CHAPTER III
Laws and Rules Governing Employee Benefits and Labour Welfare Measures and Social Securities Benefits
It is difficult to define what a fringe benefits is, for there is no agreement among the experts on its precise meaning, significance or connotation of Fringe benefits. The chief area of disagreement is between "wages" and "fringe" on the one hand and between "fringes" and "company personnel service" on the other. There are also differences on whether the benefits which have been legally provided for should be included among the "fringes". The Oxford Dictionary defines labour welfare as "efforts to make life worth living for workman". The ILO Regional Conference described welfare to means "such service, facilities and amenities, which may be established outside or in the vicinity of undertaking to enable the persons employed there in to work in healthy and congenial surroundings to and to provide them with amenities conducive to good health and high morale."

The glossary of current industrial relations and wages terms has defined fringe benefits as "supplements to wages received by workers at the cost of employers. The term encompasses a number of benefits - paid vacation, pension, health and insurance plan, etc - which usually add up to something more than a "fringe" and is sometimes applied to a practice that may constitute a dubious benefit for workers".  

The International Labour Organisation has defined "fringe benefits" as under:  

"Wages are often supplemented by special cash benefit, by the provisions of medical and other services or by payment in kind that form part of the wage for expenditures on the goods and services. In addition, workers commonly receive such benefits as holidays with pay, low cost meals, low rent housing, etc. Such additions to the wage proper are sometimes referred to as

‘fringe benefits’. Benefits that have no relation to employment or wages should not be regarded as fringe benefits, even though they may constitute a significant part of the workers’ total income. This is fairly obvious in the case of public parks, sanitation services, public and fire protection.”

The United States Chamber of Commerce includes five categories of services and benefits under the term fringe benefits. These are: ³
i) Legally required payments - old age pension, survivor benefits, disability pension, health insurance, unemployment insurance, separation pay, and payments made under the Workmen’s Compensation Act;
ii) Pension and group insurance; and welfare payments;
iii) Paid rest periods, rest up time, lunch periods;
iv) Payment for time not worked -Like vacations and holidays,
v) Christmas bonus/Festival bonus

Belcher defines these benefits as “any wage cost not directly connected with the employees, productive effort, performance, service or sacrifice.”⁴

According to the Employees federation of India, “fringe benefits include payments for non-working time, profits and bonus, legally sanctioned payments on social security schemes, workmens compensation, welfare cess, and the contributions made by employers under such voluntary schemes as cater for the post-retirement, medical, educational cultural and recreational needs of workmen. The term also includes the monetary equivalent of free lighting, water, fuel, etc., which are provided for workers, and subsidised housing and related services.”⁵

Cockman views employee benefits as “those benefits which are supplied by an employer to or for the benefits of an employee, and which are not in the

⁴ Belcher, D. “Fringe Benefits: Do We Know Enough About Them?”, Langsner and Lollitsch, Wage and Salary Administration, South-Western Publishing Company, Cincinnati, Ohio, P 488
⁵. Employers’ Federation of India, Fringe Benefits in Indian Industry, Bombay, 1968
form of wages, salaries and time-rated payments.”

We may define fringe benefits thus:

Fringe benefit is primarily a means in the direction of ensuring, maintaining and increasing the income of the employee. It is a benefit which supplements to a worker’s ordinary wages and which is of value to them and their families in so far as it materially increases their retirement benefits.

Benefits differ from incentives in the sense that these are non-financial and membership-based. In other words, while incentives are paid to specific employees whose work (performance) is above standard, benefits are available to all employees based on their membership in the organisation. The catchwords “fringe benefits” initially used to denote the employee benefits are no longer merely ‘fringe’ as such. Now, these so called fringe benefits form a substantial part of the expenditure incurred on wage and salary administration. For example, according to an estimate, the money value of fringe benefits may usually account for 40%, if not more, of the employee remuneration in certain large organisations.

This is precisely the reason why ‘fringe benefits’ are nomenclature by some people as ‘employee benefits and service’. Here also, some thinkers have tried to draw a line of distinction between benefits and service. According to them, the word 'benefits' applies to those items for direct monetary value to the employee can be ascertained. Holiday pay, pension, medical insurance etc., are examples of such benefits. The word 'services', on the other hand, refers to such items whose value in monetary term cannot be ascertained. The examples of such items are housing, examination, legal aid, athletics, etc. However, both terms, viz., benefits and services have been used as interchangeable or synonymous.

There are some important features of Fringe benefits, like-

Firstly, Fringe benefits are those Payments or benefits which a worker

enjoys in additions to the wage or salary he receives.

Secondly, these benefits are not given to workers for any specific job they have performed but are offered to them to stimulate their interest in their work and to make their job more attractive and productive for them. They boost the earnings of the employees.

Thirdly, Fringe benefits represent everything which a company spends over and above “straight time pay” should be considered.

Fourthly, a fringe is never a direct reward geared to the output, effort or merit of an employee. It is offered, not on the basis of the hard work or long hour of work put in by an employee but on the basic of length of service, his sickness, sex, the hazards of life he encounters in the course of his work, etc.

Fifthly, to be termed a “fringe benefits”, a labour cost should be intended by an employer as a benefit desired by his staff. It is a fringe benefit when it is enjoyed by all the employees.

Sixthly, a fringe must constitute a positive cost to the employer and should be incurred to finance an employee benefit. If the benefit increases a worker’s efficiency, it is not a fringe; but it is given to supplement his wages.

Though these benefits are known as fringes they are not merely so but are a substantial part of the expenditure incurred on wage and salary administration. They are better known now as “Benefits and Services” rather than as ‘Fringe Benefits’. But since the terms are also used interchangeable, they are synonymous.

The word “Benefits” applies to those items for which a direct monetary value to the employee can be easily ascertained, as in the case of holiday pay, pension, medical insurance or separation pay. The word of “services” on the other hand, refers to such items as athletics, company purchasing service, workers medical examinations, legal aid, housing, etc.

3.1 Objectives of Fringe Benefit:

The main objectives with which such fringe benefits are offered are-
1. To induce happier employer-employee relations;
2. To generate good morale in the employees;
3. To provide a psychologically satisfactory work environment;
4. To cater to health and the safety of the employees;
5. To promote employee welfare;
6. To induce loyalty to the company; and
7. To meet the legal requirements.

Fringe benefits may be classified as under:
a) Employee Security Payment: These include:
   i) Employers Contribution stipulated in legal enactments i.e.
      old age, survivor, disability, health and employment insurance;
   ii) Payment under the workmen’s compensation.
   iii) Supplemental unemployment benefits.
   iv) Accident insurance.
   v) Pensions.
   vi) Contributions to savings plans and health and welfare funds.
b) Payment for time not worked:
   i) Rest period, ii) Holiday, iii) Vacations,
   iv) Sick leave, v) Severance pay, vi) Leave of absence
   vii) Pension programmes, viii) Insurance.
c) Bonus and awards.

In addition to the above fringe benefits, organisations also provide some services to the employees. These services are provided at the discretion of the management. These services include:

i) Service related to the type of work performed.
ii) Eating facilities.
iii) Transportation facilities
iv) Child care facilities
v) Housing services.
vi) Financial and legal service.
viii) Purchasing services
ix) Educational services.
x) Medical services.
xi) Outplacement of services
xii) Flextime.
xiii) Cafeteria services.

3.2 Statutory Welfare Provisions:

These are amenities that are necessarily being provided to the employees under different labour legislations. The important legislations which call for these welfare provisions include -The Factories Act, 1948, The Plantation Labour Act, 1951, Mines Act, 1952. Motor transport Workers Act, 1961, and Contract Labour (Regulation and Abolition) Act, 1970.

**The Factories Act, 1948**

The Act covers areas including health, welfare, safety, working hours, annual leave with wages and employment of women and children.

The Act is applicable to premises including precincts thereof where ten or more workers are employed with the aid of power, or where 20 or more workers are employed without power.

The welfare amenities provided under the act include:

1. Washing facilities.
2. Facilities for storing and dry clothing.
3. Sitting facilities for occasional rest for workers who are obliged to work standing
4. First-aid boxes for cup-boards- one for every 150 workers, and ambulance facilities if there are more than 500 workers.
5. Canteens if employing more than 250 workers
6. Shelters, rest rooms and lunchrooms, if employing over 150 workers
7. Creche, if employing more than 30 women
8. Welfare officer, if employing more than 500 workers.

The various benefits provided under the Act include: (i) No worker (adult) shall be required to work in a factory for more than 48 hours in any week (Section 51); (ii) The working hours shall be kept restricted to 9 hours on any day (Section 54) (iii) An adult worker shall have weekly paid holidays, preferably Sunday ( iv) A worker deprived of weekly holidays, is eligible for compensatory holiday of the same number in the same month; (v) Provision for double salary to the workers working during holidays; and (vi) Provision for canteen employing more than 250 workers and creches where more than 30 women employees are working.

The Mines Act, 1952

Apart from provision for canteen and creches, the Mines Act, (1952) specifies that there should be provision for first-aid boxes and first-aid rooms in mines employing more than 150 workers and appointment of a welfare officer in mines employing more than 500 workers.

The mine owners should make provisions for:
1. Maintenance of creches where 50 or more woman workers are employed.
2. Shelters for taking food and rest if 150 or more workers are employed
3. A canteen in mines employing 250 or more workers
4. Maintenance of first-aid boxes and first-aid rooms in mines employing more than 150 workers
5. (i) pit-head baths equipped with shower baths,
   (ii) sanitary latrines, and
   (iii) lockers, separately for men and women workers
6. Appointment of a welfare officer in mines employing more than 500 persons to look after the matters relating to the welfare of the workers.
The Plantation Labour Act, 1951

The following welfare measures are to be provided to the plantation workers:

1. A canteen in plantations employing 150 or more workers
2. Creche in plantations employing 50 or more women workers
3. Recreational facilities for the workers and their children
4. Educational arrangements in the estate for the children of workers, where there are 25 workers’ children between the age of 6 and 12.
5. Housing facilities for every workers and his family residing on the plantation. The standards and specifications of the accommodation, procedure for allotment and rent chargeable from workers etc. are to be prescribed in the rules by the State Government
6. Medical aid to workers and their families. The workers are also entitled, subject to any rules framed by the State Governments, to sickness allowance and maternity allowance.
7. The State Government may make rules requiring every plantation employer to provide the workers with such member and type of umbrellas, blankets, raincoats, or other such amenities for the protection of workers from rain or cold as may be prescribed
8. Appointment of a Welfare Officer in plantation employing 300 or more workers.
9. Workers who worked for 240 days during a calendar years are eligible for paid vacation at the rate of one day for every 20 days worked in case of adult workers and the rate of one day for every 15 days worked in case of child workers.

The Motor Transport Workers Act, 1961

The motor transport undertakings are required to make following provisions in the areas of health and welfare;

1. Canteens of prescribed standard, if employing 100 or more workers.
2. Clean ventilated, well lighted and comfortable rest room at every place where motor transport workers are required to halt at night.

3. Uniforms, raincoats to drivers, conductors and line checkers for protections against rain and cold. A prescribed amount of washing allowance is to be given to the above-mentioned categories of staff.

4. Medical facilities are to be provided to the motor transport workers at the operating centers and at halting stations as may be prescribed by the State Governments.

5. First-aid facilities equipped with the prescribed contents are to be provided in every transport vehicle.

The Contract Labour (Regulation and Abolition) Act, 1970

The contractor is required to provide the following welfare and health measures to the contract workers:

1. A canteen in every establishment employing 100 or more workers.

2. Rest rooms or other suitable alternative accommodation where the contract labour is required to halt at night in connection with work of an establishment

3. Provision for washing facilities.

4. Provision for first-aid box equipped with the prescribed contents.

The Act imposes liability on the principal employer to provide the above amenities to contract labour employed in his establishment, if he contractor fails to do so. The need for setting up creches in industrial establishments was stressed by the Royal Commission on Labour in its report way back in 1931. The Factories Act lays down that in any factory with more than 50 women workers a creche should be provided and maintained for children less than 6 years in clean and sanitary conditions. The creche should be under the care of women trained in child care. The creche should have adequate accommodation, should be properly lighted and ventilated. The State Government is empowered
to make rules in respect of standards, equipment and facilities. Mother should also be given time to feed their children at necessary intervals.

The Factories Act, 1948, provides for the statutory appointment of a welfare officer in a factory in which 500 or more workers are employed. The State Government may prescribe the duties, qualifications and conditions of service of officers employed. The functions of a welfare officer include the broad areas of (i) Labour welfare (welfare function), (ii) Labour administration (personal function) and (iii) Labour relations (conciliation function).

The labour welfare function includes advice and assistance in implementing legislative and non-legislative provisions relating to health, safety and welfare, hour of work, leave, formation of welfare committees, etc.

The labour administration covers organisational discipline, safety and medical administration, liaison, wage and salary administration, education of workers, etc. The labour relation consists of settlement of disputes, promotion of harmonious labour-management relations, etc.

**Educational Facilities Provided by the Employers:**

Economic and social progress is correlated to the quality of work life. Education plays a crucial role in motivating and preparing the workers for constant change and development that should necessarily happen in industry. The need for imparting necessary education to workers in India had been emphasised by the Indian Industrial Commission (1918) and the Royal Commission on Labour (1931). The educated worker is naturally more receptive and responsible.

Educating the workers' family, especially his children, is essential. It is an investment in training the future workforce. The Central Workers Education Board conducts classes for industrial workers. The National Commission on Labour and the Committee on Labour Welfare recommended that trade unions should take an active interest in educating workers and running schools for
workers' children. However there is no statutory obligation on any industry to impart education to worker's children except in plantations.

**Housing Facilities:**

Both the Indian Industrial Commission (1918) and the Royal Commission realised the importance and necessity of improving housing conditions of industrial workers and suggested various measures. In 1948, the Government of India put forth the Industrial Housing Scheme. The Committee on Labour Welfare emphasised the importance of the role of the State Government in acquiring land near industrial areas and renting house in reasonable rates. The National Commission on Labour recommended that the Government should take the major responsibility for housing. The government should also use all the help that employers can provide and that fiscal and monetary incentives should be provided to make it a viable proposition for them.

**Transport Facilities**

Transport facilities for workers residing far from the workplace are essential to relieve strain and anxiety. Such facilities will, no doubt, also provide greater opportunity for relaxation and reduce the rate of absenteeism.

The Committee on Labour Welfare recommended the provision on adequate transport facilities to workers to enable them to reach their workplace without loss of much time and without fatigue. The Committee also recommended that in industrial undertakings where transport services are not provided, some conveyance allowance mutually agreed upon between employer and the employees should be paid to the employees. To encourage the employees to have their own conveyance the Committee recommended that the employer should advance loans for purchase of bicycles, scooters, etc.

**Recreational Facilities:**

Recreation in the form of music, art, theatre, sports, and games can play an important role in the mental and physical development of employees. The
importance of recreation in creating a healthy climate for industrial peace and progress has been empathized by several study, committees and commissions.

The ILO Recommendation on Welfare facilities adopted in 1956 urged upon the member countries to take appropriate measures to encourage the provision of recreational facilities for the workers in or near the undertaking in which they are employed. These measures should preferably, be taken in such a way as to stimulate and support action by the public authorities so that the community is able to meet the demand for recreational facilities.

In India, provision of recreational facilities has been made obligatory on employers in plantations. The Committee on Labour Welfare recommended that small units could be lent a helping hand by the state in organizing recreational facilities for its workers in industrial housing colonies. Trade unions could also take the initiative and different agencies could combine their efforts to provide a minimum number of sports and recreational activities to keep the labour force fit and healthy. Excursions can be organised, youth club can formed and holiday homes can be provided for your employees.

**Consumer Cooperative Societies**

The importance of opening Consumer Cooperative Societies/Fair Price Shops for the workers was first realized during the Second World War during this period a large number of Consumer Cooperative Societies were organised by the Government for the distribution of controlled commodities. A Committee was set up in 1961 by the National Cooperative Development and Warehousing Board to suggest measures for the development of the cooperative movement.

The Committee felt that it should be made obligatory for employers and industrial undertakings to introduce consumer cooperative activities in their labour welfare programmes. The Indian Labour Conference in 1962 adopted a scheme for setting up consumer cooperatives stores in all industrial establishments including plantation and mines employing 300 or more workers. The employer was to give assistance in the form of share capital, working
capital, loan, free accommodation and other amenities. The Industrial Truce Resolution, 1962, aimed to keep prices of essential commodities low by opening a sufficient number of fair price shops and cooperatives stores so that workers were assured of a regular supply of essential items. For example, Indian Railway provides facilities to the employees by stating Consumer Cooperations.

3.3 Social Security:

In general sense, social security refers to protection provided by the State to its members against providential mishaps over which a person has no control. The underlying philosophy of social security is that the State shall make itself responsible for ensuring a minimum standard of material welfare to all its citizens on a basis wide enough to cover all the main contingencies of life. In other sense, social security is primarily an instrument of social and economic justice.

According to the Social Security (Minimum Standards) Conventions (No 102) adopted by the ILO in 1952, the following are the nine components of social security that configure its scope.

i) Medical Care
ii) Sickness benefits
iii) Unemployment benefit
iv) Old age benefit
v) Employment Injury benefit
vi) Family benefit
vii) Maternity Benefit
viii) Invalidity Benefit, and
ix) Survivor's benefits.

The introduction of social security measures in India is expectedly a recent one. In fact, the making of climate for industrial security in India started from the 10th Session of the International Labour Conference held in 1927 in
which two Convention and Recommendations were adopted for social security in the country.

These were discussed thread bare in the Indian Legislative Assembly in 1928. However, the Assembly resolved that the introduction of any comprehensive scheme for social security on the lines proposed by the ILO was impracticable under the conditions then prevailing in the country. Later, the Preparatory Asian Regional Labour Conference, held in New Delhi in 1947 adopted a comprehensive resolution on social security implementation in various Asian Countries. Following this resolution, the Employees State Insurance Act, 1948 was enacted in India to inaugurate the social security measures in the country.

As stated earlier, India, as a 'Welfare State', is expected to take care of the citizens from the 'cradle to the grave'. It is this realisation, the constitution of India lays down that the State shall, within the limits of its resources and development, make effective provisions for securing public assistance in event of unemployment, old age, sickness, and disablement. This constitutional obligation has served as epochmaking in India's efforts in the field of social security provisions in the country. Since then, various social security schemes have been introduced in the country. Among the social assistance schemes, old-age assistance schemes are the most important ones. It was the Government of Uttar Pradesh who introduced old-age assistance scheme for the first time in 1957. The scheme was designed to pay a monthly benefit to needy individuals over the age of 70 years who had no one to support them. Later on, similar schemes were introduced in Andhra PII in 1961, Tamil Nadu in 1962, Punjab and Hariyana in 1963 and subsequently in many other states. Yes, the eligibility conditions to avail of these benefits and levels of benefits differ across the States. Subsequently, with increasing need for social security along with the increasing levels of national development, the Government made various legislative provisions to afford the needy people/workers protection against
uncertainties in their lives

**Need for Social Security:**

One moot question to be answered is why there is a need for social security especially in India. As has already been mentioned, the underlying philosophy of social security is to ensure a minimum level of material living to the needy or helpless ones of the society by the State. Our accumulated experience reveals that in an industrial economy, the workers have been subjected to periodic unemployment due to cyclical fluctuations in business; sickness, industrial accidents and old age. In fact, there is nothing more disconcerting to worker and his/ her family than unemployment. Similarly, while sickness suspends earning capacity of a worker temporarily, industrial accidents may disable him/her partially or even permanently, and old age may put a stop to his/her ability to earn and support himself/herself and the family. The capitalist having sufficient resources, has no problem in facing the risks of life. But, the worker does not have resources required to face the risks caused by sickness, accidents, unemployment and old age. Nor has he/she alternative sources of livelihood or accumulated property to overcome the period of adversity. Such a situation underlines the need for social security to be provided to such needy workers/people. Naturally, the Government has, then, the obligation to help the needy and helpless workers and provide them security to pass through in period of adversity.

That the need for social security is realized not only to afford the needy workers' protection against the adversities of life, but also for the overall development of the State is well elucidated by a former veteran trade union leader, the President of India, Mr. V. V. Giri. He opines that, “Social security measures have two-fold significance for every developing country. They constitute an important step toward the goal of a Welfare State, by improving living and working, conditions and affording the people protection against the uncertainties of the future. These measures are also important for every
industrialisation programme, for not only to enable workers to become more efficient but they also reduce the wastage arising from industrial disputes. The man-days lost on account of sickness and disability also constitute a heavy drain on the slender resources of the worker and on the industrial output of the country. Lack of social security impedes production and prevents the formation of a stable and efficient labour force. Social security is therefore, not a burden, but a wise investment in the long run."

Thus, the need for a comprehensive programme of social security in India is strong that it needs no more proof or evidence. It is must to ensure a minimum level of living for those who are helpless on various counts.

Social security programmes are increasingly being accepted as useful and necessary instrument for the protection and stability of the labour force. It is primarily an instrument of social and economic justice. It is a dynamic concept. Its content changes with the social and economic system obtaining in a given time and space. Its contents changes with the social security as “the protection which society provides for its members through a series of public measures, against the economic and social distress that otherwise would be caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment insurance, unemployment, invalidity, old age and death, the provision of medical care; and the provision of subsidies for families with children”.

The term social security came into popularity after the US Government passed the Social Security Act in 1935, introducing the old age pension system. The formation of ILO in 1991 to promote social justice through (i) international standards; (ii) providing information; (iii) technical assistance and guidance; and (iv) cooperation with other international organisations, provided the impetus and direction needed by most countries.
The Women’s Compensation Act, 1923:

Indian’s first social security legislation was passed 1923. The women’s Compensation Act provided compensation to the industrial workers. The Act imposes obligation on the employer to pay compensation for accidents arising out of and in course of employment. The Act was amended in 1962 raising the wage limit to Rs. 400 per month, and in the 1976 amendment raised the wage limit to Rs. 1,000 per month, and later amendment raised it to Rs. 1,600 per month.

The compensation limits in case of death were raised from Rs. 10,000 to 30,000 and for permanent and total disablement from Rs. 14,000 to 40,000 by the same amendment. The term “Workmen” in the Act refers to those employed in factories, mines, plantations, construction work and other hazardous occupations, except those covered by Employee State Insurances Act, 1948 and clerical employees.

The compensation is related to the extent of the injury or circumstances of death. However, the employee cannot claim any compensation if he sustains injuries under the influence of drugs, alcohol, etc, The Act provides for half-monthly payment for temporary disablement, The Compensation cannot exceed half the monthly wages. The Act is administered by a Commissioner appointed by the Government. The employer is required to file annual return giving detail of the compensation paid, number of injuries and other particulars.

The compensation is paid depending upon the type of injury. In case of permanent total disablement, the rate of compensation varies between Rs.60,000 to Rs.2.74 lakhs. In case of partial disablement, compensation at the rate of 50 per cent of wages is payable for a maximum period of 5 years. There is no wage limit to the coverage of the Act. In case of injuries causing death, the rate of compensation varies from Rs.50,000 to Rs. 2.28 lakhs depending upon the salary and age of the worker at the time of his/her death.
If the workman contacts any occupational disease due to employment in that particular job; it would be deemed to be an injury by accident arising out of and in the course of his employment to purposes of the Act. In this case, the compensation will be payable only if the workman has been in service of the employer for more than six months.

If the employer does not pay the compensation within one month from the date it fell due, the Commissioner may order recovery of not only the amount of arrears but also a simple interest at the rate of 12% P.A. on the amount due. If there is no justification for the delay in the opinion of the Commissioner, an additional sum not exceeding 50% of such amount may be recovered from the employer by way of penalty.

The Employees' State Insurance Act, 1948.

This is a pioneering attempt to provide medical facilities and unemployment insurance during illness to industrial workers. The subject of health insurance for industrial workers was first discussed in 1927 by the Indian Legislature when the applicability of the convention adopted by the International Conference was considered by the Government of India. The Royal Commission on Labour in its Report (1931) stressed the need for health insurance for the workers in India.

The act covers smaller factories using power and employing 10 or more persons and those not using power but employing 20 or more people. The Act has also been extended to the new classes of establishments, shop, hotel, restaurants, cinemas theatres, motor transport, building construction and newspaper establishments employing 20 or more persons. It covers all employees, manual, clerical and supervisory and employees engaged by or through contractors; whose remuneration does not exceed Rs. 6500/- per month. The definition of "employee" includes administrative staff and persons engaged in connection with purchase of raw materials or sale or distribution of products.
and related functions. The state Government is empowered to extend the Act to cover other establishments or class of establishments.

The scheme is administered by an autonomous corporation with the minister of Labour at the center as its Chairman, the Union Health Minister as the medical profession nominated by the Central Government.

The scheme is financed by contribution from employers and employees, with the State Governments sharing one-eight of the cost of medical care. The employer pays 4.7% of the wage bill, a maximum of Rs.7.50 per week on the highest wage scale, and the insured person pays about 2.3% of his wage, around Rs.4 per week. The maximum corresponding daily benefit rate for the insured person is Rs.15. The state government which implements the scheme is reimbursed to the extent of 7/8 of the expenses incurred on workers families and 3/4 of the expenses incurred in the case of workers. In order to qualify for the benefit the worker should have contributed to the scheme for a minimum period of 12 weeks.

The benefits provided under the scheme include: (i) Sickness and extended sickness benefit; (ii) Maternity benefit; (iii) Disablement benefit; (iv) Dependent’s benefit, (v) Funeral benefit; and (vi) Medical benefit.

Since its inauguration in October 1948, the ESI Corporation has 129 ESI hospitals with 23,690 beds, 43 ESI annexes and 1,450 dispensaries including mobile dispensaries and 66.13 lakhs employees had received benefits as on 31st December, 1998. During a single year 1997-98, the Corporation had distributed Rs.932 crores by way of sickness benefits, maternity benefits, temporary and permanent disablement benefits and dependents benefit.

**Sickness and extended sickness benefit:**

For sickness occurring during any benefit period, an insured person is entitled to receive sickness cash benefits at the standard benefit rate for a period of 91 days in any two consecutive benefit periods. Cash benefits are subject to contributory conditions. An insured person suffering from long term ailments
like tuberculosis, leprosy, mental disease, is eligible for extended sickness benefits at a rate of 25 per cent more than the sickness benefit rate rounded to the next higher multiple of 5 paise, for a period of 124/309 days. Contributions are calculated with reference to average daily wages, and wages have been classified into 9 groups for the purpose of fixing the contribution.

Maternity benefit:

An insured woman is entitled to maternity to benefit at double the standard benefit rate. This is practically equal to full wages for a period of 12 weeks.

Disablement benefit:

If a member of the scheme suffers an injury in the course of his employment, he will receive free medical treatment and temporary disablement benefit in cash. The temporary disablement benefit is about 70 percent of the wages as long as the temporary disablement lasts, provided that it lasted for not less than 3 days, excluding the day of accident. In case of permanent disablement, the insured person will be given life pension at full rate, i.e. about 70 percent of his wages.

Dependants’ benefit:

This provides timely help to the eligible dependents of an insured person who dies as a result of an accident or an occupational disease arising out of and in the course of employment. Pension at the rate of 40 per cent more than the standard rate will be paid periodically to windows and children in accordance with the prescribed share. The benefit also accrues to parents and grandparents and any other dependent up to the age of 18 where the deceased has no surviving widow or child.

Funeral benefit:

This benefit was introduced in 1968. An amount of not exceeding Rs. 100 is payable as funeral benefit to the eldest surviving member of the family of the deceased insured person. If the insured person did not have a family or was not
living with his family at the time of death, it is payable to the person who actually incurs the expenditure on the funeral of the deceased person.

Medical benefit:

The major attraction of the ESI scheme is medical benefit. Medical benefit has been divided into three parts:

(a) **Restricted Medical Care**: It consists of out-patient medical care at dispensaries or panel clinics. Facilities of consultation with medical officers, supply of drugs, pre-natal and post-natal care, family planning and immunisation services are available in these institutions. The beneficiaries are also entitled to call a doctor to their house to see a serious case.

(b) **Expanded Medical care**: This consists of consultation with specialists and supply of special medicines and drugs as may be prescribed by them. Facilities for special laboratory tests and X-ray examinations are also available under this scheme.

(c) **Full Medical Care**: Hospitalisation facilities, services of specialists and drugs and diet as are required for in-patients are available under the scheme.

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

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

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

**The Employees Provident Fund and Miscellaneous Act, 1952**

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

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

**Effect of number of employees falling below twenty:**

Once the aforesaid conditions are fulfilled it applies and continues to be applicable even if the Act ceases to apply to the establishment. The ceasing of the applicability of the Act to the establishment will not automatically bring about the ceasing the applicability of the scheme because the applicability of the scheme depends upon its own contents and not upon the provisions of the Act.

**Non-applicability of the Act to certain establishments:**

Section 16 (1) provides that the Act shall not apply to certain establishments mentioned therein. Such establishments include:

(i) Establishments registered under the Co-operative Societies Act. 1912, or under any other law for the time being in force in any State relating to co-operative societies, employing less than 50 persons and working without the aid of power; or

(ii) To any other establishments belonging to or under the control of the Central Government of a State Government and whose employees are entitled to the benefit or contributory provident fund or old age pension in accordance with any scheme or ruled framed by the Central Government or the State Government governing such benefits; or

(iii) To any other establishment set up under any Central, Provincial or State Act and whose employees are entitled to the benefits or contributory provident fund or old age pension in accordance with any scheme or rule framed under that Act governing such benefits; or
(iv) To any establishments newly set up. until the expiry of period of three years from the date on which such establishments is, or has been set up.

However, mere change of location does not make the establishments a newly set up one.

Under Section 16(2) if the Central Government may having regard to the financial position of any class of establishments or other circumstances of the case, it is necessary to expedient so to do, it may, by notification in the Official Gazette, and subject to such conditions as may be specified in the notification, exempt that class of establishments from the operation of this act for such period as may be specified in the notification.

Employees' Provident Fund Scheme:

Section 5 empowers the Central Government to frame Employees' Provident Fund Scheme for the establishment of Provident Fund under this Act. However, a notification in the Official Gazette must be issued before framing any such scheme. The scheme shall apply to employees or any class of employees of an establishment or class of establishments as specified in it.

The fund shall vest in the and be administered by the Central Board, constituted under Section 5-A.

Contributions and matter, which may be provided for in the Scheme:

Under Section 6 the contribution paid to the Fund by employer shall be ten per cent of the basic wages and dearness allowance and retaining allowance and the contribution payable by the employee shall be equal to the employer's contribution. If an employee so desires he may contribute an amount exceeding ten per cent of his basic wages, dearness allowance and retaining allowance (if any), subject to the condition that the employer shall not be under an obligation to pay contribution over and above his contribution payable under this section.

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

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

**Employees' Pension Scheme [Section 6-A]**

I. The Central Government, may by notification in the Official Gazette, frame a scheme to be called the Employee's Pension Scheme for the purpose of providing for-

a) Superannuation pension, retiring pension or permanent total disablement pension to the employees of any establishment or class of establishments to which this Act applies; and

b) Widow or widower's pension, children pension or orphan pension payable to the beneficiaries of such employees.

II. Notwithstanding anything contained in Section 6, there shall be established, as soon as may be after framing of the Pension Scheme, a Pension Fund into which there shall be paid from time to time in respect of every employee who is a member of the Pension Scheme –

a) Such sums form the employer's contribution under section 6, not exceeding eight and one-third per cent of the basic wages, dearness allowance and retaining allowance, if any, of the concerned employees, as may be specified in the Pension
b) Such sums, as are payable by the employer of exempted establishments under sub-section (6) of Section 17

c) The net assets of the Employees' Family Pension Fund as on the date of the establishments of the Pension Fund

d) Such sums as the Central Government may, after the appropriation by Parliament by law in this behalf, specify.

III. On the establishment of the Pension Fund, the Family Pension Scheme (hereinafter, referred to as the ceased scheme) shall cease to operate and all assets of the ceased scheme shall vest in and shall stand transferred to, and all liabilities under the ceased scheme shall be enforceable against, the Pension Fund and the beneficiaries under the ceased scheme shall be entitled to draw the benefits, not less than the benefits they were entitled to under the ceased scheme, from the pension Fund.

IV. The pension Fund shall vest in and be administered by the Central Board in such manner as may be specified in the Pension Scheme.

V. Subject to the provisions of this Act, the Pension Scheme may provide for all or any of the matters specified in Schedule III

VI. The Pension Scheme may provide that all or any of its provisions shall take effect either prospectively or retrospectively on such date as may be specified in that behalf in that scheme.

VI. A Pension Scheme, framed under sub-Section (1), shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the scheme or both Houses agree that the scheme should not be made, the scheme shall
thereafter have effect only in such modified form or be of no effect, as the case may be; so however, that may such modification or annulment shall be without prejudice to the validity of anything previously done under that scheme.

**Employees’ Family Pension Scheme, 1971**

A scheme of Family pension-cum-life Assurance was instituted in 1971 with the objective of providing long-term recurring financial benefit to the family of the member in the event of his premature death while in service. Under the Act, the word “family” means (i) wife in the case of a male member of the family pension fund; (ii) husband in the case of a female member of the family pension fund; (iii) Minor sons and unmarried daughter of a member of the family pension fund.

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

**The Employees’ Deposit-linked Insurance Scheme, 1976:**

The Act is applicable to all factories/establishments to which the Employees’ Provident Funds Act applies. Where the monthly pay of an employees’ provident funds act applies. Where the monthly pay of an employees exceeds Rs. 1600 per month the contribution payable in respect of him by the government make contribution to the scheme and not the employees’ himself. the employer is required employees who are provident fund subscribers. The central government also contributes to the Insurance fund an amount representing one half of the amount contributed by the employers.

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

**The Maternity Benefit Act, 1961**

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

Under the Act, a woman can get maternity leave up to 12 weeks. Of this 6 weeks must be taken period to the delivery of the child and 6 weeks immediately following that date. During the period of leave the employee is entitled to full wages/salary. The employee is also entitled to a medical bonus of Rs. 25 if no pre-natal confinement and post-natal care has been provided by the employer free of charge. To avail of the leave and benefits, the employee should have put in 160 working days of service in the 12 months immediately preceding the date of expected delivery.

**The Payment of Gratuity Act, 1972**

The Payment of Gratuity Act 1972 was passed as Act No 30 of 1972 and received the assent of the President of India on August 21st, 1972. It was enforced w.e.f. 10th September, 1972.

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

According to the Act, an employee is entitled to 15 days wages for every year’s continuance in service. Seasonal workers should be paid gratuity at the rate of 15 days wages per session. The total gratuity payable shall not exceed more than 20 months wages. The Act applies to workers who so not have any managerial or administrative capacity or are employed under the Government and do not draw wages of more than Rs. 3500 per month. Gratuity is payable on
termination of employment after the completion of at least five years of continuous service. This is relaxable in the case of death or disablement. It extends event Administrative and managerial staff subject to prescribed wage limit. The total amount of Gratuity Payable shall not exceed Rs 3,50,000 [Section 4(3)]w.e.f from September, 1997. The wage ceiling has been removed with effect from 24th May, 1994.

Forfeiture of Gratuity:

The gratuity of an employee whose services have been terminated for any act of (i) wilful omission, or (ii) negligence causing any damage or loss to, or destruction of; property belonging to the employer, gratuity shall be forfeited to the extent of the damage or loss so caused,

Where the service of an employee have been terminated:

(a) For riotous and disorderly conduct or any other of violence on his part, or

(b) For any act which constitutes an offence involving moral turpitude provided that such offence is committed by him in the course of his employment. The gratuity payable to the employee may be wholly or partially forfeited [Section 4(6)].

Compulsory Insurance:

Section 4-A provides for compulsory insurance for employer’s for payment the gratuity under the Act from the Life Insurance Corporation established under the Life Insurance Corporation of India Act 1956 or any other prescribed insurer. However, employer of an establishment belonging to or under the control of the Central Government are exempted from the operations of these provisions, Further the appropriate Government may also exempt:

(i) Employers who have already established an approved gratuity fund in, respect of his employees and who desires to continue such arrangement; and

(ii) Employers employing 500 or more persons, who establishes an
approved gratuity fund in the manner prescribed.

**Nomination:**

Each employee, who has completed one year of service, shall make nomination within such time, in such form and in such manner as may be prescribed.

**Recovery of Gratuity:**

Under Section 8 if the amount of gratuity is payable under this Act is not paid by the employer, within the prescribed time, to the persons entitled there to the controlling authority shall on an application made to it in this behalf by the aggrieved person, issue a certificate for that amount to the Collector, who shall recover the same, together with compound interest thereon at such rate as the Central Government may, by notification, specify form the date of expiry of the prescribed time, as arrears of land revenue and pay the same to the person entitled thereto.

All these statutory and non-statutory welfare provisions are used to develop the human resources of the organisation concerned. These measures are designed to enhance the workers efficiency, moral and productivity. Worker welfare programmes are the important component of compensation package. These programmes ultimately supplement the salary of the employees.

These are the important provisions of employees benefits and welfare. As a welfare state these provisions are included in various Acts enacted over the last fifty years. It is also observed that these provisions are violated by most of the industrial establishment of the country due to the lack of strict supervision by the Government. It is observed that Government has played a significant role in enacting various Act for the welfare of working class during the last fifty years.

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In the next chapter, a critical discussion on compensation planning in select organisation is carried out.