that wages should reflect the nature and value of work.

- In *Randhir Singh v. Union of India*, the Supreme Court recognized equal pay for equal work as a constitutional goal.
- In *State of Punjab v. Jagjit Singh*, the Court held that temporary workers performing similar duties must receive equal pay.

Despite these principles, wages in India remain largely tied to time, particularly in the informal sector.

Critical Evaluation

The persistence of time-based wages reflects a gap between legal ideals and economic practice. While laws emphasize fairness and value-based compensation, practical challenges—such as difficulty in measuring performance, risk of bias, and administrative complexity—limit their implementation.

Completely replacing time-based wages is neither feasible nor practical. However, relying solely on time is equally problematic. The solution lies in a hybrid approach that combines time with performance, skill, and output-based elements.

Suggestions for Reform

To address the limitations of time-based wages, the following measures are recommended:

1. **Adopt Performance-Based Pay Systems**
Incorporate incentives, bonuses, and rewards linked to productivity and outcomes.
2. **Promote Skill-Based Compensation**
Recognize education, experience, and expertise in wage determination.
3. **Encourage Transparent Wage Policies**
Clear criteria for pay structures can reduce perceptions of unfairness.
4. **Invest in Training and Development**

Enhancing worker skills increases productivity and justifies higher wages.

5. Implement a Hybrid Wage Model

Combine time-based pay with performance and value-based components.

Conclusion

The reliance on working hours as the primary determinant of wages represents a significant limitation in modern economic systems. While time-based wages offer simplicity and stability, they fail to capture the true value of labour, including skill, creativity, and impact.

The “tragedy” lies in the under-recognition of human potential and the resulting inefficiencies in both individual and organizational performance. Legal frameworks, both international and national, already acknowledge the importance of fair and value-based remuneration. However, implementation remains incomplete.

A balanced wage system that integrates time, performance, and skill is essential for ensuring fairness, motivation, and economic progress. By rethinking traditional wage structures, societies can create a more just and productive labour environment that fully utilizes human potential.

