CHAPTER III
QUALITY OF WORK LIFE- AN OVERVIEW

3.1.1. Introduction

Quality of work life is the amazing practice which employees feel about their job and working place. It gives benefit to the organization as well as to the employees. Quality of work life should be measure in two ways .i.e., Employees are the unique asset and trustworthy in the organizational aspect. Quality of work life Movement initially a loosely organized network of a few dozen academics in the early 1970’s, the QWL Movement had grown by the 1980’s into an international grouping of trade union officials, personal managers and social scientist generally. QWL will have direct and indirect relationship with the economic and social well-being of large portion of population which lies beyond the domain of Industry. Improved QWL naturally helps to improve the family life of the employees and world also improves the performance of the Industry enterprises. QWL practice involves acquiring, training developing, motivating and appraising for the best performance of the employees as per Organizational objectives. QWL provides for the balanced relationship among work, non-work and family aspects of life1.

Quality of work life refers to the favourableness or unfavourableness of job environment for people. The basic purpose is to develop work environment that are excellent for people as well as for production. QWL is a large step forward from the traditional job design of scientific management, which focused mostly on specialization and efficiency for the performance of narrow tasks. As it evolved, it used full division of labour, rigid hierarchy, and standardization of labour to reach its objective of efficiency. The idea was to lower costs by using unskilled, repetitive labour that could be trained easily to do a small part of the job. Job performance was controlled by a large hierarchy that strictly enforced the one best way of work as defined by technical people.

Quality of work life is a process of work organizations which enables its members at all levels to actively participate in shaping the organization environment, methods and outcomes. There has been much concern today about decent wages, convenient working hours, conducive working conditions etc. Their term “Quality of work life” had appeared in research journals and the press in USA only in 1970s. There is no generally acceptable definition about this term. However, some attempts were made to describe the term Quality of work life. It refers to the favourableness or unfavourableness of a job environment for people.

Quality of work Life is a Person’s life. It covers a person’s feelings about every dimension of work including economic rewards and benefits, security, working condition, Organizational and interpersonal relations and its intrinsic meaning in person’s life. Therefore we can simply say Quality of work life is a concern not only to improve life at work, but also life outside work. High level of quality of work life is essential for all organizations to continue and attract retain employees. Determining the quality of work life of employees is an important consideration for employers interested in improving employees’ job satisfaction and commitment.

QWL is a philosophy, a set of principles, which holds that people are the most important resource in the organization as they are trustworthy, responsible and capable of making valuable contribution and they should be treated with dignity and respect (Straw and Heckcher). As a Philosophy QWL views people as “assets” capable of contribution skills, knowledge, experience and commitment rather than as “cost” that are merely extensions of the production process. It argues that encouraging involvement and providing the environment in which it can flourish produces tangible rewards for both individuals and organizations.

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3.1.2. Important Definitions of QWL

Richard J and Joy L define QWL as “the degree to which members of a work organization are able to satisfy important personnel needs through their experience in the organization.”

Cohen and Rosenthal (1980) define QWL as an “internationally designed effort to bring about increased labor management cooperation to jointly solve the problem of improving organizational performance and employee satisfaction”.

According to D. S. Cohan, defines Quality of working life as “a process of joint decision-making collaboration and building mutual respect between management and employees”.

Quality of work life is to overall climate of work and its impact on people as well as an organizational effectiveness. QWL related activities are several but revolve around participative problem solving, work restructuring, quality circles, reward systems, and work environment.

3.1.3. QWL IS A HUMANIZED WORK

QWL produces a more humanized work environment. It attempts to serve the higher-order needs of workers as well as their more basic needs. It seeks to employ the higher skills of workers and to provide an environment that encourages them to improve their skills. The idea is that workers are human resources that are to be developed rather than simply used. Further, the work should not have excessively negative conditions. It should not put workers under undue stress. It should not damage or degrade their humanness. It should not be threatening or unduly dangerous. Finally, it should contribute to, or at least leave unimpaired, worker’s abilities to perform in other life roles, such as citizen, spouse, and parent. That is, work should contribute to general social advancement. The basic assumption of humanized work is that work is most advantageous when it provides a “best fit” among workers, jobs, technology, and the environment. Accordingly, the best design will be different to fit different arrangements of these variables.

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Since a job design is required to fit the current situation, it is not a one-time thing to be established and retained indefinitely. Rather, there needs to be a regular readjustment among the factors just mentioned in order to maintain the best fit.

**3.1.4. ORIGION OF THE CONCEPT**

Quality of Work Life (QWL) has emerged as one of the most important perspective of Job that ensures long term association of the employees with the organization. The emergence and concept of “Quality of Work Life” evolved in the late 19th century. The term “QWL” first appeared in research Journal and Press in USA in 1970s. The first study of “Hawthorne Experiment” by famous sociologist Elton Mayo, 1933, highlighted the importance of environmental factors on plant workers’ performance. The results tempered the Taylorian performance of “Scientific management theory” applied (Mayo, 1960). The evolution of QWL in late 1960s emphasizing the human dimensions of work that was focused on the quality of the relationship between the worker and the working environment *(Rose et al.2006)*.

After Industrial Revolution, the importance of human factor reduced because of the vast mechanization. Various problems like job dissatisfaction, boredom, absenteeism, lack of commitment etc came up. Most management theories give emphasis on production, manipulating the skills of employees. Tavy stock Institute of Human Relations, London conducted some research on “workers problems in Industrial world” and they produced a study approach called Socio-technical system in which they gave great importance to “job design” to satisfy human needs adequately and the need for Q.W.L. in an organization was emphasized, *(A.Jayakumar and K.Kalaiselvi 2012)*.

**3.1.5. Criteria for Measuring QWL**

**Job Involvement:** It represents the degree of an individual’s identification with or ego involvement in the job. The more central the job is to the individual’s life, the greater is his involvement in it. Therefore, the individual spends more time and

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energy on the job. People with high job involvement are better motivated and more productive. Research reveals that skills variety, achievement and challenge help to improve job involvement.\(^9\)

**Job satisfaction:** It implies the worker’s satisfaction with the environment of his work, quality of supervision, pay, co workers, and opportunities for promotion, etc., Job satisfaction is related to job involvement and people involved in their jobs are satisfied with their jobs and vice versa.

**Sense of Competence:** It refers to the feelings of confidence that an individual has in his own competence. Sense of competence and job involvement reinforce each other. An individual acquires a greater sense of competence as he engages himself more and more in work activities. When he feels more competent he becomes more involved in his job and becomes better motivated.

**Personality Traits:** In order to get willing and wholehearted performance from the employees certain personality traits are observed.

**Need:** Every human being has certain needs and if these needs are satisfied he is motivated to give his best performance.

Growth need: Every Person in the organization wants to go up the hierarchical ladder. If the management gives necessary support to develop his career, he is happy to work with the organization.

**Work ethic:** Business ethics are to be observed by every organization. It is the duty of the HR manager to see that quality food is provided in the canteen and no substandard material is used.

**Job Performance:** When an individual’s job involvement, job satisfaction and sense of competence increase, there is rise in job performance.

**Productivity:** When the level of job performance increase, the output per unit of input goes up. Thus, match between job characteristics and productivity traits of employees generally results in higher productivity.

Interrelationship between job characteristics, job satisfaction, sense of competence and motivation

Chart No. 3.1

A conceptual model of quality of work life

3.1.6. Barriers to QWL

- Resistance to change both by management and employees.
- There is a general perception that Q.W.L. implementation will cost much to the organization.
- Continuous increase in QWL may result in less productivity, i.e., after a certain level the productivity will not increase in proportion to the increase in QWL.
- Widespread unhappiness due to comparison with colleagues.
- Regional prejudice
- Skepticism about the performance appraisal system and promotion criteria.

3.1.7. CONSTITUENTS OF QWL

Walton lists eight conceptual categories i.e., constituents that together make up the quality of work life. These are briefly below:

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1. Adequate and Fair Compensation: it refers to a just and fair balance between worker’s effort and reward out of it. In other words, it means whether compensation helps in maintaining a socially desirable standard of life and whether compensation bears an appropriate relationship to the pay received for other work.

2. Safe and Healthy Working Conditions: factors like reasonable hours of work, zero risk physical conditions of work and age restrictions on both upper and lower side create safe and healthy working conditions.

3. Opportunity to Use and Develop Human Capacities: One way to improve QWL is let the job allow sufficient autonomy and control, use of wider range of skills and abilities, provide immediate feedback to the worker to take corrective measures, and provide opportunity to plan and implement by worker self.

4. Opportunity to Continued Growth and Security: The focus on career opportunities not on job itself. Opportunities available for growth of employees also contribute to improving QWL.

5. Social Integration in the Work Organization: QWL is also aimed at generating sense of belonging to organization in which one works, on the one hand, and developing of self-respect, on the other.

6. Work and the total life space: The demand of the work like late hours, frequent travel, quick transfers, etc. Occurring on regular basis depress the employee, his or her family, ultimately QWL.

7. The Social relevance of work: The discharge of social responsibility of business organization also contributes to QWL. On the contrary, lack of organization’s concern for social causes like waste disposal, low quality product, overaggressive marketing, etc.

3.1.8. QUALITY OF WORK LIFE PROGRAMME

Some of the characteristics in Quality of work life improvement programme include,

1. Sustained commitment from management to the open non-defensive modus operandi of sincerely, inviting collaborative inputs from the work force
regarding problem identification and suggestion for improving any aspect of the organization or the policies, practices and structure of work with incentives provided for such participation.

2. Invited involvement of members of tasks groups in recommending resolution of identified problem.

3. Training of supervisors to equip them to function effectively in a less authoritative style.

4. Implementation of practicable suggestion and explanation for rejected ideas.

5. Feedback and recognition for good results achieved.

6. Selection of personnel who can be motivated under appropriate conditions to strive for excellence in task performance.

7. Evaluation and analysis of results, including failures, leading to renewed efforts towards continual improvement in modus operandi.

3.1.9. MEASURES TO IMPROVE QWL

A) QWL THROUGH EMPLOYEE INVOLVEMENT (EI): One of the most common methods used to create QWL is employee involvement. Employee involvement (EI) consists of a variety of systematic methods that empower employees to participate in the decisions that affect them and their relationship with the organization. Through (EI), employees feel a sense of responsibility, even ownership of decisions in which they participate. To be successful, however, EI must be more than just a systematic approach; it must become part of the organization’s culture by being part of management’s philosophy. Some companies have had this philosophy ingrained in their corporate structure for decades; Hewlett-Packard, IBM, General Motors, Ford, etc.

B) QUALITY CIRCLES: Quality circles are small groups of employees who meet regularly with their common leader to identify and solve work-related problems. They are a highly specific form of team building, which are common in Japan and gained popularity in North America in the late 1970s and early 1980s. By the 1980s most medium- and large-sized Japanese firms had quality control circles for hourly employees. This effort began as a quality improvement program but has since become a routine procedure for many Japanese managers and cornerstone of
QWL efforts in many Japanese firms. Several characteristics make this approach unique.

First, membership is the circle involuntary for both of the leader (usually the supervisor) and the members (usually hourly workers). Secondly, the creation of quality circles is usually preceded by in-house training. For supervisors these sessions typically last for two or three days. Most of the time is devoted to discussions of small-group dynamics, leadership skills, and indoctrination in the QWL and quality circle philosophies. About a day is spent on the different approaches to problem-solving techniques. The workers also receive an explanation of the supervisor’s role as the group’s discussion leader and information on the quality circle concept. Thirdly, as is pointed out in the training, the group is permitted to select the problems it wants to tackle. Management may suggest problems of concern, but the group is empowered to decide which ones to select.

Ideally, the selection process is not by democratic vote but is arrived at by consensus, whereby everyone agrees on the problem to be tackled. When employees are allowed to select the problems they want to work on, they are likely to be more motivated to find solutions. And they are also more likely to be motivated to stay on as members of the circle and solve additional problems in the future.

C) SOCIO-TECHNICAL SYSTEMS: Another intervention to improve QWL is the use of socio-technical systems. Socio-technical systems are interventions in the work situation that restructure the work, the work groups, and the relationship between workers and the technologies they use to do their jobs. More than just enlarging or enriching a job, these approaches may result in more radical changes in the work environment.

D) AUTONOMOUS WORK GROUP: A more common, still rare, approach to employee involvement is the use of autonomous work groups. These are teams of workers, without a formal company-appointed leader, who decide among themselves most decisions traditionally handled by supervisors. The key feature of these groups is a high degree of self-determination by employees in the management of their day-to-day work. Typically this includes collective control over the pace of work, distribution of tasks, organization of breaks, and collective participation in the
recruitment and training of new members. Direct supervision is often necessary. QWL is more likely to improve as workers demand jobs with more behavioral elements. These demands will probably emerge from an increasingly diverse and educated work force that expects more challenges and more autonomy in its jobs ± such as worker participation indecisions traditionally reserved for management.

3.1.10. Principles of QWL

In order to humanize work and to improve the QWL, four basic principles are as follows:

1. The Principle of Security – Quality of work life cannot be improved until employees are relieved of the anxiety, fear and loss of future employment. The working conditions must be safe and fear of economic want should be eliminated. Job security and safety against occupational hazards is an essential precondition of humanization work.

2. The principle of Equity – There should be a direct and positive relation between effort and reward. All types of discrimination between people doing similar work and with same level of performance must be eliminated. Equity also requires sharing the profits of the organization.

3. The principle of Individualism – Employees different in terms of their attitudes, skill, potential, etc. Therefore, every individual should be provided the opportunity for development of his personality and potential. Humanization of work requires that employees are allowed to decide their own pace of activity and design of work operations.

4. The principle of Democracy – This means greater authority and responsibility to employees. Meaningful participation in the decision-making process improves the quality of work life.

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3.1.11. Techniques for Improving Quality of Work Life

In our country, recently many changes have introduced in the Government policies like privatization. The Government organizations are mismanaged incurring heavy loss on public money either due to corruption by bureaucrats’ intervention of politicians and Trade Union leaders and their affiliated political parties with the motives of winning elections. The scope for transfer of technology has increased and inflow of investments from non-resident Indians allowed.

The privatization created many avenues for many unemployed people by reducing severity of the problem. Hence, it is absolutely necessary to improvement in the Quality of Work Life of our country. Following are some suggestions that can help, to a large extent; improve Quality of working life in India.

The employers should:

Provide physical amenities at the work place, health and safety and welfare provision, Involve workers in decision-making on all matters, Initiate suitable forms of work design, Formalize QWL experience for future use, Develop an appreciation of changing environment.

The unions and workers should:

Educate and make workers aware of QWL identify areas of collaboration with management, Encourage workers to participate in QWL activities.

The Professional Organizations should:

Organize workshops and seminars to bring about greater awareness of QWL, Initiate specific research projects in this field, and provide professional assistance to organizations to help generate internal competence, Develop state of art profiles on QWL.

The Government should

Legislate standards and norms in newer areas, Execute in policy to provide greater autonomy experiment with QWL, Execute actions to ensure implementation of legislated facilities Encourage and adopt appropriate technology, Find projects on QWL.
3.1.12. Specific Issues in Quality of Work Life

**Pay and Stability of Employment**: Good pay still dominates most of the other factors in employee satisfaction. Stability to a greater extent can be provided by enhancing the facilities for human resources development.

**Occupational Stress**: Stress is a condition of strain on one’s emotions, thought process and physical condition. Stress is caused due to irritability, hyper-excitation or depression, unstable behavior, fatigue, stuttering, trembling psychomatic pains, heavy smoking and drug abuse. Stress adversely affects employee’s productivity.

**Organizational Health Programme**: Organizational health Programmes aim at educating employees about health problems, means of maintaining and improving of health etc. These programmes cover drinking and smoking cessation, hyper-tension control, other forms of cardiovascular risk reduction, family planning etc. This programme should also cover relaxation, physical exercise, diet control etc.

**Alternative Work Schedule**: Alternative work schedule including work at home, flexible working hours, staggered hours, reduced work week, part-time employment which may be introduced for the convenience and comfort of the workers as the work schedule which offers the individuals leisure time, flexible hours of work is preferred.

**Participative Management and control of work**: Trade unions and workers believe that workers' participation in management and decision-making improves QWL. Workers also feel that they have control over their work, use their skills and make a real contribution to the job if they are allowed to participate in the creative and decision-making process.

**Recognition**: Recognising the employee as a human being rather than as a labourer increases the QWL. Participative management, awarding the rewarding systems, congratulating the employees for their achievement, job enrichment, offering prestigious designations to the jobs, providing vehicles, offering vacation trips, etc., are some means to recognize the employees.
Congenial worker-supervisor Relations: Harmonious supervisor-worker relations give the worker a sense of social association, belongingness, achievement of work results etc. This is turn leads to better QWL.

Grievance Procedure: workers have a sense of fair treatment when the company gives them the opportunity to ventilate their grievance and represent their case succinctly rather than settling the problems arbitrarily.

Adequacy of resources: Resources should match with stated objectives; otherwise, employees will not be able to attain the objectives. This result is in employee dissatisfaction and lower Quality of work life.

Seniority and Merit in promotions: Seniority is generally taken as the basis for promotion in case of operating employees. Merit is considered as the basis for advancement for managerial people. The promotional policies and activities should be fair and just in order to ensure higher QWL.

Employment on Permanent Basis: Employment of workers on casual, temporary, probationary basis gives them a sense of insecurity. On the other hand, employment on permanent basis gives them security and leads to higher order QWL.

3.1.13. QWL in India

The quality of work Life (QWL) Apart from ensuring fair pay, the fair treatment of employees and safe working conditions, many companies respond to specific employee needs. QWL in India can be improved through a variety of instrumentalities like education and training, employee communication, union participation, research projects, and appreciation of changing environment. Improved Quality of Work Life was not considered as important factor in India until recently as there were important impending factors like resource deficiency, environmental threats and some services of financial problems. These factors can be considered as one of the reasons for delayed improvement of QWL. Quality of Work Life programs has become important in work place for the following reasons:
1. Increased demands at work
2. Loss of long term employee guarantees
3. The need for enhanced work place skills
4. Greater competition for talent
5. Increased women in work force

In India, some of the companies that emphasize the quality of work life are Hewlett-Packard, SmithKline Beecham, American Express, Colgate Palmolive, Gillette, Dr.Reddy’s Laboratories, Reliance and Maruti Udyog Limited. HP allows flexible working arrangements for its employees and follows certain innovative practices such as allowing employees to avail leave for special occasions (marriage, exam preparation, adoption of a child, bereavement in the family, and paternity). QWL in India has emerged as a movement.

Following are the factors that led to the QWL movement in our country:

1. Changing profile of the Indian worker from and illiterate, rural, low caste individual to educated, urban and essentially belonging to upper strata of caste structure has made him/her more concern for own hopes and aspirations.

2. That worker is not just like other factors of production such as, machinery, land, and capital but a human being with feelings and emotions, has made organizations behave with workers accordingly. The establishment of a separate Ministry of Human Resource Development by the Government of India is a testimony to such realization.

3. In India, around 10 per cent of workers in organized sector are unionized. The past record relation to labour unions lends enough evidence that the unionized work force has been much vocal for demands of one type or other.

4. That human behavior is highly unpredictable and complex underlines the need for the study of organizational behavior. QWL is one of the newer concepts experimenting how to make effective utilization of human resources.

QWL in India seems in practice in a variety of operational systems like workers participation, job enrichment, quality circles, etc. Here, an attempt has been
made to give an overview of these in terms of their broad coverage and experiences of Indian organization with them.

3.1.14. QUALITY OF WORK LIFE IN DIFFERENT COUNTRIES IN THE WORLD

Some of the most famous organizations of the World had Practiced Quality of Work Life in their organization successfully. These success stories are brought out by some of the authors. The experience of the famous General Motors has to be presented while discussing Quality of work Life in USA. Quality of work life is sometimes referred to as humanizing the working life and emphasizing the human factor. General Motors are used to face labour problems like high ratio of absenteeism and labour turnover and also high cost of operations. The success story of General Motors itself talks about future Quality of Work Life in USA. This programme which was initially started Tarry Town pan gave excellent results like improved productivity, improved product quality and also improved labour management relations. Another experience is that American Telephone and Telegraph Company (AT&T) made an agreement with communications workers of America in early 1980s with a massive involvement of about half a million workers. A few federal agencies like National Centre for productivity and Quality of Working Life as well as some of the private organizations like American Quality of Work Centre are working towards spreading and developing the concept of Quality of work life. R.F. Graver in his study “American Telephone and Telegraphs (AT&T) Quality of work life experiment – A Practical case study”\textsuperscript{12} K.C.D. Souza\textsuperscript{13} in his article on quality of work life as an emerging concept with various new areas taking place in it from time to time”. C.L.Coop of work life of Managers in his paper on “The Quality of Managerial Life – The Stresses and Satisfiers”, and also practiced initially Sweden, Denmark, Holland, Switzerland, Australia,USA. Japan has effectively introduced various management concepts and techniques, mostly developed in the west. The Japanese approach to Quality of Work Life improvement has two implications. i.e., flexible employment of the work force and

\textsuperscript{12} Graver, R.F."AT&T” QWL Experiment: A Practical Case Study, Management Review, June, 1983.
acceptance is the employees of due to technological changes. **West Germany** has been increasingly concerned itself with the problems of working conditions by initiating concentrated measures and programmes. In **Australia**, Emery and Emery using Socio-technical design ideas developed workshop-design where intercompany group leaving could take place. This was called the search conference method. Several Companies in Australia also undertook experiment and redesigned their system. Italy is a scene of high attention paid towards Quality of work life in early 1970s.

Then decline in attention began during later years of 1970s as they perceived Quality of work life as a “Peripheral Problem”. In recent years, the Government of Italy is again taking all steps to increase Quality of work life consciousness among organization.

**3.1.15. Why need Quality of Work Life?**

Quality of work life is a contemporary issue in every organization wants more output in comparison of less input it can be possible when working employee find its working place appropriate as per the job requirement. So it’s very important for an organization to make a Quality relationship between its employees and working environment. Now-a-days, there is no balance between the family and work life due to job pressure and conflicting interests and over-socialization that lead to too much of interest about the co-workers for satisfaction of their ego, creating problems in the minds of neighbors. The work-norms impose on workers too much of burden and control by their bosses. And the rules are for workers or employees. They have to follow, and the employer has right to lay-off the worker due to marketing and technological factors.

The Indian workers and their Unions are now on the defensive. They are now more interested in the question of how to retain their jobs than in the question of how to improve their Quality of Life in the work place. It is therefore not difficult to understand why the question of improving Quality of Work Life has lost its importance in our country. The Quality of Work Life development which has draws “attention to workers” need for meaningful and satisfying work and for participation in decisions that affect their work situations. And work is a major formation
experience which can either promote or limit a man’s growth in ways which affect the whole man and which therefore shape his life outside the job as well as within it.

3.1.16. Quality of work Life in the Insurance Sector

QWL deals with various aspects of Work environment, which facilitates the human resources development efficiently. Human Resource Development is a continuous process, which matches organizational needs for human resources and the individual needs for a career development. It enables the individuals to gain their best human potential by attaining a total all-round development. It provides opportunities for team work, personal development and career development.

Economies around the world are moving from less liberal trade practices towards greater degree of competition, and the subject of education and training- or let us say-“Human Resource Development” has taken on increased importance both from the stand point of insurance companies and of those who regulate them. If they intend to compete successfully in today’s market place the corporate strategic plans must have a human resource development component. They have to develop a tactical plan to educate and train their employees by evaluating their performance continuously for the obtainment of the corporation’s mission.

Human resources play a crucial role in the development process of the country. In service sectors like Railways, Tele-communication Departments, Insurance Sectors etc., the quality, quantity and utilization of human resources become all the more important. In the service sector like “Insurance” human capital assumes greater significance. The main reason is that by nature, a service organization is a real time business, which means there is no lead-time between production and consumption. Insurance industry is looked upon everywhere in the world as a visible instrument to provide total security and comfort during periods of crisis. The two giant public sector insurance undertakings of our country, Life Insurance Corporation of India and General Insurance Corporation of India are playing their roles effectively. Both have success records with massive contribution in nation building activities as well as in providing security in the event of loss of life or property.
Another important aspect which needs to be considered is, while there has been a great deal of concern with the environmental changes, the question of how organizations should develop their culture, skills and capabilities to meet the challenges has not been sufficiently answered. A number of Human Resource Development instruments may need to be used to move in this direction. Some of the mechanisms that are already being used by the organizations to meet the challenges are training, quality up gradation programmes, participative management, job rotation career planning, performance appraisals, restructuring organization etc.

The Life Insurance Corporation of India, being a service sector, where human capital assumes greater significance, has been emphasizing on its Human Resource Development practices since its establishment. Here have been rapid shifts in the external environment of the corporation. It has moved from a protected environment to a competitive environment, with competition coming from small companies and multinationals. Because of this shift, in its business environment, the organization culture assumes importance for its progress in the new economic environment.
PROFILE OF THE LIC OF INDIA

3.2.1. Introduction

Insurance Act, 1938 was the first comprehensive legislation in India to regulate the business of insurance, when it was found that the earlier Indian Company Act failed to meet the purpose. It was way back in 1912, when the Indian Life Insurance Companies Act and Provident Fund Insurance Societies Act 1912 was passed, which was further modified and a new legislation was passed in 1928. In 1938, the Insurance Act was passed, which aimed to consolidate and amend the law relating to the business of insurance. The Act came into force with effect from July 1939. In 1950, certain changes were effected in order to limit the expenses and control the investments. The nationalization of the insurance business, the Insurance Act, was through the IRDA Act, 1999. The Insurance Act, 1938, contains 120 sections and eight schedules. It essential is to go through some important sections of this Act of which section 45, 3, 7, 21, 22, and others are of importance. It also provides for:

1. Payment of double or triple rate of accident benefits, as per terms of contract.
2. Annuity of human life, and
3. Superannuation allowance and annuity from the funds created for granting assistance to such persons. {Sec. 2 (11)}

The insurance can be divided from two angles: first, from the business point of view and the second, from the risk point of view.

3.2.2. LIFE INSURANCE CORPORATION OF INDIA

Life insurance made its first appearance in England in 16th century, the first recorded evidence in England being the policy on life of William Gibbons on June 18, 1653. Even before the date annuities had become quite common, in England, and marine insurance had in fact, made its appearance three thousand years ago. The Life insurance developed at ‘Exchange Alley’. The first registered life office in England was the Hand-in-Hand Society established in 1696.
The famous Amicable Society for a Perpetual Assurance Office started its operation since 1706. Life insurance did not prosper in the United States during the 18th century, because of serious fluctuations in death-rate, but soon after 1800 some active interest began to be shown in this enterprise because of the application of level premium plan which had by then been in operation in U.K. for more than a generation. In India, some Europeans started the first life insurance company in Bengal Presidency, viz., the Orient Life Assurance Company in 1818. The year 1870 was a year of a landmark in the history of Indian Insurance separating the early period of pioneering attempts at life insurance from the subsequent period of steady development at the establishment of Indian Life Office, viz., Bombay Mutual Life Assurance Society in 1871. The next important life office was Oriental Government Security Life Assurance Co., Ltd., which started its operation since 1874, since then several offices developed in India.

3.2.3. Life Insurance Corporation Act, 1956

Life Insurance Business in India was nationalized with effect from 19th January 1956. From this date, life-insurance business was transacted by 154 India Life offices, The Indian business of 16 non-Indian insurers operating in India and 75 provident societies was taken over by the Government of India. LIC of India Act was passed by the parliament on 18th June, 1956 and came into effect from 1 July, 1956. LIC of India commenced its functioning as a corporate body from 1 September, 1956. Its working is governed by the LIC Act. Some of the important provisions of the Act (as amended by IRDA Act, 1999) are stated hereafter.

The LIC is a corporate having perpetual succession and a common seal with power to acquire, hold and dispose of property and can by its name sue and be used. It consists of not more than 16 members, appointed by the Government, one of whom shall be appointed the chairman. The Corporation’s duty is to carry out life insurance business to the best advantage of the community. The Corporation should make actuarial valuation once in every 2 year, vide section 26. Effective from 1986, this valuation is done every year. At least 95% of the surplus disclosed by actuarial valuation is to be distributed with profit among policy holders. The remainders shall be paid to be Central Government. Section 30 stated that LIC shall
have exclusive privilege to transact life insurance business in India. The exclusive privilege has ceased to exist as a result of amendments made in 1999. Under section 36, contracts of chief agents and special agents were terminated with effective from 1 September, 1956.

With the nationalization of the insurance business where all the small and big different insurance companies came under the same roof to conduct the insurance business under Life Insurance Corporation under the Act of similar name which came into force on 1st July, 1956, and the functioning of LIC as a corporate body commenced from 1 September, 1956.

Certain important sections under this Act are as follows:

1. Section 4 says that LIC cannot have more than 16 members of which one will be appointed as chairman.
2. Section 5 deals with the capital of LIC which is of five crores provided by the Central Govt.
3. Section 6 authorities LIC to carry out business outside India.
4. Section 28 mentions that 95% of the surplus generated as per actuarial report is to be distributed among the policy holders and 5% to the Central Govt.
5. Section 30A ceases the monopoly of LIC to carry out life assurance business. This section is in reality a big jolt to LIC in March, 2000 as it prevents the privilege of LIC.
6. Section 38 maintains that LIC cannot be liquidated by any law unless directed by the Central Government to do otherwise

3.2.4. ORGANIZATIONAL PROFILE OF LIC OF INDIA

The organizational structure of the Corporation as laid down by the Life Insurance Corporation Act, 1956, has it’s the Chief Administrative Office, called the Central Office, is situated in Bombay, with powers to control the fire zones into which its nationwide operations have been divided.

1. Central Zone
2. Eastern Zone
3. Southern Zone
4. Western Zone
5. Northern Zone.

A Zonal Manager heads each Zonal Office. These Zones are, however, independent of geographical, political and revenue divisions and are organized according to the operational convenience of the Life Insurance Corporation.

Under the zones are divisional offices and under the divisions there are branches. Though the branches are lowest runs of the ladder, they are the basic units which procure business and from whom the whole organization draws its sustenance. In addition, there are also the development centers for offering training to agents. The administrative or the Management machinery is thus organized on a five-tier bests viz., the central Office, the zonal office, the Divisional Office, the Branches and Development Centers.

<table>
<thead>
<tr>
<th>Zones</th>
<th>Divisional offices</th>
<th>Branch Offices</th>
</tr>
</thead>
<tbody>
<tr>
<td>North (Delhi)</td>
<td>15</td>
<td>320</td>
</tr>
<tr>
<td>North-centrl</td>
<td>11</td>
<td>247</td>
</tr>
<tr>
<td>Central (Kanpur)</td>
<td>7</td>
<td>140</td>
</tr>
<tr>
<td>Eastern (kolkotta)</td>
<td>18</td>
<td>363</td>
</tr>
<tr>
<td>South-central</td>
<td>16</td>
<td>314</td>
</tr>
<tr>
<td>South (Chennai)</td>
<td>12</td>
<td>261</td>
</tr>
<tr>
<td>Western (Mumbai)</td>
<td>21</td>
<td>403</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>2048</td>
</tr>
</tbody>
</table>

LIC is public Corporation and has a separate legal existence. It has 7 Zonal offices, 100 Divisional Offices and 2,048 Branches Offices in India and 3 Branches outside India. The following table presents the distribution of each category of its offices.

The organization of the LIC is a **four-tier** organization and divided into:

1. Central Office
2. Zonal Office
3. Divisional Offices
4. Branch Offices
The internal organization and management of the LIC comprise of:

1. Board of Directors
2. Committees of Corporation
3. The Chairman; and
4. Managing Director

3.2.5. Class Distinction

The employees of the corporation are differentiated by a classification based on the nature of work and responsibility that are assigned to them. Previously, the practice of the corporation was to differentiate them on the following grounds.

Class I – It includes officers belonging to the cadre of Assistant Administrative Officers, Assistant Divisional Managers, Divisional Managers and Senior Divisional Managers, Branch Managers

Class II – Development Officers belonging to the sales wing

Class III – Employees belonging to Administrative Wing under the cadre of Higher Grade Assistance, Assistants, Typists, Stenos, and Cashiers.

Class IV – It includes the sub-staff under the cadre of sweepers, at tenders, etc.

**Employees and Agents Strength of LIC of India as on 31 March 2014**

<table>
<thead>
<tr>
<th>Category of employees</th>
<th>Total Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class-I Officer</td>
<td>37,712</td>
</tr>
<tr>
<td>Development Officers</td>
<td>27,654</td>
</tr>
<tr>
<td>Class III/IV employees</td>
<td>79,889</td>
</tr>
<tr>
<td>Total</td>
<td>1,45,255</td>
</tr>
</tbody>
</table>

LIC had 1, 20,388 employees, out of which 24,867 were women (20.65%), LIC Agents 11,32,677 (94.71%).