Chapter - I
Introduction

1.1 Prologue to the Research

Globalisation has ushered new policies and brought in day-to-day developments in India. The market is completely globalised and highly competitive. It is a necessity for the businesses to be competitive in order to stay head high in the globalised markets. It has been witnessed by the industry that no matter how sophisticated strategy the industry plans, its successful implementation is essentially undertaken by the appropriate human resources of the organisation. The human resource system can efficiently manage the working of the organisation; hence making it is the prime foundation behind the organisation’s success\(^1\). In the arena of mergers, acquisitions, takeovers, joint ventures etc. people in the organisation are considered to be the chief reasons for its success or failure\(^2\).

Nowadays, many Industries are now making several structural changes in order to improve the efficiency of human resources of the organisation. Undoubtedly, the success of an organisation depends on the ability of its human resource\(^3\). If the capabilities of employees are utilised in an effective manner then the other factors of production i.e. material, machinery and money, would also be fully utilised. An important aspect of the organisation’s success is to keep the employees motivated and satisfied. To meet this need of the hour, the significance of employee welfare practices has emerged. The industrial system has such a work culture, which does not allow the employees to heighten their performances for aggressive competitive environment among organisations, which drag employees in a situation where they lose their enthusiasm toward job and feels lost\(^4\). People are working to earn their livelihood and to improve their standard of living\(^5\). There is an increasing trend in employee isolation from work which is one of the most common problems the employees are facing in the current scenario; therefore leading to the level of dissatisfaction rising among the employees.
Research shows that different kinds of rewards influence employee’s satisfaction level and also play an important role in attracting and retaining employees with high potential. The employees spend most of their time in the organisation with their work system; hence it is necessary that the work environment must be favourable so as to enable the employees to achieve their goals in life. Different types of facilities should be available so that work environment can be improved and quality of work life enhanced. Hence it is necessary that the work environment must be favourable, to enable the employee to achieve the goals of their life. Different types of facilities are available so that work environment can be improved and quality of work life can be enhanced. The organisational quality is not measured by the material benefits it provides to its employees, but also with the chances the employees get to enhance their level of satisfaction and motivation.

1.2 Origin of Employee Welfare

The history of employee welfare is rooted back to the times of the First World War (1914 – 18). In the initial stages employee welfare was done on the charitable grounds. The economic depression in the year 1930’s, gave impetus to employee welfare activities. In the new era, both the employers and the government have started taking keen interest in the activities related to employee welfare. It is also because of the industrial disturbances and the pressure fabricated by International Labour Organisation (ILO). The movement related to employee welfare activities picked up the pace during the Second World War by the organisations in their respective countries. India is lagging behind in the employee welfare aspect and has done very little in this area. The activities are only limited to the meetings and conferences on labour laws. At the time of war the activities related to employee welfare did start in those enterprises whose work are related to war production, in the later stages it was also undertaken by government and other private enterprise, respectively. As the era of independence reached the activities related to employee welfare become stronger and special attention was given to labour class. After independence many laws were framed for the welfare of the labour class as the
constitution says, give employment to each and every individual who are willing to and able to work.

Many articles and acts have been passed in the context of the labour laws. Article 42 and Article 43 state to provide basic working facilities, maternity benefits and ‘Magna Carta’ which is the fundamental rights of Indian workers and involves all the workers into it. These articles include many acts, legal obligations, constitutions, legal remuneration, social safety, compensation, health indemnity, long term disability insurance, pensions and life insurance plans etc. The emergence of Employee’s State Insurance Act in 1948 marked the beginning of Social Insurance in India. Factories Act, 1934 has been established after which many classification has been made along with the minimum standards on wages. The objectives of these acts include improving the working condition, safety, health, working hours, paid leaves, weekly holidays etc. Apart from all this, there are many acts which have been enacted by the government i.e. Minimum Wages Act (1948), Pension Act (1995) etc.

1.3 Importance of Employee Welfare

Employee Welfare is one of the most important parts of any organisational activity which can provide that level of satisfaction to the employees in the organisation which a handsome salary package alone cannot provide. It also plays a significant role in the society where the employees live. Welfare is not only related to the facilities which the organisation provides to its employees, it is much more than that. It is also providing the right kind of working atmosphere to the worker, where they can respire in the congenial environment and taste the goodness of growth and development that facilitates them to give their maximum input and help achieve both individual and organisational goals respectively. In today’s era, every industry takes employee welfare activities as an essential component of the human resource system. Many measures are being adopted by the companies across the world for the development of such activities and special attention is given to employee satisfaction. In a country like India it has become mandatory to focus on employee satisfaction.
welfare activities in a very inclusive way so as to accomplish the promise in the direction of societal development and progress.

Undoubtedly, it’s the workers who are behind the success of a company, if the worker is ill then the complete organisational unit will be ill, if the organisation neglects the growth of its employees then the productivity of the organisation will surely diminish. In a country like India it is more important to establish the concept of employee welfare practices due to various reasons like poor state of wages, work schedule, team work, job satisfaction, morale, mental health, work environment etc.¹¹.

Three major advantages of employee welfare practices according to Employee Research Commission (ERC) are:

- By providing facilities like accommodation, food, health, maternity benefits, employee stock option plan, provident fund, pension, gratuity etc. the organisation can develop a feeling among the employees that they are important for the organisation.

- With facilities like educational benefits, entertainment facilities, cultural, sports etc., employees will develop the feeling that employers are concerned about their regular activities and life. Thus reducing the frequency of employee’s complaints and objections.

- Make the employees free from uncertainties with respect to health with facilities like clean food in canteens, hygienic workplace and protecting the employee’s by providing timely medical assistance.

It is evident that every individual wants to chase high level of competency and it can be expected only from that person who is physically healthy, mentally fit, trained, comfortably accommodated, correctly nourished and rightly clothed. Employee welfare activities are regarded as one of the appropriate investment by the organisation for recovering organisational efficiency. Hence welfare facilities are more than special money wages, which are given for improving the living and
standard of workers which are not been mentioned under the governmental laws and not specified under the industrial norms. Welfare facilities help in reinforcing the friendly relationship between the employees and the management; it improves productivity, develops a sense of belongingness, creates motivation, and reduces absenteeism and conflicts etc. In true sense, welfare is to give moral wellbeing to employees in the industry and makes their life worth living; it is not a matter of throwing scrap of assistance to the employees.

Importance is given to employee welfare in order to enhance good and qualitative relations within industry. Welfare facilities help in motivating the employees and improve their work performance, employees think employers and government are taking interest in their health, wellbeing and life and their tendency of grievances vanishes with time. As a result organisational harmony increases, productivity of employees enhances and ultimately organisational objectives are achieved. Industrial norms and rules are very rigid and unfriendly. The reason behind giving welfare facilities to employees is the improvement and growth of employee and their personality. Welfare movements provide comfort and tenderness in employee’s lives and help them treat as humans with respect.

As a result of industrialisation and mechanisation the concept of employee welfare has gained further advantage. The workers are not able to survive the pace with the changing environment with minimum level of amenities. They need an extra motivation to keep themselves on track. Employees are also aware about their role in getting these added services. After the hiring, training and remunerating phase, the organisation needs to retain their employees so they can bestow their best services towards the organisations. Wellbeing of individuals can be protected with the help of welfare amenities given to them while working with the organisation. The creation of a complete welfare state is the goal of the government of every country, taking care of the society as a whole is one of the important goals of government; it is also important to keep the labour force of the country happy and contended, as they are a strong support on which the structure of large scale industries are based.
Therefore, the success of every country largely depends on labour and the hard work of the individuals\textsuperscript{16}.

In India, requirement of welfare facilities are needed for the overall development of employee. Welfare facilities undeniably will improve the living standards and performances of employees in India. In the long run, these facilities are in the interest of the employer and betterment of the organisation. The amount spent by the organisation in such activities will prove to be an investment in the future and will boost up their profits. Satisfied employees having a comfortable life will lead to overall development and efficiency of individuals and growth of the organisation and thereby the entire economy\textsuperscript{17}. The working class in India was exploited in the early phases of industrialisation. Therefore, it is important to protect and promote the interests the workers in the organisation, so that the individual and organisational goals can be achieved as a whole. It is important to provide these facilities to the employees on time, and make the environment more congenial and comfortable to work, and to give these facilities to them in such a manner that their productivity will be enhanced and so that they wholeheartedly work and increase their productivity\textsuperscript{18}. Workers in the organisation convert the raw materials into finished goods, either for necessity or comfort of the society\textsuperscript{19}. The work and life of an employee has a direct influence on the overall development of the nation. Extra care must be taken to provide facilities to the employees by providing statutory and non-statutory facilities to them\textsuperscript{15}. Welfare facilities develop a sense of satisfaction among the workers and helps in lowering the labour turnover\textsuperscript{20}. To accomplish the goals of the large organisation, it is very necessary to have a strong and satisfied workforce, which is only possible if the employees are getting all round satisfaction\textsuperscript{7}.

In India, as a result of labour conference and formation of Employee State Insurance Act, 1948, special awareness is been given to employee welfare facilities. Social welfare facilities touch only a segment of industrial labour problem; hence it is necessary to expand the dimensions of labour welfare activities for improving the intelligence, health, safety and complete wellbeing of the employees. Educational, recreational, housing, medical, provident fund, pension, gratuity, employee stock
option plan etc., can be given to them in order to satisfy the workforce. These measures work as the best cure for emotional discomfort which the employees face at work. By providing such facilities one can synchronise and bring harmony in work and organisation as a whole. These activities also provide a platform to the employees to change their viewpoint and be progressive, which is considered to be the basic requirement for productivity, effectiveness, efficiency and self actualisation.

Welfare facilities are both a necessity and a human right. Employees in organisation are now getting appropriate pays; to improve their poor living conditions they should also get the amenities above minimum level. By giving the appropriate welfare facilities to the employees, organisation can help them dedicate their precious time and thoughts towards organisational job and its success.

We stand on the threshold of a new era in which attention and interest are beginning to shift from...things that are worked with, to the worker; from the machinery of industry, to the man who made, owns, or operates it.

In the early 1900s trade unions, social workers, reporters, photographers brought in focus the unprivileged working environment of the skilled workers, even many executives and managers considered that the base of any organisation rested on the back of the worker. The workers are directly considered to be the most significant part of the industrial and production process and indirectly the most important part of the national economy. If we were to look into the standards and living pattern of these workers, the need of providing welfare facilities will become quite evident. These facilities are also extremely important for the workers to safeguard themselves and for their overall growth. A worker spends hours and hours in an unhealthy environment and working hard in factories and this result in adverse effects on the worker’s health. Varieties of facilities like safety from machinery, safety shoes, hand gloves, goggles etc must provided to the employees for protecting them from health and safety hazards. A proper method of providing appropriate welfare facilities helps
in achieving the efficiency and commitment in an employee. A correct surrounding and direction of welfare facility plays a significant role in improving the living conditions of employees\textsuperscript{24}.

In 1950’s when India was established as a communalism country, the need for safety and facilities related to employees increased. India is not only a communalism state but also a capitalist state. India instigated the need of fiscal development by itself. It also provided the right kind of base to the private enterprises to develop follow this base for the coming times as well. The implementation of these welfare facilities during the post independence period and the war period were done by the western countries and the capitalist society collectively with the help of some legislations. It has been accentuated that welfare facility as a need came out to be a significant feature of the 20\textsuperscript{th} century welfare country. Welfare Country is a country which is not an inactive observer or an evaluator of argument; it plays an active role in the overall development of the society as a whole and takes keen interest in arguments made by the society. In developing countries the power to take decisions related to labour laws are only limited to certain categories of employees or the employees of a particular industry which are covered under the law of factories act\textsuperscript{25}. As a fact the complete welfare concept should be the one which helps in battling with the sense of annoyance among organisational workers, increase in satisfaction, improvement in health, safety from accidents at workplace, to relieve from stress, improvement in living standard, and to give them an area where they can outshine in their life. Every organisation’s development and success depends on employee participation and happiness at work place\textsuperscript{26}.

1.4 Scope of Employee Welfare

The concept of Employee Welfare calls for a broad study which is being rightfully taken into consideration by Labour Investigation Committee\textsuperscript{27}. The committee states the extent to which these activities can be used to motivate the employee and boost their morale. Under welfare, they include everything that is related with intelligence, motivation, monetary benefits and moral values of the employee given by the
employer, government and other agencies which are mentioned in the employment contract. In the above mentioned benefits they also include accommodation, insurance, sanitation, leaves, vacation, maternity, education, medical, recreation, pension, gratuity, provident fund and so on. The scope of employee welfare is being understood in a changed manner vis-à-vis to the respective country as the economic conditions of the country differ and so does the benefits provided by the industries to its employees of that country. Employee welfare is not only limited to the basic amenities and benefits given to the employees for having a clear understanding of the concept and scope, we need to study the methods in which the employee welfare is being categorised. We can categorise these activities into two parts: statutory and non-statutory/ voluntary facilities or intra-mural and extra-mural welfare activities.

Statutory welfare includes the activities which are mandatory to be given to the employees. These types of activities are implemented on the basis of coercive authority of the government. The government imposes specific rules related to employee welfare, which are related to wellbeing and security of employees. Employers are being asked by the government to execute these statutory welfare activities on a compulsion basis, and non-statutory welfare activities are the facilities which are given by the employers to the employees on a voluntary basis.

The welfare experts committee for workers composed by International Labour Organisation in the year 1963 had categorised welfare facilities into two types:

**Intra-Mural Activities**

Intra-Mural activities are the facilities which are provided to employees within the organisation. Facilities like sanitation, shelter, rest room, drinking water, spittoon, health measure, safety measure, protective clothing, shift allowance etc are included in these.

**Extra-Mural Activities**

Extra-Mural activities are the facilities which are given to the employees outside the organisation. Facilities like accommodation, educational benefits, insurance,
maternity benefits, cultural function, training; co-operative stores, credit societies, transportation, library etc. are part of this. Labour welfare is broad term which includes all the facilities which have been provided by the employers, government, trade union, society and other agencies within the establishment to help the employee and their families.

The scope of welfare facilities is neither limited to the establishment, nor is it so wide that it will include the entire range of all the aspects of social service. It includes all the activities that come under the preview of extra-mural and intra-mural as well as statutory and non-statutory welfare activities provided by government, society, employer and trade union. In this category even education, cultural, housing, insurance are also included.

Statutory welfare measures are being covered under the following acts like Employee’s State Insurance Act 1948, Payment of Gratuity Act 1972, Maternity Benefits Act 1961, Workmen’s Compensation Act 1923 and Miscellaneous Provisions Act 1952. Non-Statutory welfare measure includes the following: Accommodation, Insurance, Medicines, Training, Recreational, Education, Loans and other activities which are being provided by the employer on a voluntary basis.

1.5 Statutory Welfare Facilities

Many acts have been formulated by the Government of India on the basis of requirement.30

1.6 Factories Act (1948)

The act relates to the working conditions of employees in India in the early stages i.e. 1881 when the Factories Act was first formulated and approved. Before the approval this act, the government had a non-interfering act for the workers. In the year 1881, steps towards establishing the factories act were taken for safeguarding the interest of the workers. Since its inception this act has been time an again revised...
on regular interval in the years 1911, 1922, 1923 and 1931 based on the requirements. The act was amended again in the year 1934 on the recommendations of the Royal Commission on Labour as a result of division of factories into two parts i.e. permanent and seasonal. The maximum working hours for adults was fixed at ten hours per day and fifty four hours per week with respect to permanent establishments. In the case of seasonal establishments the working hours were fixed as eleven hours per day and sixty hours per week, further the act was revised between the year 1935 to 1946 to include holidays and reduction in working hours in the case of permanent establishments. After that in the year 1947, a bill was passed by the Government of India which further became a regulation and was implemented from April 1948. The act worked as a social cause and helped the workers, working in the factories against the manufacturing and work related vulnerability. In the current scenario the act compels the employers to provide compulsory security and wellbeing to the employees working in their factories. The act characterises factory as a property and includes the following:

- If ten or more employees are working for a period of twelve months in any property where production process is being conducted with the use of powers.

- If twenty or more employees are working for a period of twelve months in any property where production process is being conducted without the use of powers.

**Main Provisions under the Act**

Government of India under this act has made certain compulsory welfare measures that are to be given to the employees in order to improve their working condition and it includes the follow:

**Health**

Under the provision related to health the following facilities are to be given to employees by the employer:
- **Sanitation** Under this act it has been mentioned to keep the work premises clean and hygienic by cleaning rooms, stairs, table and chairs. The floor must be cleaned in a period of week. All the walls and ceiling must be smoothed at least once in every five years, under section 11.

- **Ventilation and Temperature** Proper ventilation in every room or section in the establishment must be there so that the air can travel in every section and temperature must be normal so the employees can work with comfort without any health issues, it has also been laid down in the act, section 13 that what kind or level ventilation and temperature must be set, under.

- **Reproduction of Humidification** The Government has passed an order in which the owners of the establishment have to make a provision in which they have to reproduce humidity of the air; test should be conducted to check the humidity level of the air. For this purpose the water which has been used must be arranged by different means of water supply, under section 15.

- **Lighting** Proper and adequate lighting must be supplied in the factory as per the requirement of the workers. Lighting can be natural or made up or both, under section 18.

- **Water** Drinking water facility must be provided at appropriate places within the premises. Provision should be made for cold water in case of summers, under section 18.

**Welfare**

Within the provisions with respect to welfare, the following benefits are to be given by the employer:
- **First-Aid Appliances** Under welfare category first aid facility must be given to the employees; easy access of aiding in case any injury happens, under section 45.

- **Cafeteria** Every establishment under the act which is having at least 200 employees or more than that, a cafeteria must be retained by the dwellers. Charges should be specified and it should be managed by the management, under section 46.

- **Rest Rooms** Suitable rest rooms should be given to the employees. Any establishment where there are 150 or more employee’s proper rest rooms and shelters must be made, where workers can relax and eat their meals. It should be hygienic, properly lit, well ventilated etc, under section 47.

**Protection**

It has been specified in the act that proper safety and security should be given to each and every employee working in the organisation. Safety measures like grilling, safety shoes, goggles, gloves to get protection from heat, fire and other hazardous parts of the machines must covered.

**Vacation and Paid Leaves**

The act states that weekly holidays are to be given to the employees. Complementary holidays are also given in case weekly holidays are unused. Time duration of daily work should not exceed more than six hours. Breaks are to be given after every five hours of continuous work. Paid leaves are also to be given but only to the employees who worked for 250 days in the previous year. Aid leave can also be gathered and passed in the next year, and it should not be more than one month. After every twenty days of work, one paid leaves are being given.
1.7 **Payment of Wages Act (1936)**

Payment of Wages Act is a basic tool in the economy which helps in fulfilling various purposes. It acts as a reward and it also helps in distributing the factors like competency, business and location. It also pursues people to perform their jobs. If the employees are getting good pay, then it can be related to their efficiency and it will motivate the employee to perform well and to achieve the organisational objectives as well. Wages have a great impact and influence on the national income. As a result Payment of Wages Act, 1936 has been formulated in order to protect the labour and their rights from exploitation. Its implementation must be concluded in the entire system so that the labours can be protected from the unfair means where the workers have been unknowingly deprived from their rights in the past.

Key objectives of the act are to certify that the employee should get the wages on stipulated time by the employer and no deductions in the wages apart from those which has been mentioned by the law. This act is applicable to each any every employee working in any industry or in any establishment covered under this act.

**Provisions under the Payment of Wages Act (1936)**

Wages include every pay whether basic, incentive, allowances in monetary value, which supports the individuals for living in terms of the employment process against the work performed by them, and it includes:

1. Wages paid under the obligation of the law to settle some dispute or settlement between parties.

2. Remuneration paid to the employees against any work after deciding overtime, leave pay and holidays.

3. Extra payment should be made on the basis of specified terms of employment.
Section – 3, it is the responsibility of the employers to make payment to each employee who is working in their establishment according to the act.

Section – 5, it is the duty of the employer to make payment to the employee whether of railways or any other industrial background, having minimum of 1000 employees should get payment before 7th or 10th day, breach of this rule with result in a fine of Rs. 500.

Section – 7, this act states that deductions made in the wages at the time of making payment must only be made on the basis of the act.

1.8 Workmen's Compensation Act (1923)

This act applies to the employees who are working in factories, manufacturing unit, mines, railways, and airlines. This act has been altered many times and applies to employees of all the industry. The central and state government have decided to increase the reach of this act for the employees who are in a job which is considered to be unsafe. Employees who are covered under ESI schemes are not liable to get the advantages of workmen’s compensation act. The employees along with their dependents who are covered under this act will get the compensation by the employers in case of injuries, death or disablement and other occupational diseases. The compensation will be based on extent of injury, wages paid to the particular employee and the age of the employee. The compensation for death and disablement is predetermined.

1.9 Maternity Benefit Act (1961)

This act is being established keeping in view providing consistency during the period of maternity. This facility is provided to the people who are working in mines, factories etc. Employees covered under ESI schemes are not liable to get this benefit. Under this act the benefits are given to the employees in cash and leaves are granted for women employees under the conditions which have been specified under the law.
The service period is of eight days in a period of twelve months. Apart from bonuses, other benefits should also be given to the women employee’s i.e. crèches, rest period, medical aid. Such workers cannot be terminated during the period of maternity leave. The application of this act is for all the women workers in all the different industries.

1.10 Employees' State Insurance Act (1948)

This act applies to the concerns which are non seasonal and having 20 or more employees. By the order of the state and central government the benefits of the act are being extended to other establishment like hotels, theatres, cinemas, transport and newspaper who are having 20 or more employees. The provision under the act is that it does not apply to the employees whose salary does not exceed Rs. 6500 per month. The person under workmen compensation act, maternity benefit act and employee state insurance act are receiving different benefits.

Following benefits are being given to the employees under employee state insurance act:

- In case of sickness and injury during employment free medical benefits are provided to the employees.

- Maternity care for women employees for a period of twelve months.

- In case of injury which is incurable half wage of the employee is given to the dependent.

This system works from the funds given by employers and employees and undertaken by central and state governments.
1.11 Employees' Provident Fund and Miscellaneous Provisions Act (1952)

Provident fund system is a common act in many government organisations. In the early stages of the act, it faced opposition from both the employees and the employers but with time the resistance from both the sides disappeared. The acceptance of the system by the people raised a demand from central government for additional room of the reimbursement for the employees. In the year 1971, the act was known as provident fund and family pension fund act. The act covers the aspects like old aged, retired, discharged and death. The act covers each and every establishment having 20 or more employees.

To avail the benefit of this act the employee need to give their continuous service of one year or 240 working days in a period of twelve months. In the initial stages the provident fund is paid at 6¼ % of the basic wage and then it is revised to 8¼ % of basic wage in the industry having fifty or more employees. A committee of people from state government, central government, workers and employers administer this system.

1.12 Payment of Gratuity Act (1972)

This act applies to the mines, factories, transport, railways etc. Gratuity is being paid on the basis of fifteen days payment for a period of one year, maximum of Rs. 10,00,000. If the organisation is a seasonal based then gratuity is paid on the basis of seven day wages for each season. If in case there is a loss because of a wrong act by the employee then the gratuity will be forfeited of the employee. The employer also needs to bear the punishment in case the gratuity is not paid to the employee. It is a mandatory and there is no relation of this system with the revenues of the organisation.
1.13 Employees' Pension Act (1995)

This act was entitled for industrial workers; pension is to be given to the employees at fifty percent of the pay and is payable on retirement or a continuous 33 years of service and a minimum of ten years of service is required for claiming pension. The pension is also provided to the families of the deceased employee. Depending upon the salary of the employee pension will range from Rs. 450 per month to Rs. 2,500 per month. It is being financed by the employer, employee and some part of it by the employee pension act and the central government.
References


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