Lesson 15

Benefit and Services

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15.0 AIMS AND OBJECTIVES

In this lesson we shall discuss about benefit and services. After studying this lesson you will be able to:

(i) Discuss significance of benefit and services and classification employee benefit
(ii) Analyse statutory and non-statutory welfare provision.
(iii) Understand flexible, insurance benefits and retirement benefits.

15.1 INTRODUCTION

Benefit is a generic word and used to describe a substantial elements of compensation which is unique and provided to the employee in non-cash form (there are some exception) and known as fringe benefits and services, other terms like perquisites perks, allowances etc., are also used. There is a distinction between benefits and services. Benefit applies to those items for which a direct monitory value to the employees, can be ascertained, as in the case of pension, insurance, holiday pay, etc. Services applies to such items as companies newspaper, companies holiday homes, etc., for which direct money value cannot be readily established by the employee. Perks is something in addition to the payment; car fuel etc. Allowance could be sum of money given at regular interval to cover some special circumstances like canteen allowance, clothing allowance, etc.

15.2 SIGNIFICANCE OF BENEFIT AND SERVICES

Benefits and Services are indirect compensation (as against direct compensation on critical job factors and performance) because they are usually extended as condition of employment or with intention of inducement or motivation and are not directly related to performance. Fringe benefits are suppose to be benefit at the fringes, or edge of the main pay. Now this has been replaced by simple benefits which forms a substantial part of the total compensation.

Employee benefits and services include any benefits that the employee receives in addition to direct remuneration.
A formal definition is:

"Fringes embrace a broad range of benefits and services that employees receive as part of their total compensation package—pay or direct compensation—is based on critical job factors and performance. Benefits and services, however, are indirect compensation because they are usually extended as a condition of employment and are not directly related to performance."

Employee benefits are elements of remuneration given in addition to the various forms of cash pay. They provide a quantifiable value for individual employees, which may be deferred or contingent like a pension scheme, insurance cover or sick pay, or may provide an immediate benefit like a company car. Employee benefits also include elements, which are not strictly remuneration, such as annual holidays.

The terms 'fringe benefits' and perks (perquisites) are sometimes used derogatively, but should be reserved for those employee benefits which are not fundamentally catering for personal security and personal needs.

**15.2.1 Objectives**

The objectives of the employee benefits policies and practices of an organisation might be:

- to increase the commitment of employees to the organization;
- to provide for the actual or perceived personal needs of employees, including those concerning security, financial assistance and thus, provision of assets in addition to pay, such as company cars and petrol;
- to demonstrate that the company cars for the needs of its employees;
- to ensure that an attractive and competitive total remuneration package is provided which both attracts and retains high-quality staff;
- to provide a tax-efficient method of remuneration which reduces tax liabilities compared with those related to equivalent cash payments.

Note that these objectives do not include 'to motivate employees'. This is because benefits seldom have a direct and immediate effect on performance unless they are awarded as an incentive; for example, presenting a sales representative with a superior car (e.g. a BMW) for a year if he or she meets a particularly demanding target. Benefits can, however, create more favourable attitudes toward the company leading to increased long-term commitment and better performance.

**Why fringe Benefits?**

1. Altruistic/Paternalistic consideration
2. Statutory requirements
3. Concern for well being
4. Damage and hazard of industrial working
5. Tax-planning consideration
6. Competitive consideration
7. Concern for quality of work-life
8. Mitigate fatigue and monotony
9. Discourage labour unrest
10. Reduce attrition
11. Build companies image
12. Attract, retain and motivate employees
15.2.2 Goals for Benefits

Benefits should be looked at as part of the overall compensation strategy of the organisation. For instance, an organisation can choose to compete for employees by providing base compensation, variable pay, or benefits, or perhaps all three. Which approach is chosen depends on many factors, such as the competition, organisational life cycle, and corporate strategy. For example, a new firm may choose to have lower base pay, and use high variable incentives to attract new employees, but keep the cost of benefits as low as possible for a while. Or an organisation that hires predominately younger female employees might choose a family-friendly set of benefits including on-site child care to attract good employees.

15.3 Classification of Employee Benefits

Employee benefits can be further classified under these seven major groups:

(1) Disability income continuation,
(2) Loss-of-job income continuation,
(3) Deferred income,
(4) Spouse or family income continuation,
(5) Health and accident protection,
(6) Property and liability protection, and
(7) A special group of benefits and services called perquisites.

15.3.1 Disability Income Continuation

Disability may be classified as regular, temporary, total, or partial. When employees are unable to work because of an accident or some health-related problem, disability income continuation payments assist them in maintaining their existing lifestyle without major modification. Various disability income continuation components provide weekly or monthly payments in lieu of the regular earned income paycheck. The following 11 components are among the more commonly available disability income continuation plans. Although all components will seldom be available to employees, components can be packaged to maximize employee protection while maintaining costs within reasonable limits for the employer. The major components are as follows:

1. Short-term disability
2. Long-term disability
3. Workers compensation
4. Non-occupational disability
5. Social security
6. Travel accident insurance
7. Sick leave
8. Supplemental disability insurance
10. Group life insurance: Total Permanent Disability (TPD)
11. Retirement plans
15.3.2 Loss of Job Income Continuation

Loss-of-job-income continuation plans are designed to assist workers during short-term periods of unemployment due to layoffs and termination. The eight major compensation components that make up this group of benefits are as follows:

1. Unemployment Insurance (UI)
2. Supplemental Unemployment Benefit Insurance (SUBI)
3. Guaranteed Annual Income (GAI)
4. Guaranteed Income Stream (GIS)

15.3.3 Deferred Income

Over the year employers have established the following kinds of compensation components to help employees accumulate capital and meet future financial goals:

1. Social Security
2. Qualified Retirement Plan
   - Pension plan
   - Profit-sharing plan
   - Stock bonus plan
3. Simplified Employee Pension Plans (SEPPs)
4. Supplemental Executive Retirement Plans (SERPs)
5. Supplemental & Executive Group Life Insurance Plans
6. Stock Purchase Plan
7. Stock Option Plan
8. Stock Grant

15.3.4 Spouse and Family Income Protection

Most employees attempt to ensure the future welfare of their dependents in case of their death. One component, life insurance, and a number of other components previously identified and described have specific features to assists a worker’s dependents in the event of such a calamity. The major components available to protect workers’ dependents are:

1. Life Insurance
2. Retirement Plans
3. Social Security and Medicare
4. Tax-sheltered Annuity
5. Workers’ Compensation
6. Accidental Death and Dismemberment
7. Travel Accident Insurance
8. Health Care Coverage
15.3.5 Health & Accident Protection

Organisations provide their employees with a wide variety of insurance services to help them and their families maintain a normal standard of living when unusual or unexpected health-related adversities occur. These health care related insurance plans cover medical, surgical, and hospital bills resulting from an accident or illness.

Feature of Health Care Insurance Plans

*Medical coverage included in medical plans* continues to expend every year. Basic medical coverage includes payments for diagnostic visits to the doctor's office, outpatient X-rays, and laboratory coverage. Recent additions include home visits by the doctor and ambulatory or outpatient surgery. Although still rated among medical benefits, the *annual physical* is beginning to appear in more health insurance programmes. Another recent addition to health care insurance plans is the extension of comprehensive health care benefits to include some of the survivors of deceased company employees retirees. A relatively new provision covers out patient and non-hospital *psychiatric care*.

15.3.6 Property & Liability Protection

Of rather recent vintage is the addition of compensation components that provide employees with personal property and liability protection. These property and liability protection components include the following:

1. Group auto
2. Group home
3. Group legal
4. Group umbrella liability
5. Employee liability
6. Fidelity bond insurance

15.3.7 Employees Services "Fringe"

Employer provides a wide array of services that enhance the lifestyle of employees. In some cases, these services grant employees time off with pay. In other cases, the services include highly valued in-kind benefits, which, if purchased by employees themselves, would require the expenditure of after-tax dollars. In providing these services, the employer usually receives a tax deduction and, in most cases, the good or service is not considered an earned income item. Even in cases in which employees may be charged with additional earned income for the receipt of the good or service, the charge to income is considerably less than the cost that would have been incurred by the recipient. The three major sets of components that constitute the employee services group are:

1. pay for time not worked
2. time off without pay and
3. income equivalent payments and reimbursements for incurred expenses.

15.3.8 Pay for Time Not Worked

Over the past 35 years the drive to reduce working hours and total time spent at work has focused on providing workers with more paid holidays and longer vacations. From an employee's perspective, possibly the most desired but frequently unrecognized benefit is time-off with pay. Numerous time-off with pay components have developed, and employees usually receive their daily base pay rate as the rate paid for these time-off opportunities. The more common time-off with pay components are these:
1. Holidays
2. Vacations
3. Jury duty
4. Election official
5. Witness in court
6. Civic duty
7. Military duty
8. Funeral leave
9. Illness in family leave
10. Marriage leave
11. Paternity leave
12. Maternity leave
13. Sick leave
14. Wellness leave
15. Time-off to vote
16. Blood donation
17. Grievance and contract negotiations
18. Lunch, rest and wash-up periods
19. Personal leave
20. Sabbatical leave

15.3.9 Time-off from Work Without Pay

For years, some organisation have provided employees with sabbaticals without pay. In this case, an employee has an opportunity to pursue a special interest area. Although the employee is not paid, he or she continues to be covered by the employer's medical, life insurance, disability programmes.

Income Equivalent Payments and Reimbursements for Incurred Expenses

The ever-increasing diversity and population of employee benefits have given rise to a significant number of benefits that can be grouped under a category called nonstatutory benefits. The majority of benefits previously described are either mandated by legislation or permitted by statutes and given preferential tax treatment.

This group of compensation components includes some of the most diverse and most desirable kinds of goods and services employees receive from their employers. Many of these components and new ones that appear almost daily have been introduced in response to changes in the economic situation and to tax demands. This broad group of services provides employees with the opportunity for an improved and more enjoyable lifestyle. Some of the more common components are as follows:

Preferred Benefits of Services

1. Charitable contributions
2. Counselling
   Financial
   Legal
Human Resource Management

3. Tax preparation opportunities
4. Education subsidies
5. Child adoption
6. Child care
7. Elderly care
8. Subsidized food service
9. Discounts on merchandise
10. Physical awareness and fitness programmes
11. Social and recreational
12. Parking
13. Transportation to and from work
14. Travel expenses
   - Car reimbursement
   - Tolls and parking
   - Tool and entertainment reimbursement
15. Clothing reimbursement/allowance
16. Tool reimbursement/allowance
17. Relocation expenses
18. Emergency loans
19. Credit union
20. Housing

"Such services also give Income-tax”.

15.3.10 Costing Benefits
1. Annual cost of benefits and services for all employees.
2. Cost per employee per year.
3. Percentage of payroll (annual cost divided by annual payroll).
4. Cents per hour (cost per employee per hour).

15.4 STATUTORY WELFARE PROVISIONS IN INDIA

These are amenities that are necessary to be 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 the Contract Labour (Regulation and Abolition) Act, 1970.

15.4.1 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. (Sec. 42)
2. Facilities for storing and dry clothing. (Sec. 43)
3. Sitting facilities for occasional rest for workers who are obliged to work standing. (Sec. 44)
4. First-aid boxes for cup boards - one for every 150 workers, and ambulance facilities if there are more than 500 workers. (Sec. 45)
5. Canteens if employing more than 250 workers. (Sec. 46)
6. Shelters, rest rooms and lunch rooms, if employing over 150 workers. (Sec. 47)
7. Crèche, if employing more than 30 women. (Sec. 48)
8. Welfare officer, if employing more than 500 workers. (Sec. 49)

15.4.2 The Mines Act, 1952
The mine owners should make provisions for:
1. Maintenance of crèches where 50 or more women 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. (Sec. 21)
5. (i) Pit-head baths equipped with shower baths, (ii) sanitary latrines, and (iii) lockers, separately for men and women workers. (Sec. 58 e)
6. Appointment of welfare officer in mines employing more than 500 persons to look after the matters relating to the welfare of the workers.

15.4.3 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. (Sec. 11(1))
2. Crèche in plantations employing 50 or more women workers. (Sec. 12)
3. Recreational facilities for the workers and their children. (Sec. 13)
4. Educational arrangements in the estate for the children of workers, where there are 25 workers' children between the age of 6 and 12. (Sec. 14)
5. Housing facilities for every worker 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. (Sec. 15)
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 number and type of umbrellas, blankets, raincoats,
15.4.4 The Motor Transport Workers Act, 1961

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

1. Canteens of prescribed standard, if employing 100 or more workers. (Sec. 8)
2. Clean, ventilated, well-lighted and comfortable rest rooms at every place where motor transport workers are required to halt at night. (Sec. 9)
3. Uniforms, raincoats to drivers, conductors and line checkers for protection against rain and cold. A prescribed amount of washing allowance is to be given to the above-mentioned categories of staff. (Sec. 10)
4. Medical facilities are to be provided to the motor transport workers at the operating centres and at halting station as may be prescribed by the State Governments. (Sec. 11)
5. First-aid facilities equipped with the prescribed contents are to be provided in every transport vehicle. (Sec. 12)

15.4.5 The Contract Labour (Regulation & 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. (Sec. 16)
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. (Sec. 17)
3. Provision for washing facilities. (Sec. 18)
4. Provision for first-aid box equipped with the prescribed contents. (Sec. 19)

15.4.6 Canteen

The Royal Commission on Labour and the Labour Investigation Committee have laid considerable emphasis on the provision of a canteen inside the workplace. The ILO, in its Recommendation 102, mentioned this facility and felt that a competent authority in each country should guide establishments with regard to nutrition, hygiene, finance, etc. In India, the Factories Act places the responsibility on State Governments of making rules to ensure provisions of a canteen in any specified factory with more than 250 workers. Workers should be provided representation in the management of canteens. The Commission on Labour Welfare has suggested that canteens should be run on cooperative basis and that legislation should be amended to empower State Governments to make rules to meet the objective of nutrition.

15.4.7 Crèches

The need for setting up crèches 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 crèche should be provided and maintained for children under 6 years in clean and sanitary conditions. The crèche should be under the care of women trained in child care. The crèche should have adequate
accommodation, should be properly lighted and ventilated. You must note that the State Government is empowered to make rules in respect of standards, equipment and facilities. Mothers should also be given time to feed their children at necessary intervals.

15.4.8 Labour Officer

The Factories Act, 1948, provides for the statutory appointment of 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 (personnel 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, hours of work, leave, formation of welfare committees, etc.

The labour administration covers organizational 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.

15.5 NON-STATUTORY WELFARE PROVISIONS

There are employers who have taken the lead and provided a wide variety of welfare amenities to their employees.

15.5.1 Educational Facilities

Economic and social progress is dependent on the quality of workforce. 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 emphasized by the Indian Industrial Commission (1918) and the Royal Commission on Labour (1931). The educated worker is naturally more receptive and responsible.

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

15.5.2 Housing Facilities

Both the Indian Industrial Commission (1918) and the Royal Commission realized 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 emphasized the importance of the role of the State Government in acquiring land near industrial areas and renting houses at 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 employers to make it a viable proposition for them.

15.5.3 Transport Facilities

The growth and expansion of industries has also increased the distance for the worker from his place of residence to his place of work. Transport facilities for workers residing
far from the workplace is 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 of adequate transport
capacity 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 the 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.

15.5.4 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 your employees. The importance of
recreation in creating a healthy climate for industrial peace and progress has been
emphasized by several study teams, 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 organized, youths
clubs can be formed and holidays homes can be provided for the employees.

15.5.5 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 organized by the Government for the
distribution of controlled commodities. A committee was set up in 1961 by the National
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 cooperative stores in all industrial establishments including plantations 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 cooperative stores so that workers
were assured of a regular supply of essential items.

15.6 FLEXIBLE BENEFITS

Inbasket benefits/Ala-carte/Flexible system of benefits and services are gaining popularity
in multinational companies.
**Advantages**

1. Employees choose packages that best satisfy their unique needs.
2. Flexible benefits help firms meet the changing needs of a changing workforce.
3. Increased involvement of employees and families improves understanding of benefits.
4. Flexible plans make introduction of new benefits less costly. The new option is added merely as one among a wide variety of elements from which to choose.
5. Cost containment - The organisation sets the dollar maximum. Employee chooses within that constraint.

**Disadvantages**

1. Employees make bad choices and find themselves not covered for predictable emergencies.
2. Administrative burdens and expenses increase.
3. Adverse selection - employees pick only benefits they will use. The subsequent high benefit utilization increases its cost.
4. Subject to non-discrimination requirements in Section 125 of the Internal Revenue Code.

**15.7 INSURANCE BENEFITS**

Group life insurance scheme provides insurance cover to several employees working under one employer, as long as they remain in service of that employer. The employer enters into a master contract with the insurance company on behalf of all employees covered therein. The premium is paid jointly by the employer and the employee. It is paid to the insurance company at a flat rate without taking note of the age or salary of the employee. The insurance cover is on each employee’s life and in case of injury or death, the compensation received from the insurance company is paid to the employee or his nominee. Since the premium is very low, it is highly attractive to salaried people in the low income category.

**15.8 RETIREMENT BENEFITS AND OTHER WELFARE MEASURES TO BUILD EMPLOYEE COMMITMENT**

Industrial life generally breaks joint family system. The saving capacity of the employees is very low due to lower wages, high living cost and increasing aspirations of the employees and his family members. As such, employers provide some benefits to the employees, after retirement and during old age, with a view to create a feeling of security about the old age. These benefits are called old age and retirement benefits. These benefits include (a) provident fund, (b) pension, (c) deposit linked insurance, (d) gratuity and (e) medical benefit.

**15.8.1 Provident fund**

This benefit is meant for economic welfare of the employees. The Employee’s Provident Fund, Family Pension Fund and Deposit Linked Insurance Act, 1952, provides for the institution of Provident Fund for employees in factories and establishments. Provident Fund Scheme of the Act provides for monetary assistance to the employees and/or their dependents during post retirement life. Thus, this facility provides security against social risks and this benefit enables the industrial worker to have better retired life. Employees in all factories under Factories Act, 1948, are covered by the Act. Both the employee
and employer contribute to the fund. The employees on attaining 15 years of membership are eligible for 100% of the contributions with interest. Generally the organisations pay the Provident Fund amount with interest to the employee on retirement or to the dependants of the employee, in case of death.

15.8.2 Pension

The Government of India introduced a scheme of Employees Pension Scheme for the purpose of providing Family Pension and Life Insurance benefits to the employees of various establishments to which the Act is applicable. The Act was amended in 1971 when Family Pension Fund was introduced in the Act. Both the employer and the employee contribute to this fund. Contributions to this fund are from the employee contributions to the Provident Fund to the tune of 1.1/3% of employee wage.

Employee’s Family Pension Scheme, 1971, provides for a Family Pension to the family of deceased employee as per the following rates:

<table>
<thead>
<tr>
<th>Pay for month</th>
<th>Rate</th>
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<tbody>
<tr>
<td>Rs 800 or more</td>
<td>12% of the basic subject to a maximum of Rs. 150 as monthly pension.</td>
</tr>
<tr>
<td>More than Rs 200 but less than Rs 800</td>
<td>15% of the basic subject to a maximum of Rs 96 and a minimum of Rs 60 as monthly pension.</td>
</tr>
<tr>
<td>Rs 200 or less</td>
<td>30% of the basic subject to a minimum of Rs. 60 as monthly pension.</td>
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</tbody>
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This scheme also provides for the payment of a lumpsum amount of Rs 4,000 to an employee on his retirement as retirement benefit and a lumpsum amount of Rs 2,000 in the event of death of an employee as life insurance benefits.

15.8.3 Deposit linked insurance

Employees deposit linked insurance scheme was introduced in 1976 under the P.F. Act, 1952. Under this scheme, if a member of the Employees Provident fund dies while in service, his dependents will be paid an additional amount equal to the average balance during the last three years in his account. (The amount should not be less than Rs 1000 at any point of time). Under the employee’s deposit linked insurance scheme, 1976 the maximum amount of benefits payable under the deposit linked insurance is Rs 10,000.

15.8.4 Gratuity

This is another type of retirement benefit to be provided to an employee either on retirement or at the time of physical disability and to the dependents of the deceased employee. Gratuity is a reward to an employee for his long service with his present employer.

The Payment of Gratuity Act, 1972, is applicable to the establishments in the entire country. The act provides for a scheme of compulsory payment of gratuity by the managements of factories, plantations, mines, oil fields, railways, shops and other establishments employing 10 or more persons to their employees, drawing the monthly wages up to Rs 1,600 per month.

Gratuity is payable to all the employees who render a minimum continuous service of five years with the present employer. It is payable to an employee on his superannuation or on his retirement or on his death or disablement due to accident or disease. The gratuity payable to an employee shall be at the rate of 15 days wage for every completed year of service on part thereof in excess of six months. Here the wage means the average of the basic pay last drawn by the employee. The maximum amount of gratuity payable to an employee shall not exceed 20 months’ wage.
15.8.5 Medical benefit

Some of the large organisations provide medical benefits to their retired employees and their family members. This benefit creates a feeling of permanent attachment with the organisation to the employees even when they are no longer in service.

Welfare and recreational benefits include: (a) canteens, (b) consumer societies, (c) credit societies, (d) housing, (e) legal aid, (f) employee counselling, (g) welfare organisations, (h) holidays homes, (i) educational facilities, (j) transportation, (k) parties and picnics and (l) miscellaneous.

i. **Canteens:** Perhaps no employee benefit has received as much attention in recent years as that of canteens. Some organisations have statutory obligation to provide such facilities as Section 46 of the Factories Act, 1948, imposes a statutory obligation to employers to provide canteens in factories employing more than 250 workers. Others have provided such facilities voluntarily. Foodstuffs are supplied at subsidised prices in these canteens. Some companies provide lunchrooms when canteen facilities are not available.

ii. **Consumer stores:** Most of the large organisations located far from the towns and which provide housing facilities near the organisation set up the consumer stores in the employees colonies and supply all the necessary goods at fair prices.

iii. **Credit societies:** The objective of setting up of these societies is to encourage thrift and provide loan facilities at reasonable terms and conditions, primarily to employees. Some organisations encourage employees to form cooperative credit societies with a view to fostering self-help rather than depending upon money lenders, whereas some organisations provide loans to employees directly.

iv. **Housing:** Of all the requirements of the workers, decent and cheap housing accommodation is of great significance. The problem of housing is one of the main causes for fatigue and worry among employees and this comes in the way of discharging their duties effectively. Most of the large factories organisations, e.g., sugar mills, are located very far from towns, at places where housing facilities are not available. Hence most of the organisations have built quarters nearer to factory and have thus provided cheap and decent housing facilities to their employees, whilst a few organisations provide and/or arrange for housing loans to employees and encourage them to construct houses.

v. **Legal aid:** Organisations also provide assistance or aid regarding legal matters to employees as and when necessary through company lawyers or other lawyers.

vi. **Employee counselling:** Organisations provide counselling service to the employee regarding their personal problems through professional counsellors. Employee counselling reduces absenteeism, turnover, tardiness, etc.

vii. **Welfare organisations, welfare officers:** Some large organisations set up welfare organisations with a view to provide all types of welfare facilities at one centre and appoint welfare officers to provide the welfare benefits continuously and effectively to all employees fairly.

viii. **Holiday homes:** As a measure of staff welfare and in pursuance of government’s policy, a few large organisations established holiday homes at a number of hill stations, health resorts and other centres with low charges of accommodation, so as to encourage employees to use this facility for rest and recuperations in a salubrious environment.

ix. **Educational facilities:** Organisations provide educational facilities not only to the employees but also to their family members. Educational facilities include reimbursement of tuition fees, setting up of schools, colleges, hostels, providing...
grants-in-aid to the other schools where a considerable number of students are from the children of employees. Further, the organisations provide rooms and libraries for the benefit of employees.

x. **Transportation:** Many large companies provide conveyance facilities to employees, from their residence to the place of work and back, as most industries are located outside town and all employees may not get quarter facility.

xi. **Parties and picnics:** Companies provide these facilities with a view to inculcating a sense of association, belongingness, openness and freedom among employees. These activities help employees to understand others better.

xii. **Miscellaneous:** Organisations provide other benefits like organising games, sports with awards, setting up of clubs, community service activities, Christmas gifts, Diwali, Pongal and Pooja gifts, birthday gifts, leave travel concession annual awards, productivity/performance awards, etc.

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<th>Check Your Progress</th>
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<tbody>
<tr>
<td>1. What is the difference between profit sharing and gain sharing?</td>
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<tr>
<td>2. What are the various fringe benefits offered by various organizations in India?</td>
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<tr>
<td>3. What are various welfare and recreational benefits?</td>
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### 15.9 LET US SUM UP

The terms 'fringe benefits' and perks (perquisites) are sometimes used derogatively, but should be reserved for those employee benefits which are not fundamentally catering for personal security and personal needs. Benefits should be looked at as part of the overall compensation strategy of the organisation. Employer provides a wide array of services that enhance the lifestyle of employees. In some cases, these services grant employees time off with pay. The ever-increasing diversity and population of employee benefits have given rise to a significant number of benefits that can be grouped under a category called nonstatutory benefits. Amenities that are necessary to be 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 the Contract Labour (Regulation and Abolition) Act, 1970. Group life insurance scheme provides insurance cover to several employees working under one employer, as long as they remain in service of that employer. Industrial life generally breaks joint family system. The saving capacity of the employees is very low due to lower wages, high living cost and increasing aspirations of the employees and his family members. As such, employers provide some benefits to the employees, after retirement and during old age, with a view to create a feeling of security about the old age. These benefits are called old age and retirement benefits. These benefits include (a) provident fund, (b) pension, (c) deposit linked insurance, (d) gratuity and (e) medical benefit.

### 15.10 LESSON-END ACTIVITY

As a manager of a staff of customer service executives in a service business, what type of pay-for-performance plan do you think would work best? What about for automobile machines in a large car dealership company listed in the Bombay Stock Exchange?
15.11 KEYWORDS

Fringe Benefits
Remuneration
Fringes Embrace
Short-term Disability
Social Security
Accident Protection
Unrecognised Benefits
Maternity Leave
Statutory Benefits
Credit Union
Flexible Benefits
Gratuity
Legal Aid
Statutory Welfare

15.12 QUESTIONS FOR DISCUSSION

1. Distinguish between benefits and services.
2. What is a fringe benefit? Why is it necessary for employees?
3. What is disability? Describe the components of disability income continuation plans.
4. What do you mean by health and accident protection?
5. Give some common time-off with pay components.
6. Discuss about statutory welfare provision in India.
7. What are the advantages and disadvantages of flexible benefits? Describe.
8. Write short notes on:
   (i) Time-off from Work Without Pay
   (ii) The Contract Labour Act, 1970
   (iii) Recreational Facilities
   (iv) Insurance Benefits
   (v) Pension
   (vi) Provident Fund
9. Explain non-statutory welfare amenities.

15.13 SUGGESTED READINGS


