
UNIT 14 LAWS AND RULES GOVERNING EMPLOYEE BENEFITS AND WELFARE

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14.0 OBJECTIVES

Once you have read this Unit, you should be able to:

- identify the objectives and merits of labour welfare measures and social security benefits,
- identify the laws and rules that prescribe welfare measures and security benefits,
- distinguish between statutory and voluntary welfare measures, and
- distinguish between extramural and intramural welfare measures.

14.1 INTRODUCTION

As a practising manager, you should be fully aware of the strains and stresses of the modern worker, whether in factories, hotels, plantations or automated offices, etc. The employee is constantly exposed to tremendous amount of physical and mental stress and accidents of various kinds. No amount of wages can compensate him or her adequately. The employee needs an added stimulus and support to meet all requirements and maintain himself or herself and his or her family. Labour welfare measures and social security benefits are attempts in the direction of supplementing the wages of the industrial worker by providing him or her extra facilities and benefits. In this Unit we shall examine the important welfare measures and benefits available to the worker, both statutorily as well as on a voluntary basis.

14.2 THE CONCEPT OF FRINGE BENEFITS AND LABOUR WELFARE

There is no conceptual clarity in so far as a precise definition of the terms of fringe benefits and labour welfare are concerned. In fact a large number of items, irrespective of their nature, are lumped under fringe benefits and welfare programmes. However, the Oxford dictionary defines labour welfare as “**efforts to make life worth living for workman**”. The International Labour Organisation (ILO) Regional Conference described welfare to mean “**such services, facilities and amenities, which may be established outside or in the vicinity of undertakings to enable the persons employed therein to work in healthy and congenial surroundings and to provide them with amenities conducive to good health and high morale**”.

The Report of the Committee on Labour Welfare (1969) includes under it “**such services, facilities, sanitary and medical facilities, arrangements for travel to and from work and for the accommodation of workers employed at a distance from their homes, and such other services, amenities and facilities, including social security measures as contribute to improve the conditions under which workers are employed**”.

In other words, labour welfare services include all extramural and intramural welfare work, statutory and non-statutory welfare facilities undertaken by the employers, government, trade unions or voluntary agencies. They also include social security measures which contribute to workers welfare such as insurance, provident fund, gratuity, maternity benefits, workmen’s compensations, retirement benefits, etc.

Labour welfare work can be (i) **statutory** or (ii) **non-statutory** (voluntary). Statutory welfare measures, as the term itself indicates, are those services whose implementation depends on the coercive power of the government. This the government ensures by the enactment of certain rules to enforce the minimum standards of health and safety of workers. You, as a manager, would be obliged to fulfil these requirements as they are statutorily enforced on you. Non-statutory welfare measures include all those activities, which you may undertake for the welfare of your employees on a voluntary basis.

A Committee of Experts on Welfare Facilities for Industrial Workers was constituted by the ILO in 1963. The Committee divided welfare services into two groups: (i) **welfare amenities within the precincts of the establishment** (intramural) such as: latrines and urinals; washing and bathing facilities; creches, rest shelters and canteens, arrangements for drinking water, arrangements for prevention of fatigue, health services including occupation safety, administrative arrangements to look after uniform and protective clothing and shift allowances, (ii) **Welfare amenities outside the establishment** (extramural): such as maternity benefits, social insurance measures including gratuity, pension, provident fund and rehabilitation, benevolent funds; medical facilities including programmes for physical fitness and efficiency; family planning and child welfare; education facilities including adult education; housing facilities; recreational facilities including sports, cultural activities, library and reading room, holiday homes and leave travel facilities; workers’ cooperative stores, fair price shops and cooperative thrift and credit societies; vocational training for dependants of workers; welfare programmes for welfare of women, youth and children; and transport to and from the place of work.

14.3 OBJECTIVE OF LABOUR WELFARE

We can identify various objectives for having a labour welfare programme. It could be partly humanitarian to enable your workers to enjoy a fuller and richer life, partly economic to improve their efficiency, and partly civic to develop among them a sense of responsibility and dignity as noble citizens of the nation.

The humanitarian approach has been gradually dominated by a more utilitarian approach. The latter views welfare through an economic framework. The possible cost benefit to the organisation gains greater concern through improved or quicker output from the employees.

Through well-thought out welfare measures, you can free your employees from the worries of taking care of the basics of living and thereby to devote better attention to the tasks assigned to them. In this process you are enhancing his or her efficiency and output. Moreover, through an attractive package of welfare measures you can undoubtedly attract and retain better people.

14.4 STATUTORY WELFARE PROVISIONS

These are amenities that are to be provided necessarily to employees as per different legislations of the Government. For example the Factories Act of 1948 in India covers areas including health, welfare, safety, working hours, annual leave with wages and employment of women and children. Similarly, the Motor Transport Workers Act of 1961 mentions about restrooms, uniforms, washing allowance, medical facilities etc. for motor transport workers. Similar, legislations exist in other areas like, mine workers, plantation workers, etc.

A considerable amount of emphasis has been laid on the provision of a canteen inside the workplace. The International Labour Organisation (ILO) has laid certain guidelines in this regard which each country must follow. The responsibility, in India, is on the State Governments for making rules to ensure provisions of a canteen in any specified workplace or establishment employing 250 employees. Employees should be provided representation in the management of canteens. It has been suggested that canteens should be run on cooperative basis and that legislation should be amended to empower State Governments to make rules to meet the objective of nutrition.

The need for setting up creches was stressed way back in 1931. The Factories Act in India lays down that in any establishment with more than 50 women workers, a creche should be provided and maintained for children under 6 years in clean and sanitary conditions. The creche should be under the care of women trained in child care. The creche should have adequate accommodation, should be properly lighted and ventilated.

In India the State Governments are empowered to make rules in respect of standards, equipment and facilities. Mothers should also be given time to feed their children at necessary intervals. There are also provisions for appointing Labour Officer in large establishments, keeping in view your own organisation you should know about the welfare legislations that cover your organisation.

14.5 VOLUNTARY WELFARE AMENITIES

There are employers who have taken the lead and provided a wide variety of welfare amenities to their employees:

- i) **Educational Facilities:** Economic and social progress is dependent on the quality of work force. Education plays a crucial role in motivating and preparing the workers for constant change and development that should necessarily happen in industry. The educated worker is naturally more receptive and responsible. Many organisations go a step further and extend education facilities like, fee reimbursement, books allowance, etc. to the children of the employees.
- ii) **Transport Facilities :** The growth and expansion of industries has also increased the distance for the worker from his or her place of residence to his or her place of work. Transport facilities for employees residing far from the workplace is essential to relieve strain and anxiety. Such facilities will, no doubt, also provide greater opportunity for relaxation and reduce the rate of absenteeism. For example Indian Airlines and Air India provide transportation to all their employees.

The provision of adequate transport facilities to workers is to enable them to reach their workplace without loss of much time and without fatigue. In the offices where transport services are not provided, some conveyance allowance mutually agreed upon

between the employer and the employees is paid to the employees. To encourage the employees to have their own conveyance many employers advance loans for purchase of bicycles, scooters, cars, etc.

- iii) **Recreational Facilities :** Recreation in the form of music, art, theatre, sports and games can play an important role in the mental and physical development of your employees. The importance of recreation in creating a healthy climate for industrial peace and progress has been emphasised by several study teams, committees and commissions. Trade unions could also take the initiative and different agencies could combine their efforts to provide a minimum number of sports and recreational activities to keep the labour force fit and healthy. Excursions can be organised, youth clubs can be formed and holiday homes can be provided for your employees.
- iv) **Other Facilities :** Many other types or facilities are provided to employees and they vary organisation to organisation. For example, an adventure sports tour operator would provide medical insurance to the escorts or instructors, a hotel or a resort may provide housing facility near workplace and free or subsidised lunch to employees, etc.

Check Your Progress-1

- 1) What are the objectives of labour welfare?
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- 2) Mention the statutory welfare provisions.
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13.6 SOCIAL SECURITY: CONCEPT AND EVOLUTION

Apart from welfare measures provided under various schemes, both statutory and voluntary, there are other benefits the employee is entitled to under the scheme of social security.

The concept of social security is essentially related to the high ideals of human dignity and social justice. It is in a way one of the pillars of the Welfare State. Social Security measures have introduced an element of stability and protection in the midst of the stresses and strains of modern life.

Social security programmes are increasingly being accepted as useful and necessary instruments for the protection and stability of the work force. They are primarily an instrument of social and economic justice and a dynamic concept. Its content changes with the social and economic system obtaining a certain standard in a given time and space. The ILO defines social security as **“the protection which society provides for its members through a series of public measures, against the economic and social distress that otherwise would be caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment injury,**

unemployment, invalidity, old age, and death, the provision of medical care; and the provision of subsidies for families with children.”

The term social security came into popularity after the US Government passed the Social Security Act in 1935, introducing the old age pension system. The formation of ILO in 1919 to promote social justice through (i) international standards; (ii) providing information; (iii) technical assistance and guidance; and (iv) cooperation with other international organisations, provided the impetus and direction needed by most countries in this area.

In India over the years a number of legislative measures have been adopted to ensure benefits to employees of industrial undertakings under the scheme of social security. Let us have a look at some of these important rules and regulations.

The Employees' State Insurance Act, 1948

This is a pioneering attempt to provide medical facilities and unemployment insurance during illness to the workers. The Act covers smaller factories using power and employing 10 or more persons and those not using power but employing 20 or more people. The Act has also been extended to the new classes of establishments, shops, hotels, restaurants, cinemas, theatres, motor transport, building construction, and newspaper establishments employing 20 or more persons. It covers all employees, manual, clerical and supervisory and employees engaged by or through contractors, whose remuneration does not exceed Rs.1600 per month. The definition of “employee” includes administrative staff and persons engaged in connection with purchase of raw materials or sale or distribution of products and related functions. The State Government is empowered to extend the Act to cover other establishments or class of establishments.

The scheme is administered by an autonomous corporation with the Minister of Labour at the Centre as its Chairman, the Union Health Minister as the Vice-Chairman, and representatives of State Governments, employers and the medical profession nominated by the Central Government. The scheme is financed by contribution from employers and employees, with the State Governments sharing one-eighth of the cost of medical care. In order to qualify for the benefit the worker should have contributed to the scheme for a minimum period of 12 weeks. The benefits provided under the scheme include: (i) Sickness and extended sickness benefit, (ii) Maternity benefit, (iii) Disablement benefit, (iv) Dependant's benefit, (v) Funeral benefit, and (vi) Medical benefit.

- i) **Sickness and extended sickness benefit:** For sickness occurring during any benefit period, an insured person is entitled to receive sickness cash benefits at the standard benefit rate for a period of 91 days in any two consecutive benefit periods. Cash benefits are subject to contributory conditions. An insured person suffering from long term ailments like tuberculosis, leprosy, mental diseases, is eligible for extended sickness benefit at a rate of 25 per cent more than the sickness benefit rate rounded to the next higher multiple of 5 paise for a period of 124/309 days. Contributions are calculated with reference to average daily wages, and wages have been classified into 9 groups for the purpose of fixing the contribution.
- ii) **Maternity benefit:** An insured woman is entitled to maternity benefit, at double the standard benefit rate. This is practically equal to full wages for a period of 12 weeks.
- iii) **Disablement benefit:** If a member of the scheme suffers an injury in the course of his employment, he will receive free medical treatment and temporary disablement benefit in cash. The temporary disablement benefit is about 70 per cent of the wages as long as the temporary disablement lasts, provided that it lasted for not less than 3 days, excluding the

day of accident. In case of permanent disablement, the insured person will be given life pension at full rate. i.e. about 70 per cent of his wages.

- iv) **Dependants' benefits:** This provides timely help to the eligible dependants of an insured person who dies as a result of an accident or an occupational disease arising out of and in the course of employment. Pension at the rate of 40 per cent more than the standard rate will be paid periodically to widows and children in accordance with the prescribed share. The benefit also accrues to parents and grandparents and other dependant up to the age of 18 where the deceased has no surviving widow or child.
- v) **Funeral benefit:** This benefit was introduced in 1968. An amount of not exceeding Rs. 100 is payable as funeral benefit to the eldest surviving member of the family of the deceased insured person. If the insured person did not have a family or was not living with his family at the time of death, it is payable to the person who actually incurs the expenditure on the funeral of the deceased insured person.
- vi) **Medical benefit:** The major attraction of the ESI scheme is medical benefit. Medical benefit has been divided into three parts:
 - a) **Restricted Medical Care:** It consists of out-patient medical care at dispensaries or panel clinics. Facilities of consultation with medical officers, supply of drugs, pre-natal and post-natal care, family planning and immunisation services are available in these institutions. The beneficiaries are also entitled to call a doctor to their house to see a serious case.
 - b) **Expanded Medical Care:** This consists of consultation with specialists and supply of special medicines and drugs as may be prescribed by them. Facilities for special laboratory tests and X-ray examinations are also available under this scheme.
 - c) **Full Medical Care:** Hospitalisation facilities, services of specialists and drugs and diet as are required for in-patients are available under this scheme.

When a person is entitled to any of the benefits provided by the ESI Act, he or she shall not be entitled to receive any similar benefit under any other enactment.

An insured person will not be entitled to receive for the same period (a) both sickness benefit and maternity benefit; or (b) both sickness benefit and disablement benefit for temporary disablement; or (c) both maternity benefit and disablement benefit for temporary disablement. When a person is entitled to more than one benefit, he has an option to select any one of them.

A dispute arising under the provisions of the ESI Act has to be settled by the Employees' Insurance Court, not by a civil Court.

The Employees' Provident Funds and Miscellaneous Act, 1952

The Act was passed in 1952 with the objective of making some provisions for the future of the employees after he or she retires, for the dependants in case of his or her early death, and to cultivate a spirit of saving among the workers.

The Act applies to all employers establishments falling under any notified industry and employing 20 or more employees. Once the Act is applied, it does not cease to be applicable even if the number of employees falls below 20. The Act extends to the whole of India except Jammu and Kashmir and the Assam Tea Plantations both of which had a separate Act and Scheme.

The Central Government is empowered to apply the provisions of the Act to any establishment employing less than 20 persons after giving not less than two months' notice of its intention to do so by a notification in the Official Gazette. However, please note that the Act does not apply to cooperative societies employing less than 50 persons and units working without the aid of power.

Workers in establishments employing 20-50 persons pay 6.25 per cent of their earnings and those with a larger strength pay 8 per cent. Employers make an equal contribution. The Provident Fund is refunded with interest in the event of death, permanent disability, super-annuation, retrenchment, migration or on leaving service. On retirement, or after 15 years of service a worker receives his own share and the employer's contribution. For shorter periods of membership, the proportion of employer's contribution varies according to the length of service.

Employees' Family Pension Scheme, 1971

A Scheme of Family Pension-cum-Life Assurance was instituted in 1971 with the objective of providing long-term recurring financial benefit to the family of the member in the event of his or her premature death while in service. Under the Act, the word "family" means (i) wife in the case of a male member of the family pension fund; (ii) husband in the case of a female member of the family pension fund; (iii) minor sons and unmarried daughters of a member of the family pension fund.

Under the scheme, a family pension fund is created by diverting 11/6 per cent of pay and an equal amount each from the employer and the State Government. The Central Government pays the administrative cost of the scheme.

The Employees' Deposit-linked Insurance Scheme, 1976

The Act is applicable to all factories/establishments to which the Employees' Provident Funds Act applies. Where the monthly pay of an employee exceeds Rs.1600 per month the contribution payable in respect of him or her by the employer and the State Government will be limited to the amount payable on a monthly pay of Rs.1600. The special feature of the scheme is that only the employer and the government make contributions to the scheme and not the employee himself or herself. The employer is required to contribute to the Insurance Fund at the rate of 0.5 per cent of the pay of the employees who are provident fund subscribers. The Central Government also contributes to the Insurance Fund an amount representing one half of the amount contributed by the employer.

The above three schemes, namely, the Employees' Provident Funds Scheme, the Employees' Family Pension Scheme, and the Employees' Deposit-linked Insurance Scheme are administered by the Employees' Provident Fund Organisation. The administration of these schemes is in the hands of the Central Board of Trustees, a tripartite body consisting of a Chairman, nominees of the Central and State Governments and employers' and employees' organisations.

The Maternity Benefit Act, 1961

The Act is applicable to all establishments not covered under the ESI Scheme. The Act was amended in 1976 to extend the benefits to all women workers earning more than Rs.1600 per month in establishments covered by the ESI Act.

Under the Act, a woman can get maternity leave upto 12 weeks. Of this, 6 weeks must be taken prior to the delivery of the child and 6 weeks immediately following that date. During the period of leave the employee is entitled to full wages/salary. The employee is also entitled to a medical

bonus of Rs.25 if no pre-natal confinement and post-natal care has been provided by the employer free of charge. To avail of the leave and benefits, the employee should have put in 160 working days of service in the 12 months immediately preceding the date of expected delivery. However, from 1996 certain new provisions have been introduced and it is suggested that a manager of an organisation must keep oneself updated in this regard as ignorance of law is no excuse. For example now maternity leave is four and half months and paternity leave for 15 days.

The Payment of Gratuity Act, 1972

Gratuity is an additional retirement benefit. The Act is applicable to all ports, railways, shops or establishments in which 10 or more workers are employed. The Central Government can bring in any establishment by notification under the provisions of the Act.

According to the Act, an employee is entitled to 15 days wages for every year's continuance in service. Seasonal workers should be paid gratuity at the rate of 7 days wages per season. The total gratuity payable shall not exceed more than 20 months wages. The Act applies to workers who do not have any managerial or administrative capacity or are employed under the government and do not draw wages of more than Rs. 1600 per month. Gratuity is payable on termination of employment after the completion of at least five years of continuous service. This is relaxable in the case of death or disablement.

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- 1) What do you understand by social security?

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- 2) Mention the features of the Employees State Insurance Act.

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14.7 LET US SUM UP

In this Unit we attempted to underline the importance of employee welfare measures and social security benefits. It has also tried to familiarise you with the important laws and rules governing the welfare programmes and employee benefit schemes. It has highlighted the need of these benefits and welfare measures from the viewpoint of the employee and the advantages that they may bring to enhance the efficiency, morale and productivity. It is emphasised that one must update the information and knowledge regarding the changes in laws, rules and regulations – particularly on rules like maternity leave etc.

14.8 KEY WORDS

- Extramural** : Outside the establishment
- Intramural** : Within the boundaries of the establishment (factory/organisation)
- Social Welfare Activities** : Activities which will improve the living conditions of people (especially of manual workers).
- Social Security Measures** : Measures that will ensure protection by society to its members Against economic and social distress.
- Statutory** : Required under law

14.9 CLUES TO ANSWERS

- 1) See Sec. 14.3.
- 2) See Sec. 14.4.

- 1) See Sec. 14.6.
- 2) It covers various benefits like maternity, disablement etc. See Sec. 14.6.