CHAPTER V

NON-WAGE BENEFITS

IX

THE SUGAR INDUSTRY OF HAWAII AND THE PHILIPPINES
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NON-WAGE BENEFITS
IN THE SUGAR INDUSTRY OF HAWAII AND THE PHILIPPINES

INTRODUCTION
In the preceding Chapters, it was observed that non-wage benefits in the sugar industry of Uttar Pradesh are inadequate and lay excessive emphasis on bonus and statutory benefits to the utter neglect of voluntary expenditure on the welfare of the workers. It was also pointed out that these schemes are neither managed by an effective administrative machinery nor is there any association of the workers in the organisation of non-wage benefit programmes. This is indicative of the fact that the employers of the sugar companies of Uttar Pradesh, unlike their counterparts in foreign countries, regard non-wage benefits as a barren liability rather than a sound investment. Since non-wage benefits are playing a significant role in the sugar industry of foreign countries, their study will be of immense help in evolving a realistic pattern of non-wage benefits.

It is in this perspective that I am making a study of the non-wage benefits in two leading sugar producing areas, viz., Hawaii
and the Philippines. The reason for including Hawaii is that, in addition to the high cash wage, the workers of this Island receive non-wage benefits that are unknown in any of the sugar producing countries. Also, and what needs particular mention, is that the non-wage benefits in the Hawaii are given to supplement the cash wages and not as a mere substitute for money wages as is done in India. The reason for including sugar industry of the under-developed country like the Philippines is that non-wage benefits have contributed greatly towards productivity and in the maintenance of the industrial relations. The Chapter is divided into two parts. Part I deals with the growth of non-wage benefits in the sugar industry of Hawaii whereas the Philippines experience is discussed in Part II.

SECTION I

NON-WAGE BENEFITS
IN THE SUGAR INDUSTRY OF HAWAII

I shall first examine the cost and pattern of non-wage benefits in the sugar industry of Hawaii, which has the unique distinction of
being organised on the plantation system of the economy and is one of the highly mechanised sugar producer of the world. With approximately 4 per cent of India's total area under sugar-cane cultivation, Hawaii contributes roughly 30 per cent of India's total sugar production.1 Again, with 27 sugar mills employing 14,000 workers, Hawaii produces more than what Uttar Pradesh does with 70 mills. This is attributable largely to the higher wages and non-wage benefits which have reflected themselves in the form of greater productivity and better industrial relations.2

COST OF NON-WAGE BENEFITS

The workers of the Hawaii sugar industry are the highest paid workers of the world. Apart from the higher wages, they also receive non-wage benefits which are not enjoyed by other workers. The average


daily earning of hourly rated sugar workers was dollars 12.48 in 1959 which rose to dollars 14.96 in 1962, while non-wage benefits increased from dollars 4.00 a day to 4.40 during the same period. Non-wage benefits, thus, constitute roughly 23 per cent of the total labour cost. If both the elements are included, the total average cost per worker per day comes to more than dollars 20. This means that the sugar workers of Hawaii, on an average, earn as much per hour as the workers in some foreign sugar producing areas earn in a day or what the sugar workers of Uttar Pradesh earn in a month. How Hawaii's sugar workers stand in comparison with their counterparts in other countries, including Uttar Pradesh, is shown in Table XXXIV.

Table XXXIV shows how unfavourably Uttar Pradesh sugar industry workers compare with those of this small Island. Further, the emphasis on both the elements of labour cost in Hawaii points out that non-wage benefits are not considered as a substitute for

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### TABLE XXXIV

**SHOWING AVERAGE DAILY EARNINGS OF WORKERS IN SOME SUGAR PRODUCING AREAS 1962**

(TABLE IN DOLLARS)

<table>
<thead>
<tr>
<th>AREA</th>
<th>Cash Wages Per Day</th>
<th>Non-wage benefits Per Day</th>
<th>Total per day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hawaii</td>
<td>15.31</td>
<td>4.84</td>
<td>20.35</td>
</tr>
<tr>
<td>Florida</td>
<td>9.46</td>
<td>1.52</td>
<td>10.98</td>
</tr>
<tr>
<td>Louisiana</td>
<td>6.18</td>
<td>1.52</td>
<td>7.70</td>
</tr>
<tr>
<td>Puerto Rico</td>
<td>4.13</td>
<td>1.52</td>
<td>5.65</td>
</tr>
<tr>
<td>Uttar Pradesh (per month)</td>
<td>20.00</td>
<td>3.00</td>
<td>23.00</td>
</tr>
</tbody>
</table>

**SOURCES**


2. Calculated from tables xix, xx and xxi of Chapter III, (assuming one dollar = Rs. 5/-).
cash wages, as in our country, but as a device of supplementing their cash wages.

**PATTERN OF NON-WAGE BENEFITS**

An analysis of the pattern of non-wage benefits reveals that these programmes include both long term and short term benefits such as vacations with pay, paid holidays, sick leave, pay for retired employees, medical and hospital care, low cost housing and group life insurance etc. Each employee is eligible for 7 days paid holidays and vacations ranging from 7 to 21 days, according to the length of employee's service in the company and the nature of the contract. Under the sick benefit plan, workers who are in the continuous employment of the company receive benefit payments ranging from 12 days to 54 days, as shown in table XXXV.

Besides, a comprehensive medical plan exists in each sugar factory which includes professional non-surgical services of the physician, drugs and medication, surgical services, hospital care including ward beds, meals, nursing, operation rooms, anesthesia supplies, use and administration of anesthesia, splints, casts and dressings, X-ray services, diagnostic and clinical lab. services, maternity
TABLE XXXV

SCHEDULE OF SICK BENEFIT PLAN

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>Total Days of Benefits Per Year at two-third Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year but less than 2 years</td>
<td>12</td>
</tr>
<tr>
<td>2 years but less than 3 years</td>
<td>18</td>
</tr>
<tr>
<td>3 years but less than 4 years</td>
<td>24</td>
</tr>
<tr>
<td>4 years but less than 5 years</td>
<td>30</td>
</tr>
<tr>
<td>5 years but less than 10 years</td>
<td>36</td>
</tr>
<tr>
<td>10 years but less than 15 years</td>
<td>42</td>
</tr>
<tr>
<td>15 years but less than 25 years</td>
<td>48</td>
</tr>
<tr>
<td>25 years or more</td>
<td>54</td>
</tr>
</tbody>
</table>

SOURCES

Agreements between Wailuku Sugar Company and I.L.W.U., Local 142, p 26
benefits (to the wives of the employees) and various other employee accidents even outside the companies.\(^1\) These medical plans are administered by a joint union-composed medical committee consisting of the representatives of each party plus the chief physician. The joint committee meets monthly and discusses various administrative and organisation problems. Due to the medical services the health standards of Hawaii sugar workers are among the best in the world.\(^2\) Most of the above benefits are conspicuous by their absence in the sugar industry of Uttar Pradesh where, as was observed earlier, more provisions are made under the head "doctors' fee" and 'establishment' and not on medicines. Besides, the procedure of getting the medical aid is very tedious while in Hawaii even minor cases are disposed of promptly. Under the pension plan which was started in 1954, workers are required to contribute 3 per cent of their earnings and at the retirement age of 65, they are eligible upto 75 dollars a month as pension.\(^3\) The plan gives adequate

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3. Pension Agreement, 1964 Sec. 10
security to the sugar industry workers at the time of retirement. Low cost housing is another important feature in the non-wage structure of the sugar industry of Hawaii. Workers are provided well-furnished modern houses with necessary amenities at nominal rents, fixed in most of the cases by the union-management agreements. Apart from these benefits, a number of other benefits such as sports, canteen facilities, recreational and educational facilities, group life insurance etc., are also provided to the workers.

ADMINISTRATION AND ORGANISATION OF NON-WAGE BENEFITS SCHEMES

One of the important features of non-wage benefit programmes in the sugar industry of Hawaii is that there is proper administration and organization of these schemes. Nearly all these schemes were introduced as a result of collective bargaining and have, therefore, the backing of the workers. Contrary, in India the pattern of non-wage benefits is influenced by various Acts of the State and Central Governments or the Awards of the Industrial Tribunals, and as such, the employees have little choice of their having a particular benefit. Apart from various welfare and personnel officers, the sugar factories in Hawaii have Recreational Directors or Nutritionists. Also, the workers are associated with the administration.
and organisation of these benefit schemes and are, therefore, given
great responsibility, particularly in case of medical facilities,
recreation, canteens and social security schemes. In a number of
factories workers themselves administer their own cafeteria and plan
their recreation to suit themselves. Thus through active employee
participation, the industry has implemented the principle of 'mutual
responsibility' along with the management's aim to strengthen the
workers, on the one hand, and has relieved the workers and management
from time-consuming and complicated decisions, on the other. Again,
the concept of non-wage benefits in the sugar industry of Hawaii is
a dynamic one. Traditions are changing from time to time, and
accordingly, the methods of non-wage payments are also changing.
Through various employee opinion surveys, personnel department watches
incipient trends and anticipates new non-wage benefits before they
become cause for dissatisfaction. These are, therefore, in line with
the long-range personnel policies. This aspect of constant review of
non-wage benefits can be usefully taken up by the sugar industry of
Uttar Pradesh. Finally, through various communication media, the
companies have impressed their employees with the true cost of non-
wage benefit programmes. This has created a favourable impact
on the minds of the workers that the elimination of wastage and
frivolous expenditure will make more money available for other benefits. In an attempt to alert the employees the expenses of non-wage benefits, many companies issue an annual report to each worker summarizing the amount contributed in his name to various benefit schemes as well as the current state of his pension accumulations, insurance protection, vacation allowance etc. But in the sugar industry of Uttar Pradesh non-wage benefit schemes have not received the place of honour in the labour cost structure, and in order to conceal the low allocations, most of the reports and annual accounts altogether neglect the item of non-wage benefits. The sugar companies of Hawaii also give wide publicity to their non-wage benefit programmes through employment advertisements, issuing various charts, diagrams and cartoons such as 'But our cake has a million dollar frosting', 'Here is your Quaker Report for fringe benefits', 'What you got in 1964 and now in 1966', 'What makes a good job?' and 'Your pay envelope extras' etc.

The above analysis shows that an important feature of the non-wage structure in the Hawaii sugar industry is that practically all these benefits are provided by the employers voluntarily and are jointly administered by the workers and the employers. Through special agreements with the trade unions, the industry has
standardised most of the benefits. Similarly, the participation and administration of the workers in non-wage benefit schemes has made them more effective. This consultation of the workers and the administration by the union has ensured the provision of only those benefits which are liked by the workers. Since, the workers also share some of the financial burdens of non-wage benefit schemes, the burden is not exclusively borne by the employers. Seen in this perspective, Hawaii's sugar non-wage structure can be called a comprehensive one which aims at providing not only higher wages but also numerous non-wage benefits unknown to most of the world's sugar workers. This explains the reason why the industry is making steady progress uninterrupted by labour trouble.

SECTION II

PATTERN OF NON WAGE BENEFITS

IN THE SUGAR INDUSTRY OF THE PHILIPPINES

Having seen the effectiveness of non-wage benefits in the sugar industry of Hawaii, I now proceed to analyse their performance
in the sugar industry of the Philippines where 3 per cent of the total national income originates from this industry. An outstanding feature of the pattern of non-wage benefits in the Sugar Industry of the Philippines is that the industry covers the workers from the cradle to the grave, and most of the amenities are provided to the workers voluntarily by the management without any pressure from the Government. For instance, the industry maintains modern hospitals, clinics and extensive field services. Free medical services, paid vacations and sick leaves are, in fact, the main features of this industry. Again, community services, such as recreational clubs, rural banks, model community canteens, and gardens are some other features of this industry. Further, the industry constructs school buildings without any contribution from the Government and maintains them throughout the year. In Victorias alone, the elementary school building put up wholly by the central accommodates thousands of workers' children. Also, there are cooperative stores in every mill, which provide clothes, cosmetics and other essential items at almost cost prices. To ensure the health of the workers, the industry

encourages and promotes sports such as athletic meets, soft-ball, basketball, tennis, dances and numerous other social functions. Besides, it also takes care of the spiritual needs of its workers by providing worship facilities. Unlike sugar industry of Uttar Pradesh, the sugar industry of the Philippines provides not only for the present but also for the future. For instance, apart from the SSS retirement plan, approximately 85 per cent factories had their own retirement plan. 1 Through a comprehensive insurance programme, which covered more than 32,000 workers at the end of 1960, approximately 40 per cent of the workers were insured for a policy of P 1,000, and the cost is entirely borne by the employers. 2 The total claims paid up to 1960 were P 148,250. An important feature is that the sugar industry provides housing facilities for every one both executive and labour. The houses which are modern and fully furnished are allotted to the workers in consultation with the trade unions. Sugar factories also provide lighting facilities to the

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2. The Story of Sugar, Manila Sugar Planters' Association, 1965, p 25
workers, and where these are not given, an allowance for the same is granted. In all the factories, bonus is given to the workers, which is linked either with the production or attendance. Free transport facilities are also given to the workers in some factories. A general welfare fund is also raised by the industry at the rate of two per cent per annum of the general production of the factory to finance the sick, the ailing, disabled, old and the retrenched workers and for the maintenance of the club and play grounds.

An idea of the attitude of the management towards the work people can be had from the fact that the sugar industry spends a considerable proportion out of the profits in the form of non-wage benefits. In spite of the provision of SSS retirement plans, practically all the employers had their own pension plans to supplement the minimum fixed by the Government. Similarly, the employers are also providing hospital facilities much more than the minimum prescribed by the law. This is in sharp contrast to Uttar Pradesh sugar industry where the minimum fixed by the Government has become more or less the maximum.

But this is not all. In spite of the increases in the wage rates, non-wage benefits were not curtailed in the sugar industry of the Philippines, as is the case in the sugar industry of Uttar Pradesh. Despite the enlightened attitude of the management, however, the
Government of the Philippines was not unmindful of the interests of the workers as can be seen from the following order: "The employer shall not reduce the wage paid to the workers before the effective date of the Wage Order which is in excess of the wages fixed therein or reduce the supplements or fringe benefits enjoyed by the workers before the effectivity of the Wage Order." 1 Similar legislation is also needed in the sugar industry of Uttar Pradesh where, as was observed earlier, non-wage benefits are curtailed, when the industry has to raise the wage levels under the pressure of the Wage Board Awards. This conservative labour policy of the employers of the sugar industry of Uttar Pradesh, it may be added even at the risk of repetition, needs radical change in view of the lower labour productivity and deteriorating labour relations. These benefits have helped in creating a structured and contented labour force, which in turn, has extended its cooperation in the process of production and has also raised their productivity. 2

1. The Minimum Wage Order No. 1, which became effective on March 17, 1964, raised the minimum daily wage for agricultural workers to P 4.00 and P 5.50 for non-agricultural workers. (Department Order No. 4, Series of 1964, Department of Labour, Manila, p 3).

CONCLUSIONS

The foregoing review shows that the cost of non-wage benefits in the sugar industry of foreign countries and its distribution between the different types of benefits is of a size and character that can rightly be called a "comprehensive" one. The factual information available clearly indicates the rising trend in the provision of these benefits in Hawaii and the Philippines. Although, the progress of non-wage benefit schemes in these countries has not been uniform, certain conclusions can be drawn from their experiences. At the first instance, the cost of these benefits forms a substantial proportion of the total labour cost and a majority of the firms are paying more than average as non-wage benefits. Further, the growth of voluntary non-wage benefits has outpaced the "statutory" benefits. Thirdly, apart from the Government and the employers, workers are also participating in the finances of these schemes and this makes them cost-conscious. Besides, several methods are also adopted to associate the workers with the management and for enlisting their cooperation. Finally, the analysis shows that the growth of non-wage benefits has not at all affected the quantum of money wages or vice versa. This enlightened labour policy has
resulted in the maintenance of better industrial relations and raising the labour productivity. As against this, the non-wage benefits in the sugar industry of Uttar Pradesh, being insignificant, are not playing any effective role in the industrial development. The reason for this unsatisfactory state of affairs lies not in the fact that there is no scope for their development but that the industrialists as well as the trade unions have not addressed themselves to this task. If the various defects which characterise their quantum, pattern and administration are removed, they will be an important supplement to wages for the workers on the one hand and an effective incentive for industrial development, on the other. It is in this perspective that I have outlined the various corrective measures to improve the non-wage structure of the sugar industry of Uttar Pradesh in the succeeding Chapter.