Chapter IV
CHAPTER IV
WAGE COMPENSATION PAYABLE TO EMPLOYEES
IN TIRUPPUR KNITWEAR UNITS

Garment occupies a predominant position in world trade, as it is the fastest growing sector in the textile industry. In India a major portion of garments are being made in the state of Tamil Nadu (which is geographically located in the southern most end). Inside the state of Tamil Nadu, the most important garment production region is Coimbatore district where Tiruppur region is located. Reasons cited are that labour costs are lower and the trade union movement is almost absent in the garment industries.

The reason for the growth of textile mills is the fact that these regions are known for their black cotton soil and fertile cotton farms. Mumbai is known as Manchester of North India and Coimbatore is known as Manchester of South India. Tiruppur achieved its momentum in 80’s on account of its export market and change of production from inner wear to T-shirts and reached its export boom in the 90’s. Textiles and fabrics account for about 12 percent of India’s total exports. About 45 percent of these are in the form of knitwear. The share of knitted garments in value terms is much lower than in volume terms. There is no doubt that the knitted sector is emerging as the fastest growing sector in comparison with the woven garment sector.

The export of garments have surged both in quantity and value terms in both rupee and hard currency. Tiruppur specialises in knitwear. Over 80 percent of garments manufactured in Tiruppur are for exports. Though knitted garment exports from Tirupur touched US $ 1.02 billion in the year 2001-2002, the domestic market accounted for only US $306.12 million of consumption. Tiruppur Exporters Association claims to have manufactured over 76 percent of national exports of knitwear. This may be the case if we account for the garments purchased by the big
buying houses in Mumbai, New Delhi, Calcutta and Bangalore which plays a pivotal role, generating as much as 4 percent of India's total export trade\textsuperscript{117}.

**RAW MATERIAL**

The main raw material in the form of cotton yarn of different thickness is supplied by the agents of hundreds of spinning mills located in Coimbatore, Salem, Erode and other adjoining cities. Several mills have set up their sales depots at Tiruppur to provide raw material on ex-stock basis. Besides, there are also several cotton yarn merchants in Tiruppur and Coimbatore. Speciality stores selling accessories, such as buttons, zips, laces and sewing threads are there in a large number in Tiruppur itself. Similarly, the dyes and chemicals that are manufactured mainly in Gujarat and Maharashtra are available through companies, sales depots and through merchant dealers in Tiruppur.

The manufacturers of circular knitting machines and dyeing machinery are mainly located in Punjab, specially in Ludhiana and Amritsar. With the introduction of new technology, imported machinery has been in widespread use in Tiruppur. The commission agents and dealers for both indigenous and imported machinery are based in Tiruppur providing access to the latest models available worldwide. Conducive to the need of the export market, innovative service enterprises have been set up by private entrepreneurs. These services are targeted at exporters, suppliers, manufacturers, buyers, importers and the retailers that help their customers to reduce their risk, improve efficiency, provide inputs for cost control, implement and ensure compliance of the mutually agreed quality systems. There is a noticeable absence of adequate capacity in good quality dyeing and finishing processes. These two processes limit the entry of Indian textiles into higher value added products despite a modern spinning sector. Furthermore, production run sizes are longer in Indian plants across the three processes (Cutting, Manufacturing, Cutting, and Manufacturing).

\textsuperscript{117} Meenu Tewari and Jeffrey Geoble: “Small firm competitiveness in a Trade liberalized world”, Lesson from Tamilnadu, April 2002
Trimming), resulting in higher waiting times for a lot and higher working process inventory. The average manufacturing and delivery lead times from procurement of yarn to shipment (receipt by customer) for India’s apparel exports is between 144 to 182 days, which is often longer than an entire fashion season.

The Tiruppur industry also requires better quality and more competitive rates of hosiery yarn because in the knitting process, yarn has to be converted into loops and while a defect in woven fabric is rectifiable, a defect in knitted fabric is not rectifiable and yarn costs contribute to 60 per cent of the cost of the fabric. In the past few years, however, over 200 units have taken up to modernisation of their production processes with fresh investments. About 800 new knitting machines have been imported from abroad. According to the United Nations Industrial Development Organisation report, soft flowing dyeing machines, compacting machines for minimising residual shrinkage, dyeing machines, computerised colour matching systems and stenter machines for removing deformity in knitwear are some of the many new machines that have been bought by the industry. Liberalisation of markets led to a shortage of yarn for Tiruppur producers. Spinning mills preferred to export yarn, taking advantage from the high prices on the world market.

DESCRIPTION OF TYPES OF GARMENT PRODUCTION

Early in the 80s export of knitwear, mainly basic T-shirts were made in small quantities. Exports of other knitwear items gained momentum after 1985. In the late 80s the knitwear industry diversified very quickly and took up manufacture and export of other outer garments, like, cardigans, jerseys, pullovers, ladies blouses, dresses and skirts, trousers, nightwear, sportswear etc. The knitwear industry in Tiruppur has concentrated mainly on the production of garments for the spring and summer seasons. Of late, the industry has diversified its production range to include

118. Association for stimulating the know-how (ASK): "Basic information on regional labour of Mumbai, pre-study report for FWF2001.
winter garments, using polar fleece and blended fabrics. At present, winter garments have come to hold a share of 20 per cent in the total production of knitwear in Tiruppur. As cotton garments are meant for only the spring and summer seasons, which short-lived in Europe and Western countries, the industry is forced to take up production of winter garments which have year-round demand in international markets. Advanced technologies is used in yarn manufacturing, cone winding machines, loom and spinning machines. The knitting machines are locally called a Ludhiana machines based on its place of production. Padlock stitching machines, tailoring machines, cutting equipments, scissors, bleaching tanks, compacting machine, dyeing tanks, common effluent treatment plants, water tanks for washing, coloring plants, screen-printing boards, embroidery machines, computers for designing the fashion clothes and automatic printing machines etc., are used in the manufacturing process.\(^{120}\)

**DESCRIPTION OF THE SUPPLY CHAIN OR PRODUCTION NETWORK**

Garment production can be split up into the following steps:

1. **Yarn manufacturing or spinning mills**
   (Threads are manufactured from cotton)
2. **Knitting process**
   (Machines convert the threads in garment cloth rolls)
3. **Dyeing and bleaching process**
   (In this process the clothes are bleached first as white garments and then coloured using dyeing process)
4. **Compacting and calending process**
   (In this process clothes are dried and straightened.)
5. **Cutting the cloth** (by hand or machine)
6. **Stitching process**
   (Clothes are cut and stitched as garments.)
7. **Fabric printing**
   (If required logos and slogans are printed in the screen printing process)

8. Embroidery process
(Embroidery designs are made in clothes if required by the design)

9. Labeling process
(Labels of each brand are stitched in the clothes)

10. Checking process
(Garments are checked for any faults like small holes, scratches, imperfect colour, stitching errors etc.)

11. Ironing process
(In this process garments are ironed)

12. Packing and shipment
(All garments are uniformly arranged and each piece is packed in a polythene cover and then packed in cardboard boxes. Finally loaded in containers and shipment).

EMPLOYMENT GENERATION

In terms of employment generation, the direct employment in the Tiruppur garment industry is estimated to be 1,00,000 skilled, semiskilled and unskilled workers and another 1,00,000 persons are estimated to be earning their livelihood from this industry. These indirect activities relate to the forward and backward linkages within the industry such as cotton ginning, yarn spinning, specialist tailoring, calendaring, packaging and other related service activities. Most of the workers are migrated from nearby districts due to famine and poverty and the migrant workers are mostly from the backward, most backward and scheduled caste families. These migrant workers are mostly landless agricultural coolies. On account of drought, they could no longer survive in their own lands, hence they migrated to Tiruppur seeking jobs. The migrant worker is satisfied with the present salary. Although wages are low and working hours long, many workers consider themselves to be fortunate just to have a job in a factory. In India, only 6.7 percent of the working population comes under salaried, 37.3 percent casual labour and 56 percent self employed. Despite economic growth, unemployment is rising. Everyday many workers line up at the gates of the garment factories to try to get a job for the day.
LABOUR SITUATION AND WAGES

Living and working conditions of garment workers in general are bad. In the trade union meetings several problems concerning labour conditions were mentioned like wages are low and often based on a piece rate system, workers have to work long hours in order to make a living. Complex chains of subcontracting are present within the country and the sector is characterized by a high number of small units. Even in larger factories minimum wages are not paid. There is a strict hierarchy of jobs. Knitting machine attendants (in charge of the circular knitting machines and responsible for the production of knitted fabric), cutters, and machinists in the CMT (Cutting, Manufacturing and Trimming) units are all regarded as skilled jobs and the rates of pay are relatively high. There are three main kinds of stitching or sewing machine like overlock, chainlock and flatlock were more labourers are employed. In addition there are separate machines for button holing (sometimes subcontracted out to work-shops) sewing on buttons and labels. There are also hydraulic presses for flattening the garments before packing. All these workers are assisted by (unskilled) helpers. In Bangalore more women are employed as machinists but it is in contrary in Tiruppur. Iron masters are also regarded as skilled workers as are packers, this may presumably reflect the importance of these elements for export orders. Trimmers and checkers, hand folders, bundlers and label putters are regarded as semi-skilled. These jobs are nearly all performed by women. These differences are reflected in the TEA (Tiruppur Exporters Association) wage agreement. Wages are far below living wages. Most families have 2 or more wage earners. There is a collective bargaining agreement for the export garment industry in Tiruppur by way of a wage settlement agreement between trade unions and employers association TEA (Tiruppur Exporters Association).
Table 14

Table showing the category of workers and payment of wages

<table>
<thead>
<tr>
<th>Workers’ categories Export division</th>
<th>Existing Basic Wages (8hrs)</th>
<th>Wage increase 2.6.2003 to 1.6.2004</th>
<th>Wage increase 2.6.2004 to 1.6.2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cutter, Tailor, Ironer, Packer</td>
<td>79.73</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Label Putting</td>
<td>41.01</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Hand folding</td>
<td>39.85</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Damage Spotting</td>
<td>31.87</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Checker</td>
<td>45.50</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Assistant to labourer</td>
<td>22.81</td>
<td>10%</td>
<td>5%</td>
</tr>
</tbody>
</table>

(Sources: Tiruppur Exporters Association Board, 2004)

Dearness Allowance is fixed at Rs. 790 per month (Rs. 30.38 per day). The Tiruppur Exporters Association agreement is not implemented generally. It is not even implemented by all members of Tiruppur Exporters Association although it should be binding for all members of the employers association. Most of the workers who work for daily wages complain that they are not being paid according to the wage settlement. A large number of unregistered workers, work under piece rate system. The unions have opposed payment of wages in the form of piece rate. The piece rate system that has been fixed for the workers are based on the nature of stitching and related works for example:

- a) Piece rate ironing and cutting jobs per garment piece Re. 1,
- b) Stitching Sleeveless and Backside stitching Rs. 4 per dozen, for just sleeveless stitching Rs. 2 per piece,
- c) Sleeveless Ordinary T-shirts Rs. 3 per dozen number of T-shirts,
- d) Stitching ribs Rs. 2.25 per dozen number of T-shirts,
- e) Side stitching Rs. 3 per dozen number of T-shirts and
- f) T-shirt shoulder stitching Rs. 2 per dozen number of T-shirts.

The actual wages received by the workers are below minimum. Workers are not paid in a premium rate for every working hour that they work as the overtime except in some factories which provides Rs 20/- as refreshment allowance for workers who work in the night beyond 10 p.m. Provident fund and Employees State
Insurance schemes are available only for a limited number of workers who have an experience of 5 years with in the same factory. Many of the workers do not get these basic benefits according to the law of the land.

The strict hierarchy of jobs of course hinders internal flexibility where workers know how to perform all types of jobs. If the workers do not perform the jobs upto the mark, they will be fired and thrown out jobless. New recruits are automatically filled in lieu of the workers thrown out. There is a marked difference between the position of tailors and cutters, and that of other, less skilled workers. Tailors and cutters often operate as semi self-employed, hiring one self out to the highest bidder. They tend to have a greater preference for piece rates and less for permanent contracts, although one should be careful to generalise. In Tiruppur, tailors and cutters are mostly men. In general, the garment industry in Tiruppur is less feminised than elsewhere. In Tiruppur workers use changing companies to get higher grade jobs by giving false information about their previous job. Auditors should look very well to the situation of checkers as they appear to be the most under privileged. Also clerical staff should gain attention. Although the main status division is between office staff and workers in the factory, the salaries of office workers is often quite a lot less than the skilled workers. The former are usually paid on monthly salaries, and in some case benefits such as Employees State Insurance while the latter are piece-rated and in many cases temporarily employed from job to job.

Discrimination of population in Tiruppur as elsewhere in Tamilnadu is based on class, religion, caste and gender, but as far as workplaces are concerned, such discrimination do not manifest. Wages are fixed by categories and not by sex or other inscriptive features of Indian society. In line with the general pattern in the region, age and sex differences are found within the production units, and even among staff. Women workers are mostly working as unskilled workers and approximately only a few of them are skilled workers. Only a few women are found in power table machines and single needle machines as tailors. On the contrary, checking is completely a woman’s job. The women are lesser among skilled, administrative, supervisory and specialist jobs, this seems to be a customary rather than a discriminatory feature. Unskilled women workers are denied training to become skilled workers and thereby denied equal opportunity to promotion. The
employers do not prefer women in the age group of above 30 years and married women workers. This is the general trend in all these companies. Most of the women workers are not paid the maternity benefits. The employers are not comfortable with married women with child as they are more likely to take leave on account of their child’s health etc. Most of the workers in garment industry are less than 40 years of age irrespective of their gender.

In general there is no child labour in the registered export units in Tiruppur. But child labour is prevalent in the unregistered garment units according to the factory officials. The Inspector of factories has launched more than 100 cases under the Factories Act, penal provisions under Child Labour (Prohibition and Regulation) Act, 1986. District Administration has taken much effort to eradicate child labour in the garments industry. Since the garments industry is not termed as hazardous industry in the child labour (Prohibition and Regulation) Act, 1986, it is hard to prosecute the management that employ less than 20 workers where 12 to 14 years old children are sometimes found working, since that unit will not come under the purview of factories Act. Now most of the major companies engage them only in peak season unlike few years ago, but small and medium size companies employ them more frequently and in some cases as full time workers. Most of the child labour in the Indian garment industry is found in subcontracting shops or in homework situations. At least 5 percent of the Tiruppur apparel production takes place in people's homes, with families carrying out operations such as attaching buttons and other accessories or operating a knitting machine. Birth registers, as known in Western countries, do not exist, making it extremely difficult to determine the exact age of a young worker. A medical doctor's certificate or school records may be the only way to determine a person's age.

Many of the employers adopt and use contract arrangements for hiring or employing workers in violations of labour laws. Many employers use apprenticeship schemes particularly in fabric printing and supervisor's category of the different processing units of garment industry. Employers do not maintain the actual records related to child workers, young workers, wage payment details, working hour schedule and all the major records subjected to scrutiny for violations. In most of the
units there are few regular workers depending on the size of the unit and mostly temporary or contract workers are employed. For the regular or permanent workers, registers are maintained, their names are on the master rolls. The employers cover these workers under all the social security benefits. However, the employers generally as a practice do not cover casual, contract, piece-rated workers under the social security benefits that may be applicable to the respective workers. They are able to do so and also get away with this, because of the inefficient and corrupt system of enforcement. The reasons often given by the employers for these practices are:

(1) The workers themselves do not want to get covered under such security benefits as the procedures and processes for getting benefits from these measures are tedious and cumbersome. The workers are also not very sure whether they will ultimately get their dues from the Government and hence would rather prefer to take total wages without any deductions.

(2) The nature of business is not continuous and therefore covering all the workers under social security measures would entail more liabilities which they cannot afford to take.

In some companies apprentices can work for 3 years as apprentices without receiving regular wages. This is not right for so long a time as apprentices may not get Over Time, Employees State Insurance and Provident Fund benefits\textsuperscript{121}.

**Contract system in the garment industry**

The employers make or choose arbitrarily one of the workers as a contractor and run the unit in his name. Under the contract less than 20 workers are employed so as to refrain from the tedious process of obtaining license as per the Contract Labour (regulation and abolition) Act, 1970. Since the contract is in the contractor's

\textsuperscript{121} Tiruppur Exporters Association Report, 2004.
name he becomes liable for all the misconduct that is practiced. The worker who agrees to become the contractor may not even know that he is a contractor or even if he knows about it, then he may not be aware of the problems he could get into if there are any inspections. He is also not at all involved in any kind of decisions with respect to workers or any other matter of the unit. In Tiruppur it has been reported that an illegal contract system exists. Supervisors recruit the workers mostly on a daily wage basis. Sometimes they employ the same person under a different name the next day. The employers are not licensed and thus there is no register of principal employer, which leads to a breach of the abolishment of Contract Labour Act. Wages may be based on the profit margin the supervisor or the labour contractor makes out with the owner. So owners can keep the payroll for less than eleven workers in their establishment to avoid Provident Fund and Employees State Insurance contribution.

In Tiruppur, companies now use a scheme of hiring migrant girls from far away places, giving them housing, food, and pocket money, but no real wage. They promise to pay, for example Rs. 30,000 after 3 years as contract amount. In another scheme the girls are paid a small sum every month and the parents get a lump sum every year, but sometimes the girls are fired just before the end of the contract. This is again, against the payment of wages act that stipulates that wages should be paid monthly.

Health and safety of the workers who are working inside the main factory are working in a comparatively better working environment than the workers in the small export units. Most of the workers who work are working outside the factories’ as piece rate workers have no provision for health and safety standards. It is a complex situation in terms of addressing health and safety issues of those home-based workers who work on a piece rate basis in small units. These contribute significantly to the export of garments and the main issues are dust, fire safety, hot pipes and fumes (ironing), electrical appliances and wires, eye protection (buttoning), and jobs that require people to stand all day. Other issues may be air ventilation, sufficient space for each workers, potable drinking water, sufficient toilets, emergency exits, medical expenses in case of accident, first aid box and health check up. Medical doctors are present in some factories. According to the workers, during peak
production season, there exists a total congestion when many workers used to work at that particular point of time. It has been stated that about half of the workforce in garment units is a migrant worker. These workers stay or are housed in unhygienic conditions and cramped accommodation. This situation of employing migrant workers should change. Tiruppur Exporters Association could build common houses, bachelor quarters, quarters for women workers. Even Non Governmental Organisations could adopt such methods. Migrant worker's is an important aspect of labour conditions that should be looked into in the audit. Proper lighting and ventilation in the workplace is important. Canteen or if not a canteen, at least a spacious room where workers can take food away from the cluttered up or dusty workplace is necessary. Protective gears like earplugs and gloves are important. Posture problems lead to back ache and pain in the joints. Chairs with hard seats need to be replaced by wire mesh seats as otherwise health problems like piles (hemorrhoids) result.

Steps to clear dust and fine particles of cotton, thread or foam to prevent workers being afflicted by asthma and other respiratory ailments should be looked at. Most of all, information boards on health, occupational hazards should be kept at appropriate places in the work area and the rest rooms. These information boards should also promote awareness about HIV. This is especially important because of the large proportion of migrant labour in the garment sector workforce, and migrant labour is a vulnerable group in this regard. Dormitories may not be company owned but shared by a number of companies.

Wage Compensation

Compensation is a comprehensive term which includes wages, salaries, all other allowances and benefits. Wages are the remuneration paid for skilled, semi-skilled and unskilled operative workforce. While salaries are paid on monthly basis wages may be paid on daily basis or even hourly basis. The process of compensation is a complex net-work of sub process directed towards remunerating

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122. http://www.saarcnet.com/newsaarcnet/countryprofile/India/india 27.html; (except from: South Asian Association for Regional Corporation (SAARC); country profile India)
people for the service rendered and motivating them to attain a desired level of performance. The intermediate components of this process are wages, the awarding of other cost items such as allowance, leave facilities, houring travel, leave travel concessions and also the provision of essential non-cost rewards such as recognition of privileges and symbol of status.

In brief compensation may involve the following three payments! (i) Primary compensation such as basic wages and salaries, (ii) Incentive compensation such as premium or Bonus and (iii) Supplementary compensation such as Dearness Allowance, Housing Rent Allowance, Grauity, Insurance, Bonus etc.

**Working conditions - Wages and salaries**

Wages vary from industry to industry and are determined on the basis of collective bargaining in each industry. Basic wages are fixed by legislation in accordance with the category of employee, which depends on the nature of work or skill required. An unskilled worker earns between Rs 2,000 to Rs 3,500 per month, while a highly skilled worker earns between Rs 3,000 to Rs 5,000. Office clerical staff are paid between Rs 2,000 to Rs 5,000 per month. The cost-of-living index is compiled every month by the Commissioner of Labour's office in the various industrial regions. Where none is locally compiled, the amount of the employee's cost-of-living allowances is often linked with the cost-of-living index of the nearest industrial centre.

Salaries and wages in general are often comparable in the public and private sectors, but senior management salaries and some middle management salaries tend to be significantly higher in the private sector.

**Need for payment of wages and compensation**

A wage (or pay) is the remuneration paid, for the service of labour in production, periodically to an employee or a worker. Wages usually refer to the hourly rate or daily rate paid to such groups as production and maintenance employees ("blue-collar workers"). On the other hand, Salary normally refers to the
weekly or monthly rates paid to clerical, administrative and professional employees ("white-collar workers").

Compensation may be defined as money received in the performance of work, plus the many kinds of benefits and services that organizations provide their employees. Money is included under direct compensation (popularly known as wages, i.e., gross pay); while benefits come under indirect compensation, and may consist of life, accident, and health insurance, the employer's contribution to retirement, pay for vacation or illness, and employer's required payments for employee welfare as social security.

Wage levels represent the money an average worker makes in a geographic area or in his organization. The term wage structure is used to describe wage or salary relationships within a particular grouping. The grouping can be according to occupation, or organization. The wage structure or grade is comprised of jobs of approximately equal difficulty or importance as determined by job evaluation. If the point method of job evaluation is used, the pay-grade consists of jobs falling within a range of points. If the factor comparison plan is used, the grade consists of a range of evaluated wage rates (or points, if the wage rates are converted to points). If the ranking plan is used, the grade consists of a specific number of ranks. If classification system is used, the jobs are already categorised into class or grades.

The Wage Determination Process

Usually, the steps involved in determining wage rates are like that of performing job analysis, wage surveys, analysis of relevant organizational problems forming wage structure, framing rules of wage administration, explaining these to employees, assigning grades and price to each job and paying the guaranteed wage.

The process of job analysis, results in job descriptions, which lead to job specifications. A job analysis describes the duties, responsibilities, working conditions and inter-relationships between the job as it is and the other jobs with which it is associated. It attempts to record and analyze details concerning the training, skills, required efforts, qualifications, abilities, experience and responsibilities expected of an employee. After determining the job specifications,
the actual process of grading, rating or evaluating the job occurs. A job is rated in order to determine its value related to all the other jobs in the organization, which are subject to evaluation. The next step is that of providing the job with a price. It involves converting the relative job values into specific monetary values or translating the job classes into rate ranges.

Once the relative worth of jobs has been determined by job evaluation, the actual amounts to be paid must be determined. Making wage or salary surveys in the area concerned does this. Such surveys seek to answer questions like what are other firms paying? What are they doing by way of social insurance? What is the level of pay offered by other firms for similar occupations? etc., by gathering information about ‘benchmark jobs’, which are usually known as good indicators.

There are various ways to make such a survey. Most firms either use the results of "packaged surveys" available from the research bodies, employer’s associations, Government Labour Bureaus, etc., or they participate in wage surveys and receive copies of results, or else they conduct their own. These surveys may be carried out by mailed questionnaire, telephone, or personal interviews with other managers and personnel agencies. A wage survey to be useful must satisfy these points.

(a) Frequency—affected by rapidity of changes, current and contemplated. Once per year is common.

(b) Scope (number of firms) – influenced by the geographic area from which people are drawn, the number of units competing for this labour, accuracy requirements, and willingness of organisations to share information.

(c) Accuracy—the diversity in job titles and specific job duties is staggering. The greater the accuracy and detail needed, the greater the requirements for careful description and specification and surveyor’s reliance on person-to-person interviewing rather than mailed questionnaires.

Such wage surveys provide many kinds of useful information about difference in wage levels for particular kinds of occupations. This can have a great influence on an organisation’s compensation policy.
Relevant Organisational Problems

In addition to the results of the wage determination process, several other variables have to be given due consideration in establishing wage structure. For example, whether there exists a well-established and well-accepted relationship among certain jobs, which can upset job evaluation, whether the organization would recruit new employees after revised wage structure, are the prevailing rates in industry or community inconsistent with the results of job evaluation? What will be the result of paying lower or higher compensation, and what should be the relationship between the wage structure and the fringe benefit structure?

Preparation of Wage Structure

The next step is to determine the wage structure. For this, several decisions need be taken, such as:

(a) Whether the organization wishes, or is able, to pay amounts above, below, or equal to the average in the community or industry.

(b) Whether wage ranges should provide for merit increases or whether there should be single rates.

(c) The number and width of the ‘pay grades’ and the extent of overlap.

(d) What type of jobs are to be placed in each of the pay grades?

(e) The actual money value to be assigned to various pay grades.

(f) Differentials between pay plans and

(g) What to do with salaries that are out of line once these decisions have been made?

Law for labourers and rights

Labour laws give rights to employees to form trade unions, and most wages in the organized sector are governed by trade union agreements.
• Retrenchment of a permanent labour force is difficult and expensive.
• Minimum wages in the organized sector are regulated by legislation.
• Employers must contribute to social security and medical insurance.
• There is a visa requirement for foreign nationals.
• A work permit as such is not required for foreign nationals working in India, but permission to stay is required from the Government. Reserve Bank permission is no longer required to employ foreigners.

Indian Labour Laws

The beginning of labour laws in India can be traced back to the 1850’s when the Apprentices Act was placed on the statute book, followed by Fatal Accidents Act, 1855, Factories Act, Mines Act and a series of labour legislations. The history dates back to the colonial period of British rule. The history of the Indian legislation is different from other nations in the sense that it was moulded out of and affected by the British rule and legislation. After independence most of the Acts have been fine-tuned to ratify various conventions. Therefore India has been a front runner in terms of forming protective governance for labour. In all, over hundred labour laws have been enacted by the Central and State Governments, many of which have been almost totally modified or replaced. Among the plethora of modern labour laws, the Workmen’s Compensation Act, 1923 is the oldest one. Some of the other significant labour legislation are the Trade Unions Act, 1926; the payment of Wages Act, 1948; the Factories Act 1948; the Employees State Insurance Act, 1948; the Employees Provident Fund and Miscellaneous Provisions Act, 1952; the payment of Banks Act, 1965 and the Payment of Gratuity Act, 1972. These acts have been changed and amended from time to time to adapt to contemporary issues.

Labour laws and acts

Most of the acts passed by the Government for the welfare of workers relate to the workers in the organized sector of India’s economy. A number of social security schemes have been established for them as well. Some acts and rules have also been framed for the non-organized sector. The information furnished are referred to the State of Tamilnadu in India and most specific the town of Tiruppur.
Five most wanted amendments in Indian labour laws

In the opinion of Indian exporters, the most wanted changes are in

- Factories Act, 1948
- Contract Labour Act, 1970
- Trade Union Act, 1926
- Industrial Dispute Act, 1947 and
- Minimum Wages Act, 1948

Companies Act

Most of the respondents have said that their concern is registered under the Companies Act of 1956. Small and sole traders in the area of Tiruppur, group their friends and blood relation to form a private limited company.

Factories Act

The Act aims to regulate working conditions in factories and ensures minimum standards of safety, health and welfare conditions of factory workers. The act also regulates the working hours, leave, holiday, overtime and employment of children, women and young persons. The act was amended in 1987 to set out safeguards in respect to the handling of hazardous sub-stances. The act is worked out in Factories Rules, made on the level of the states. Laws and Regulations of the Factories Act 1948 are:

- Every worker shall be allowed a day off every week. The first day of the week i.e., Sunday will be given as a holiday. However with the permission of the factory inspector the day off can be given on any other day of work. He or she shall be allowed a substitute holiday on any other day within that month or not later than two months that follow.

- No women shall be required to work or allowed to work in a factory after 7 p.m. and before 6 p.m. With special permission of the Government, however, women workers can be permitted to work in a factory until 10 p.m. and after 5 a.m. The main reason for fixing the prescribed hours of work for women is that they also have to look after their domestic duties.
- No adult workers shall be required or allowed to work in a factory for more than 48 hours in a week, nor more than 9 hours a day.

- Workers interval for rest should be at least for half an hour per every 5 hours of his working day in the factory.

- The period of work of an adult shall be so arranged, that, including his interval for rest, they should not be spread over more than 10 hours on any day.

- For a worker engaged on night shift, weekly or compensatory holiday means consecutive 24 hours off. The shifts should not be arranged that more than one relay of workers engaged in work of the same kind at the same time.

- If a worker works for more than 9 hours on any day or more than 48 hours in a week, the employer will pay him or her wages at double the rate of their normal wages.

Classifying the garment export industry, garment producing units in India are divided into registered and unregistered segments. The registered sector consists of factories registered under the Factories Act. The Factories Act came into force on 1 April 1949 and it is an Act that endeavours to consolidate and amend the law regulating labour in factories. According to sections 2m(i) and 2m(ii) of the Act, “Factory means any premises including the precincts thereon whereon ten or more workers are working, or were working on any day of the preceding twelve months, and in any part of which a manufacturing process is being carried on with the aid of power, or is ordinarily so carried on, or, any premises whereon twenty or more workers are working, or were working on any day of the preceding twelve months, and in any part of which a manufacturing process is being carried.

Labour policy in India currently are nearly forty odd labour laws. These laws are fairly progressive and guarantee protection of labour rights. Labour legislation applies to all factories and contrary to commonly held belief, differ very little with factory size and whether registered with the Factories Act or not. Registration with the Factories Act ensures that the following legislation is complied with:
- Payment of Wages Act, 1936
- Minimum Wages Act, 1948
- Workmen’s Compensation Act, 1946
- Employees’ State Insurance Act, 1948
- Employees’ Provident Pension Fund and
- Miscellaneous Provisions, 1952
- Employees’ Pension Scheme, 1971
- Maternity Benefit Act, 1961
- Payment of Gratuity Act, 1972
- Trade Union Act, 1926
- Industrial Employment (Standing Orders) Act, 1946
- Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959
- Apprentices Act, 1961
- Contract Labour (Regulation and Abolition) Act, 1970
- Equal Remuneration Act, 1976
- Inter State Migrant Workmen (Regulation of Employment Conditions of Service) Act, 1979.

Most of the above are also applicable to unregistered enterprises.

**Working Hours**

The Factories Act prescribes a 48 hour week for adult workers. In offices a work week is generally considered to be 35 to 40 hours. Non-executive staff usually receive a shift allowance if they work in shifts that differ from the usual working hours. In Tiruppur, regular and optimal working hours in line with the act of 1948 are only to be found in firms catering to the domestic market. Some factories are having hostels for male and female workers and they start their work at 8.30 am to 12.30 pm to 1.30 p.m. and 5.30 to 6.00 p.m. for tea break, 6.00 pm to 8.30 pm they work as half shift. And many of the workers after completing the above schedule start working again at 9.00 pm to 1.00 am. in the next day as second half shift. Hours worked in excess of the standard hours are generally paid at one and one-half to two times the hourly wages.
Paid Holidays

These are generally between 10 to 20 paid public holidays in a year, for factories and office respectively workers, with their number varying from state to state. Provision is also made for annual earned leave and casual leave for such leave with full or half pay to the employee.

The Negotiable Instruments Act defines national holidays and any establishment’s responsibility to provide holidays to their employee. Five national holidays and three Tamilnadu State holidays are compulsory for workers and they should be paid for these holidays. There are some gazette holidays too. The company must have register on leave wages. Workers have a right to enjoy 15 days of paid leave a year.

Equal Opportunity

The Equal Remuneration Act 1976, prohibits discrimination between men and women in either requirements or payment of wages wherever their jobs are identical, except where employment of women in certain types of work is prohibited or restricted by law. The objective of the act as defined in the act is to provide for the payment of equal remuneration to men and women workers and for the prevention of discrimination, on the ground of sex, against women in the matter of employment and for matters connected therewith or incidental thereto.

Hence, according to the act it is the duty of the employer to pay equal remuneration to men and women workers for same work or work of similar nature and requires that no discrimination be made while recruiting women workers, except where the employment of women in such work is prohibited or restricted under any law for the time being in force. The act is in conformity with the International Labour Organisation convention and extends to whole of India and applies to the establishments notified by the Central Government. The act is now applicable to almost every kind of establishment including garment oriented unit. There is no specific act against discrimination in employment, which could be said to be in accordance with International Labour Organisation conventions. India has not ratified conventions related to elimination of worst forms of child labour.
Health and Safety

The Factories Act ensures that protection of health and safety of the workers in all industries is maintained. This is a statutory obligation. Both employers and employees are required to observe the safety and protection requirements. Non-compliance with these requirements is liable for punitive action by the concerned Government authority.

Article 38 of the Factories Act 1948 protects workers from health and safety hazards at workplace.

1. The factory places at least one well-stocked first aid kit on every factory floor and trains specific staff in basic first aid. The factory has procedures for dealing with serious injuries that require medical treatment outside the factory. A register of accidents is kept and available.

   - The employer must provide and maintain first aid boxes or cupboards, filled with the prescribed contents. There should be at least one such box for every 150 workers, accessible to workers during all working hours. In a factory with 500 or more workers, the employer must provide and maintain an ambulance room in the charge of prescribed medical and nursing staff. It will contain the prescribed equipment and its facilities must always be readily available to the workers during the working hours of the factory.

   - If an accident occurs in any factory causing death or bodily injury or prevents a worker from working for more than 48 hours, the manager must immediately send notice to the prescribed authorities (Labour Commission). Employer must pay sufficient compensation.

2. There is sufficient light, fresh air and dust removal.

   - The employer should make effective arrangements for the disposal of all-industrial wastes and effluent. To provide fresh air and reasonable
conditions of comfort to prevent any injury to the workers, the employer must maintain effective and adequate measures. Walls and roofs should be made of such material and so designed as to prevent high-rise of temperature at the specified level.

- To prevent inhalation or accumulation of dust and fumes injurious or offensive to the workers, the employer must take effective measures for their exhaust from the workrooms.

- If humidity in a factory is lessened due to its manufacturing process the employer must make arrangements for artificial cooling of air in the workrooms, using clean and wholesome water from public supply.

- The employer must provide and maintain sufficient and suitable artificial lighting inside the factory rooms. Reflection or shadow that can cause eyestrain or risk of accident to any worker, so employer must avoid such incidence.

- The employer must avoid overcrowding as it endangers the health of the workers in any room of the factory. There should be at least 500 cubic feet of space for every worker. In calculating this, no account is necessary for space more than 14 feet above ground level.

3. Clean, sufficient and hygienic toilets are available.

- The employer will keep the factory clean and free from effluvia arising from any drain or other nuisance. Dirt and refuse should be removed daily. Floors will be cleaned every week by washing with disinfectant. Wet floor will be dried up. Walls and ceilings shall be painted, then at least once in 5 years. At least once in 3 years, washable water-paint shall repaint with at least once in 3 years and washed at least once in every 14 months. Whitewash and colour wash will be done once in every 14 months.
The employer must construct separate enclosed accommodation for latrines and urinals for male and female workers, conveniently situated and accessible. Employer should adequately provide light, ventilation and maintain a clean and sanitary condition by employing sweepers. In a factory with 250 or more workers, all latrines and urinals will be of prescribed sanitary type.

In every factory, employer should maintain sufficient number of spittoons at convenient places. No person shall spit within the premises of the factory except in the spittoons. Offenders are liable for punishment with a fine not exceeding Rs 5.

Every employer is required to provide adequate, suitable, separate and properly screened facilities for washing for the use of male and female workers. They should be conveniently accessible and kept clean.

4. Fresh drinking water is available

The employer at suitable and convenient points must maintain sufficient supply of wholesome water. The container must be largely marked "Drinking Water" and kept at a distance not less than 20 feet from any washing place, urinal or latrine. If a factory employs more than 250 workers, its employer must arrange cool drinking water during the hot season.

5. Provisions of means of escape in case of fire and a warning system in case of fire explosives, inflammable dust or gas.

Sundry necessary precautions against fire, dangerous fumes, risks of injury to eyes, lifting of excessive speed of revolving machinery.

6. Fencing of all dangerous and moving parts of the machinery while these are in motion or in the use
7. Casing of new machinery

8. Encasing and guarding of every set of screw, bolt, spindle, wheel or pinion:
   • Women and young persons should not clean lubricate or adjust any part of the electric motor or any transmission machinery when these are in motion.
   • Young persons should not work on any dangerous machines without adequate training and supervision.

9. Supply of safety applications like goggles, safety boots, gloves and others.
   • The employer will provide a place suitable for keeping the clothes not worn during working hours and for the drying of wet clothes by the workers.

10. The employer should provide and maintain suitable sitting facilities for all workers who are required to work in a standing position.

11. During breaks a canteen is available with sufficient tables and chairs.
   a. If a factory employs 250 or more workers, the employer shall provide and maintain canteen facilities for workers. It should run in accordance with Government rules on its construction, furniture, other equipment, food served and constitution of managing committee.
   b. Every factory employing more than 150 workers should have the provision for rest rooms. A room with drinking water facilities should be available for their lunch and rest. However, if the employer already maintains a canteen, then no such provision is necessary.

**Shops and Establishment Act**

The act in essence is a state legislation. It seeks to regulate the working conditions of workers in the unorganized sector, including shops and establishments which do not come under the Factories Act Regulations for working hours, rest
intervals, overtime, holidays, termination of service, maintenance of shops and establishments and other rights and obligations of the employer and employees are laid down.

Minimum Wages Act

A minimum statutory wage has been established for all types of daily employment. It lays down the maximum number of working hours per employee mentioned in the schedule to the Act. The maximum daily hours, weekly rest days and overtime have been set out. Minimum wages can differ between states.

Minimum wages in India are calculated on the consumer price index (CPI) of a region. Daily rates are calculated on the basis of monthly wages, which consist of 26 days as per factories act. Sundays are no working days. Minimum wage and the Tiruppur Exporters Association wage is not a living wage. But many workers in Tirupur earn even less than the Tiruppur Exporters Association wages. The wage is often complementary, they are not the main wage earners.

Wages and Salaries

Wages vary from industry to industry and are determined on the basis of collective bargaining in each industry or in each enterprise. The monthly starting salary of local unskilled labour, inclusive of basic salary or a wage and a dearness allowance (cost of living allowance), but without medical leave or other benefits, ranges from Rs.1000 to Rs.2500. Monthly salaries for skilled labour or technicians may range from Rs.2500 to Rs.6000 depending upon the skill-level and experience. The office staff or clerical salary ranges approximately from Rs.2000 to Rs.5000 per month. Basic wages are fixed in accordance with the category of employee. This category depends on the nature of the work or skill required, besides the location. The wages are higher in cities.

Payment of Over Time

Legal overtime provisions apply for piece rate workers also. The spread over of working hours should not exceed ten and a half hours. The act compels the management to maintain the over time register. Most of the factories do not maintain any register. The Inspector of Factories has to verify whether overtime wages are
provided to the workers. HRA (Housing Rent Allowance) can be paid as a percent of salary but then the company can deduct for the number of days not worked. Some times few workers are paid in fixed amounts of Rs. 500, Rs.300, etc.

Over Time (OT) is a major issue. The factories act says that a worker cannot work for more than 10.5 hours. Although management will never admit it, it is normal in Tiruppur that workers work 1.5 shifts a day, making 12 hours (including breaks). Moreover, workers are not paid overtime at over time bonus wage of 100 percent extra as obliged by the factories act. The Tiruppur Exporters Association agreement allows 1.5 shift (12 hours, including breaks without the 100 percent bonus). Weekly wages are booked for 12 hours. There is no over-time pay recognizable as such - 'tea money' for the last half shift is the only additional payment. The Tiruppur Exporters Association agreement provides for a 20 percent 'Tea bata' (allowance) and minimum Rs 5/- for half night shift (for those workers who work after 6.00 p.m). and food allowance of Rs 20 is paid for those workers who work after 9.00 p.m. At the best, the statutory required over time bonus of 100 percent extra is only paid for hours beyond this 1.5 shift. Many auditors seem to accept the 1.5 shift system and concentrate for example on checks to see if workers get their breaks and bonus; otherwise the company cannot get certified. According to some sources most of the workers are working more than 90 hours per week in peak production season and some times peak production session may last even after December. Some times even weekly day off is not denied to them. The workers are approximately working more than 72 hours in semi peak season. On the other hand there is no permanent work, periods with excessive overtime are followed with periods of no work and lay offs. Such intense work hours alternate with bouts of unemployment during which workers are engaged in search for employment.

The number of hours worked a week does not show the real shifts and over time, also not in interviews. Workers seem to prefer the 1.5 shift system to one shift since they could earn for another half shift. A typical working week (across all jobs in the industry) would be six days a week The statutory maximum of 9 working hours a day, 48 hours a week, one-day holiday per week (Factories Act, Art. 51, 52, 54) is not always respected. Official exemptions are never asked for. Women are not allowed anyway to work more than 9 hours a day and work after 10 pm. This rule is
generally not kept in the Tirupur garment industry. Over time is not recorded, even
where there are computer systems with swipe cards, they sometimes are
programmed to stop recording after 16 hours overtime, the rest is recorded by hand.
The weekly wages in the books will be the wage for 12 hours, without mentioning
this as overtime. So, Employees State Insurance and Provident Fund is not paid to
the funds on this extra half shift. Moreover, when producing foreign buyers who
impose strict constraint on production schedules, working days of 20 hours are not
infrequent towards the end of a contract period. Majority of the workers in garment
industry, who are contracted to work on a piece rate system are forced to finish their
targets on time so they engage their family members including children to
accomplish their targets, otherwise they will lose their job order. Workers who work
for daily wages as a regularly hired worker complain that they are forced to work in
extra overtime period and even during weekly day off in peak season. October,
November, December, May, June and July are peak season months. In Tiruppur,
regular and optimal working hours in line with the Act 1948 are only to be found in
firms catering to the domestic market. Some factories have hostels for male and
female workers and they start their work at 8.30 to 12.30, 12.30 pm to 1.30 pm and
5.30 to 6.00 p.m. in the evening for tea break and 6.00 pm to 8.30 pm – half shift.
And many of the workers after completing the above schedule start working again at
9.00 pm to 1.00 am. in the next day as second half shift.

Payment of Bonus Act

The wages received by employees are supplemented by payment of an
annual lump sum called a bonus, which is a type of profit sharing. But over the years,
the concept of bonus has changed from one of profit sharing to one of deferred
wages, so that a minimum amount is payable irrespective of the profits. The bonus is
regulated by the payment of bonus act 1965, which is applicable to every factory and
other establishment employing 20 or more persons on any day during an accounting
year. Newly set up establishments are not required to pay a bonus until they derive
profits or for five accounting years following the year when they start selling their
products on a regular basis, whichever is earlier.

The payment of bonus act specifies a detailed method for computation of the
bonus. Only employees drawing up to Rs 3,500 per month are entitled to a bonus.
under the Act, but the bonus is calculated on the maximum salary of Rs 2,500 per month for a salary between Rs 2,500 and Rs 3,500. The amount payable varies from 8 percent (minimum) to 20 percent (maximum) of annual salary. However, the normal practice is to pay extra, some amount to employees drawing above Rs 3,500 per month also.

All payments of bonuses are linked to profits or productivity. According to this Act the employer has a statutory liability to pay a bonus to employees in accordance to a prescribed formula. The Act also provides the machinery for the enforcement of the liability of payment of the bonus.

In Tiruppur bonus has to be paid to all workers who are regular, contract and casual labour. Every year, the bonus amount is calculated before Deepavali festival i.e in November. 8.33 percent is the minimum bonus, which has to be paid. The bonus may be as high as 20 percent, if the worker does not leave the employer after a certain number of years. The bonus is based on number of days worked. If a worker has not worked for all the working days in a year, the bonus will be proportionately reduced. (article 13, payment of bonus act). Bonus rate for piecework is different than for weekly waged workers. After 5 years workers have a right to gratuity payment. So workers are often retrenched after 4 or 5 years and then after this, they are hired again.

The Maternity Benefits Act

The maternity benefit act aims to provide the women employees certain maternity and other benefits like medical aid, maternity bonus, provision of creches, additional rest intervals before and after child birth. It is applicable to every factory in whole of India, irrespective of the number of employees but does not extended to those factories where provision of Employee State Insurance Act are applicable. This provides maternity benefits to women employees. It sets out that a woman may avail three months leave with full salary before or after the birth of her child.

Trade Unions Act

The Trade Unions act 1926 provides for the registration of trade unions. Current membership of registered trade unions is estimated at over one million.
Unions are found throughout the organized sector. They enter into binding contracts and settlements with the employers on behalf of the workers. Wages in the organized sector are left to the process of collective bargaining, conciliation, arbitration, and adjudication.

Membership in a trade union is not obligatory, but in practice most workers and office staff are enrolled as members of a union. Most trade unions are connected with a political party, and all leading political parties have sponsored trade union wings. In recent years, it has become a common feature in large industrial establishments to have more than one trade union, not necessarily distinguished on a craft or trade basis, and this have given rise to inter union rivalry.

Militancy in trade union activities is becoming less frequent. The existence and the active role of the various types of conciliatory machinery set up by the Government have helped to contain confrontation between the employers and the unions and to bring about conciliation and settlement.

Registration of a trade union is permissible according to the act. The act awards certain protections and privileges which safeguard the interest of the employee. This act extends to the whole of India and is applicable to all the unions of workers and associations of employees.

In Tiruppur there is no trade union or employee’s association in more than 70 percent of the factories in garment industry. However some independent observers feel that this percentage is even higher. Trade unions together claims that nearly 30 percent of the workers are enrolled. Again this figure is disputable. Workers do not go to the unions. Even though, Tiruppur is quite known for the communist movement, the managements do not implement the recent 12(3) settlement. But, the workers are not ready to fight the case since they accept the present state of affairs. When there is a general strike all the workers join the strike for a day or two. But they are not prepared to join strike indefinitely. In the export unit and the merchandise units there may be workers committees wherein they discuss their issues and try to settle the issues with the management amicably.
The Tiruppur wage settlement is the only accord available for the workers in Tamilnadu. This covers only some parts of Tiruppur region and the region itself is widened till the outskirts of Coimbatore city where it is not applicable. There is no such agreement in other parts or regions of India like this accord. This settlement is not covering the workers in dyeing and bleaching units, fabric-printing units, calending units and spinning mills. Many workers do not realise what their rights are. This concerns the right to join unions but also for instance rights in regard to Provident Fund and Employee State Insurance. Many workers do not realise why these funds are important for them.

The industrial disputes act seeks to regulate industrial relations in the country. Its main objective is to provide for a just and equitable settlement of disputes by negotiation, conciliation, mediation, voluntary arbitration, and compulsory adjudication. However, in most cases employer/employee relations are determined by direct collective bargaining.

Reliable data on employer/employee relations is available only for the "organized sector" of India's economy. The organized sector embraces incorporated enterprises and the other industrial and commercial operations on which the Government can collect statistics. It does not include small lousiness establishments and agricultural holdings. Most acts passed by the Government for the welfare of workers relates to the workers in this sector. A number of social security schemes are in operation for them as well. These provisions include factories act, wages act and other schemes, such as Employees' State Insurance, Employees' Provident Fund, Death Relief, and Family Pension schemes for workers and social securities schemes.

Industrial Disputes Act

This was established in 1947 and provides the machinery for the settlement of industrial disputes through negotiations. It applies to all industrial establishments all over India whatever the strength of its workers may be. Under the industrial disputes act no employee in any industrial establishment who has worked for more than one year may be retrenched without being given one month's notice in writing indicating the reason for retrenchment. The employee is also entitled to compensation of 25 days' salary for each year of service completed. The dismissal of workers may be contested through a petition to the Government. The Government has activated the National Renewal Fund (for rehabilitation and retaining of workers displaced from sick units) on a non-statutory basis. The Industrial Disputes Act provides strict rules for layoff, retrenchment and compensation. The employee is also entitled to compensation equivalent to 15 days' pay for each year of service completed. The dismissal of workers may be contested through a petition to the Government and can lead to a time-consuming process of negotiation. In practice, retrenchment of employees is rare except for cases of proven theft or embezzlement of company funds.

The Government has activated the National Renewal Fund (for rehabilitation and retraining of workers displaced from such units) on a non-statutory basis. Tax concessions have been extended to beneficiaries under approved Voluntary Retirement Schemes (VRSs) of private-sector companies and employees of an authority, established under a central, state or provincial act or local authority that meet the guidelines framed for this purpose. Earlier, the concession of complete exemption from tax of all monetary benefits under Voluntary Retirement Scheme was applicable only to employees of public-sector companies.

Industrial establishments of both public and private sectors and commercial organizations that are conscious of the value of their human resources development, provide training facilities to supervisory, skilled and semi-skilled workers, either

124. CARE (Community Awareness Research Education) Report, Coimbatore
through their own training and development departments or by sponsoring employees selectively to programs conducted by the professionally run institutes and organizations to meet specific needs. Such training is undertaken at the initiative of the concerned establishments, and the expenses are borne by them.

A scheme was introduced in 1975 for workers' participation at the shop floor and plant levels in enterprises employing 500 or more workers. The scheme was in the form of a Government resolution and did not have any statutory sanction. Suggestions on the question of workers' participation in the management of companies have been made in the reports of various Government committees, but so far the proposals have not received any legal sanction and voluntary schemes of participative management have not proven very effective.

Under the industrial disputes act, industrial establishment employing 100 or more workers may be required by the Government to constitute a works committee, comprising an equal number of representatives of management and workers. Normally, such committees are found in large industrial establishments.

Social Security System

Several legislative acts provide social security to workers in India. The more important ones are as follows:

- Employees' State Insurance Act.
- Industrial Disputes Act.
- Maternity Benefit Act.
- Workmen's Compensation Act.

A newly set up company is exempt from the employees' Provident Fund and Miscellaneous Provisions Act for the first three years of operation.

Certain other amenities, such as canteens, rest shelters, first-aid centers, crèches (day-care centres for female employees' children), and educational and recreation centers, are to be provided by the employer in factories, mines and
plantations. Large industrial units outside the main cities sometimes provide subsidized housing for their workers. Some states require the setting up of a welfare fund, the contributions of which is payable by the employer, employees and the state government for promoting activities connected with the welfare of labour.

**Social Security Act**

For the factories employing 10 or more employees in case of work being carried out with the aid of power or with 20 or more employees in case of work being carried out without the aid of power, the factories will have to be registered under the factories registration act, 1948. This is how the employment relationship is to be registered. Several legislative Acts provide social security to workers in India. The most important ones being:

**Employees Provident Fund**

The Employees' State Insurance act, 1948 provides to the workers medical relief, sickness cash benefits, maternity benefits to women workers, pension to the dependents of deceased workers and compensation for fatal and other employment injuries including occupational diseases, through a contributory fund. Regular, contract and casual workers are covered under this act.

The Employees' Provident Funds and Miscellaneous Provisions Act, 1952, lays down for the factories having 20 or more persons employed, a compulsory fund for the future of employee after retirement or for the employees' dependents in case of his/her early death. It applies to Regular and Contract worker. According to this act a compulsory contributory fund is set up by the employer for the future of the employee following his retirement, or for his dependents in the case of premature death. Monthly contribution to provident fund is at 8-10 per cent of basic salary and dearness (cost of living) allowance. This act is extendible to all establishments in India employing 20 persons or more. A company, newly set up is exempt from the Employee's Provident Fund and Miscellaneous Provisions Act for the first three years of operation. Certain other amenities, such as canteens, rest shelters, first-aid centres, crèches (day-care centres for female employees' children), and educational and recreation centres, are to be provided by the employer in factories, mines and...
plantations. Large industrial Units located away from the main cities some times provide subsidised housing for their workers. Some states require the setting up of a welfare fund with contributions payable by the employer, employees and the concerned government for promoting activities connected with the welfare of labour.

The vast majority of workers in all sections of the industry (with the exception of workers in the dyeing units) are paid on a piece-rate basis, have little or no access to either ESI (Employees' State Insurance) or pension funds ( Provident Fund), are not remunerated in case of sickness or industrial accident and in general take little or no holiday time (since it is unpaid). Employees' State Insurance and Provident Fund is paid for registered workers, who may only form a small part of the total work force in registered companies. And registered companies only form a small part of the total number of companies. The workers are not aware of the benefits under the Employees' State Insurance Scheme, General Provident Fund Scheme. Workers prefer their management not to deduct any subscription towards Employees' State Insurance and General Provident Fund. The workers tend to move from one factory to the other. But they tend to wind up their account and receive the amount. But if they could continue to pay their subscription in their earlier account or if they could merge the earlier account with the new account then they will not lose their service benefits. A worker is eligible for pension if his service is not less than ten years. At present, of the 5000 odd firms in Tiruppur, there are only roughly 20 to 25 firms that provide social security benefits to employees, like Employees' State Insurance, Providence fund, etc.

Payment of Gratuity Act

The Payment of Gratuity Act, 1972 envisages to provide retirement benefit to an employee who has given his/her unblemished services for long period. In this case every employee other than the apprentice who has rendered continuous service for 5 years or more is entitled for the payment of gratuity. It is considered as a reward for long and faithful service. Terminal gratuity works out to 15 days salary for each year of service. This act applies to the whole of India where over 10 employees are working for an establishment. Registers are maintained under Labour Welfare Fund Act, Employees Insurance Scheme, General Provident Fund Act.
There are benefits under Labour Welfare Fund Act, like scholarship to their children, cheaper accommodation in the holiday resorts at picnic spots, welfare centers etc.  

**Coverage of benefit schemes**

All the social benefits are available to a worker irrespective of nationality. A worker is not allowed to decline coverage. Foreign nationals employed in India at a relatively higher level may not be covered, depending on their terms of employment.

**Contributions**

Under the Employees' Provident Fund and Miscellaneous Provisions Act, currently applicable to employees earning up to Rs 5,000 per month as salary and dearness (cost-of-living) allowance, the employer, in most cases is required to contribute a minimum of 10 percent of basic wages and the cost-of-living allowance. The employee makes a matching contribution by way of deduction from pay. A small percentage of the wages or salary of the employees covered under this Act is also paid by the employer toward a deposit-lined insurance scheme.

A substantial percentage of the contributions by the employer and employee go the Employees Pension Scheme announced in November 1995. This scheme provides for monthly pension to employees upon superannuating, pensions to widows upon death after superannuating, etc. The central also contributes a small percentage to this scheme.

Under the payment of gratuity act, a terminal (retirement) benefit called a "gratuity" is payable at the rate of 15 days' wages for each completed year of service, subject to a maximum of Rs. 1,00,000, at the time of termination or retirement after five years of service. The act applies to employees drawing up to Rs.3,500 per month (basis salary plus cost-of-living allowance), but in practice all

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employees are paid the gratuity. Under the Employees' State Insurance act (applicable at present only to factories and factory-attached office), all employees drawing a wage or salary not exceeding Rs 3,000 per month must be insured under the scheme. The rates of contribution by employee and employer are 1.5 and 4 percent of the employee's wages, respectively.

The various social security schemes provide retirement benefits in the form of a provident fund, gratuity, and security against such contingencies as ill health, industrial accidents and maternity. There is no scheme providing for unemployment benefits.

Payroll costs

Payroll costs, while significantly lower than in developed (and many developing) countries, may still be an important item in total production cost. These generally vary from 10 to 25 percent of the total production cost of an industrial organization, depending on the type of industry. Instances of wage freeze or curtailment of negotiated benefits are very rare in the organized sector.¹²⁶

When employees are injured, ill, or die in the course of their employment, they or their families or dependents are usually entitled to collect worker's compensation benefits. The entitlement is virtually automatic, as long as the worker qualifies as an employee and experiences an on-the-job injury. Worker's compensation laws were enacted to reduce court delays, encourage safety, and to give injured employees a reliable source of income and benefits, regardless of who was at fault in causing the injury. All 29 states and the Union territories now have some type of worker's compensation law in effect.

Worker’s Compensation

In the worker’s compensation system, employees receive benefits regardless of who caused the accident. If the "employee" suffers an injury, illness, or death on the job, then worker’s compensation applies. Benefits, which vary depending on the severity of the injury and whether the injury is permanent, can include reimbursement for medical expenses, doctor bills, hospital stays, and rehabilitation costs. Benefits can also include reimbursement for a certain amount of the worker’s lost income if a worker dies, the laws provide certain benefits to his or her spouse and certain dependents (such as the worker’s children). Other losses, such as "pain and suffering," are generally not recoverable through worker’s compensation. However, the injured worker might seek to recover them from others responsible for the injury. Worker’s compensation benefits are only available to "employees" (as defined in the applicable law) who suffer illnesses, injuries, or death arising "out of and in the course of employment."

The employer is solely responsible for paying the worker’s compensation insurance, unless it is legally qualified as "self-insured." Employers cannot recover the cost of insurance from their workers; consequently, payroll deductions to finance insurance premiums would be unlawful. Employers, who fail to purchase worker’s compensation insurance, and do not legally qualify as "self-insured," usually can be sued through the court system. If the employer was found to be negligent, and if that negligence directly caused the worker’s injury, then the employer would be liable for the injuries. State laws, which differ nationwide, might even impose penalties on uninsured employers.

Workmen’s Compensation Act

The Workmen’s Compensation Act, 1923, protects the workers from hazards at work and prevents accidents, legislation in India also provides for compensation payable to workmen for injuries caused during work. According to this act workers and/or their dependents are provided with relief in the event of accidents arising out of or in the course of employment, causing death or disability. This act extends to the whole of India. Where the workers are not covered under the Employees’ State Insurance act, 1948 they can claim under The Workmen’s Compensation Act from
the employers for relief in case of accidents arising out of and in the course of employment and causing either death or disablement.

**Fringe benefits**

In addition to monthly salary or wages, various fringe benefits are also available to employees. Fringe benefits contribute significantly to the cost of hiring an employee. In general, it may be said that they represent approximately 50 percent of the monthly salary. The compulsory fringe benefits are as follows.

1. Annual bonus, as discussed above.
2. Monthly contribution to a provident fund at 8 to 10 percent of basic salary and dearness (cost-of-living) allowance (in most cases 10 percent).
3. Terminal gratuity at 15 days salary for each year of service.
4. Four percent of the salary as contribution toward the employees' state insurance scheme.

In some states, there are acts providing for payment of a house rent allowance to workmen (5 percent of wages earned).

**Fringe benefits and security measures**

The term “Fringe benefits” cover bonus, social security measures, retirement benefits like provident fund, gratuity, pension, workmen's compensation, housing, medical, canteen, cooperative credit, consumer stores, educational facilities, recreational facilities, financial advice and so on. Thus fringe benefits cover a number of employee services and facilities provided by an employer to his employees and in some cases to their family members also. Welfare of employee and his family member is an effective advertising and also a method of buying the gratitude and loyalty of employees. But, while some employers provide these services over and above the legal requirement to make effective use of their work force, some restrict themselves to those benefits, which are legally required.

**Types of Fringe Benefits**

Organisations provide a variety of fringe benefits. Dale Yoder and Paul D.Standohar classified the fringe benefits under four heads as given here under.
1. For employment security

   Benefits under this head includes un-employment insurance, technological adjustment pay, leave travel pay, overtime pay, leave for negotiation, leave for grievances, holiday, cost of living bonus, call-back pay, lay-off pay, retiring rooms, jobs to the sons/daughters of the employees and the like.

2. For health protection

   Benefits under this head includes accident insurance, disability insurance, health insurance, hospitalisation, life insurance, medical care, sick benefits, sick leave etc.

3. For old age and retirement

   Deferred incomplans, pension, gratuity, provident fund, old age assistance, old age counseling, medical benefits for retired employees, travelling concessions to retired employees, job to son/daughters of the deceased employee and the like.

4. For personnel identification and stimulation

   This category covers the following benefits: anniversary awards, bonus, canteen, co operative credit societies, co operative consumer societies, educational facilities, beauty parlour services, housing, income tax aid, counselling, quality bonus, recreational programmes, stress counselling, safety measures, etc.

Objectives of fringe benefits

   The important objectives of fringe benefits are: -

   1. To create and improve sound industrial relations.
   2. To boost up employee morale.
   3. To motivate the employees by identifying and satisfying their unsatisfied needs.
   4. To provide qualitative work environment and work life.
   5. To provide security to the employees against social risks like old age benefits and maternity benefits.
   6. To protect the health of the employees and to provide safety to the employees against accidents.
7. To promote employee's welfare by providing welfare measures like recreation facilities.
8. To create a sense of belonging among employees and to retain them. Hence fringe benefits are called golden hand-cuffs.
9. To meet requirement of various legislation relating to fringe benefits.\(^{127}\)

**Labour Law Reforms (LLR) in India**

In 1991, the Government of India introduced economic reforms in the wake of globalization making Indian economy open to the global competition. While reforms in many other critical competitiveness-enhancing areas like infrastructure, financial sector and taxation were undertaken, labour legislation were left untouched. Indian corporations demanded reforms in labour laws so that the Indian Industry is made competitive through introducing changes in the existing legal provisions. However this demand was strongly opposed by the trade unions, workers and most politicians.

With the talks of second generation economic reforms the talk about labour law reforms has emerged again. The de regulation of labour market has been thought as an important component for effective economic reforms and privatization agendas. Recently, while this survey was being conducted, the second National Labour Commission and the group of ministers on labour submitted a 1470 page report giving positive signal to the demands of Indian business. This development suggests that Indian Labour market is definitely heading towards the de regulation path.\(^{128}\)

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\(^{127}\) K.N. Subramanian, "Wages in India, New Delhi, TMH, 1979.

The Current scenario of Indian labour and their welfare schemes

India has a large pool of skilled, semiskilled and unskilled labour. There is an adequate supply of office staff in most parts of the country. A considerable number of applicants for management and supervisory posts have qualifications from recognized professional institutions and Indian universities and apart from well qualified worker force Indian industries consists of large amount of labour force with basic education and adequate work experiences. These labour’s welfare is an important factor of industrial relations. For the smooth, healthy and contented life minimum sustenance and amenities must be made available. Welfare measurers improve the living and working conditions of industrial labour. Labour welfare amenities are provided to bring about the development of the personality of the worker, his social, psychological, economical, moral, culture and intellectual development and to make him a good member of the family,. Labour welfare refers to the efforts that make life worth living for the workers.

Before 1850, there was no factory or industry in India. Since then a small modern industrial sector has slowly developed in the Indian economy out of sheer necessity arising, from the first and second world wars. The British were very much averse to establishing heavy basic industries in India because such industries would create a solid capital base for the Indian economy, which would facilitate the process of industrialisation and would accelerate the tempo of Indian economic development.

After Independence, rapid industrialisation of the country has taken place and new industries have been emerging in the background of development planning in India. Then the Prime Minister late Pandit Jawaharlal Nehru could foresee and visualize the importance of heavy industries and the second five-year plan solely aimed industrialisation of India. From then the journey of industrialisation has seen many success stories.

Labour Laws have been a bone of contention in the Indian Industry: While the Indian economy was opened to the global markets a lot of reforms were undertaken in many sectors. However labour laws were excluded from the trade unions, workers and many politicians opposed the move. This quite obviously resulted in a situation of stalemate, which has now gone on or long.
While India has definitely made inroads in the world markets by introducing new and latest technologies, the ancient labour laws have remained the same. For an industry that is very much labour intensive, labour laws have moved from US and Europe to Asia. So if it has been a period of major gains for China and even our neighboring countries, we have definitely been lagging behind in gaining a large pie of this market.

Impact of Free Trade

The garment industry is part of the global economy, which is ruled by a free trade system. In this system, a powerful country such as U.S. negotiates trade agreements with poorer developing countries (also called the global south). Free trade agreements promise more market access to all countries involved by lowering or eliminating trade barriers such as taxes or tariffs. In this way, goods and services are sold or traded between the countries. Unfortunately, these trade agreements include very weak social clauses – provisions that set labour, social and environmental standards which do not adequately address worker protections or environmental concerns.

The manufacturers then hire contractors and subcontractors, recruit, hire and pay the garment workers who cut, sew and package clothing. Garment workers lie at the bottom of the chain, yet are the base and strength of the industry. Fierce competition puts most contractors or factories, in a ‘take it or leave it’. Contract prices are driven down so low that factories are unable to pay legal wages or comply with safety laws. The industry structure forces most contractors to “sweat” profits out of the workers, cut corners and operate unsafe workplaces. Within this system, retailers and manufacturers claim they do not directly employ garment workers and are not responsible for workers wages and working conditions. But retailers and manufacturers exercise tremendous control over the garment production chain and have the power to ensure fair working conditions for their economic development. These loans with conditions that require them to make drastic changes to their economy and social programs that impact their most vulnerable populations. These factors make it very attractive for a Transnational Corporation (TNC) to distribute their clothing in countries with the lowest labour costs and weakest regulations.
This affects the workers as they lose their jobs when factories move to other countries in search of lower labour costs or weaker regulations. The wages and working conditions are driven down all around the world because of the competition in the global economy. This system puts countries against each other as they compete to make clothes for U.S. consumers. Workers rights to speak up and resist exploitation or organize a union are weekend because clothing companies can easily close shop and move elsewhere to avoid workers demands.

Workers, when they demand their rights are often fired, suspended, or verbally abused by their bosses. Around the world, workers have been met with repression of their attempts to form unions.

The review of related secondary literature has helped the researcher to draw effective inferences. It has also helped the researcher to compare and contrast the data with the theory and reality.