UNIT 10: BENEFITS AND SERVICES

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10.1 LEARNING OBJECTIVES

After going through this unit you will be able to:

- discuss the meaning of benefits and services
- differentiate between holidays and vacation
- discuss about the sick leave
- explain the different Pension Plans
- discuss in details about the social security
- discuss the meaning and procedures of VRS and Golden handshake.

10.2 INTRODUCTION

Human resource management is concerned with recruiting the required number of people in the organisation as well as their training and development, compensation etc. All these involve heavy cost both in terms of money and time. Moreover, it faces a number of problems in managing the human resource of the organization, like, absenteeism, turnover, strikes etc. which affects the productivity of the organization. Therefore, with a view to retain its people and to ensure undisrupted functioning of the organization, it provides certain basic facilities to the employees. These facilities are known as benefits and services. The benefits and services are provided to all the employees of the organization as against the financial incentives which are provided to those employees who show higher level of performance.

This unit will cover this important aspect of human resource management. At first you will come across the meaning of benefits and services and then the benefits and services offered by organization to its employees.

10.3 CONCEPT OF BENEFITS AND SERVICES

One of the important aspects of human resource management is to provide satisfactory benefits and services to the employees working in the organization. This is required to promote favourable attitude in the minds of the employees towards the work and work environment. In other words, to maintain good industrial relations, motivate the employees towards work and promote employee's morale, providing some benefits and services is essential.

Such benefits and services, being a part of wage and salary administration, include all expenditure incurred to benefit employees over and above wages and direct monetary incentives related to output. The real wages of the workers are increased by the benefits provided by the employer and thus they are regarded as supplement to wages or fringe benefits.

It is important to note that 'financial' incentives are paid to specific employees whose work is above standard. 'Benefits and services' are on the other hand available to all employees of the organization.

Benefits and services programme are undertaken by an organization to achieve the following objectives-

- To recruit and retain the best personnel
- To increase and improve employees morale
- To keep in line with other similar organization offering benefits and services
- To protect employees against certain hazards of life e.g Life Insurance, Old age Pension etc.
- To improve the public image of the organization.
- To meet statutory requirements
- To satisfy the demand of Trade Unions. etc.

10.4 MEANING OF VACATIONS AND HOLIDAYS

Vacations and Holidays are offered to employees as benefit and services. The idea behind is to allow the worker some physical and mental diversion from his job.

The words **holiday** or **vacation** have related meanings in different countries and continents, but usually refer to one of the following activities or events:

- Official or unofficial **observances** of religious, national, or cultural significance, often accompanied by **celebrations or festivities**
- A general **leave of absence** from a regular occupation for rest or recreation
- A specific **trip** or journey for the purposes of recreation or tourism

People often take a vacation during specific holiday observances, or for specific festivals or celebrations. Vacation or holidays are often used to spend some time with friends or family.

Holidays

Holiday originally referred only to special religious days. In modern use, it means certain days in the year are stipulated as paid holidays. In western countries like USA, UK, Christmas, New Year, Labour Day etc. are particularly included in the list of holidays. In India, Independence Day, Republic day, Gandhi Jayanti Deepavali, Dashera Id, Christmas, Gurunanak Jayanti etc. are Gazetted

holiday. During holidays workers are paid and they do not have to work.

vacation

In the United Kingdom, *vacation* once specifically referred to the long summer break taken by the law courts and, later, universities—a custom introduced by William the Conqueror from Normandy where it facilitated the grape harvest. The French term is similar to American English: "Les Vacances". In the past, many upper-class families moved to a summer home for part of the year, leaving their usual family home vacant.

In case of employees paid vacations vary from 15 days to one month in a year in our country. These are given to the employee after he/ she has put in a specific period of time.

The rational behind the paid vacation is to provide a break in which an employee can refresh himself.



CHECK YOUR PROGRESS

Q 1: State the three objectives of benefits and services programme of organizations.

i) .....

ii) .....

iii) .....

10.5 SICK LEAVE

Sick leave is provided to an employee when he is out of work due to illness. During sick leave full pay for specified number of 'permissible' sick days are granted to him.

Sick leave here does not include sick leave arising from work-related injuries which is governed by the Employees' Compensation Ordinance

10.5.1 Procedures for Granting Sick Leave

In accordance with the Employment Ordinance (EO), an employer shall grant sickness allowance to an employee, who is employed under a continuous contract, if:

- the sick leave taken is not less than four consecutive days (unless for any day off taken by a female employee for her pregnancy check-ups, post confinement medical treatment or miscarriage, any day on which she is absent shall be counted as sickness day and be paid sickness allowance);
- the sick leave is supported by an appropriate medical certificate depending on the category of paid sickness days taken (the medical certificate should specify the number of days on which, and the nature of the sickness or injury on account of which, the employee is unfit for work); and
- The employee has accumulated the number of paid sickness days taken.
- The daily rate of sickness allowance is a sum equivalent to four-fifths of the average daily wages earned by an employee in the 12-months period proceeding the sickness day.
- In calculating the average daily wages, an employer has to exclude (i) the periods for which an employee is not paid his wages or full wages, including rest day, statutory holiday, annual leave, sickness day, maternity leave, sick leave due to work injuries or leave taken with the agreement of the employer, and any normal working day on which the employee is not provided by the employer with work; together with (ii) the sum paid to the employee for such periods.

Sickness allowance is, however, not payable under the EO under the following circumstances:

- The employee, unless he/she is a patient in a hospital, refuses without reasonable excuse treatment by a company doctor of a medical scheme recognized by the Director of Health or disregards the advice of the doctor without reasonable excuse.
- the sickness day falls on a statutory holiday on which the employee is entitled to holiday pay;
- the sick leave arises from a work injury and the unfitness for work of the employee is caused by his/her serious and willful misconduct; or

- Compensation is payable under the Employees' Compensation Ordinance.

An employer who fails to pay sickness allowance to an employee is liable to prosecution.

Employers should maintain proper record of sick leave taken by employees to comply with the statutory requirements under the EO. Employers can also make use of these systematic records to conduct periodical analysis on the sick leave pattern of employees. Such analysis can assist management to plan work schedules, and also to assess the impact of sick leave taking on the organization's overall cost, output and productivity.

10.6 PENSION PLANS

A pension represents a fixed payment, made regularly to a retired employee or his surviving dependants, provided an employee has fulfilled specific conditions of employment for a specific length of time. In general, a pension is an arrangement to provide people with an income when they are no longer earning a regular income from employment.

According to 'Employees Provident Fund and Miscellaneous Provisions Act, 1952', -"Pension" means the pension payable under the employees' Pension Scheme and also includes the family pension admissible and payable under the Employees' Family Pension Scheme, 1971.

It is a plan established and maintained by an employer, group of employers, or union to provide for the payment of determinable benefits to its employees.

Under the Section 6-A of 'Employees Provident Fund and Miscellaneous Provisions Act, 1952', the Central Government has made the Employees Pension Scheme in 1995. This scheme has come in to force on the 10th day of November 1995. However, the employees have been given an option to become the members of the scheme with effect from the first April, 1993.

The scheme applied to the employees of all factories and other establishments in which the Act applied.

10.6.1 Employees' Pension Fund

As per the Act a part of the employer's contribution (33% of the employees pay) shall be remitted by the employer to the employees pension fund within 15 days of the close of every month by a separate bank draft or cheque. The cost of remittance, if any, shall be borne by the employer.

It is the responsibility of the employer to pay the contribution payable to the employees' Pension Fund in respect of each member of the employees' Pension Fund employed by him directly or by or through a contractor.

10.6.2 Benefits to the Family

On the death of the member, the family shall be admissible from the date of death of the member if the member dies

i) While in service, provided that at least one month's contribution has been paid in to the Employees Pension Fund ,or

ii) After the date of exit but before attaining the age of 58 years from the employment having rendered service entitling him/ her to monthly member's pension but before commencement of pension payment, or

iii) After commencement of payment of the monthly members pension.

There are also some provisions to pay monthly children pension to any surviving children of the deceased member, falling within the definition of family under the Act. They shall be entitled to monthly children pension in addition to the monthly widow/widower pension subject to certain conditions laid down in the Act.

10.7 SOCIAL SECURITY

No man in any society is so capable and versatile as to able to satisfy all his needs. Every one is dependent on others for the fulfillment of some needs. For example, the aged, the helpless, the unemployed, pregnant women,

person suffering from chronic diseases are badly in need of help from others. If they are not helped by others chaotic condition will result in the society and the social order will be upset. Thus, in general sense, social security refers to protection provided by the society to its members against providential mishaps over which a person has no control.

The underlying philosophy of social security is that the state shall make itself responsible for ensuring a minimum standard of material welfare to all its citizens. In other sense, social security is primarily an instrument of social and economic justice.

According to a definition given in the **International Labour Organization (ILO**) publication, "Social security is the security that society furnishes through appropriate organization against certain risks to which its members are exposed. These risks are essentially contingencies of life which the individual of small means cannot effectively provide by his own ability, or foresight alone or even in private combination with the fellows".

Thus social security is the planned commitment of a society to ensure bright future for the new generation, active development of present generation and lastly but no less impotently, to relieve the discomforts of the retired generation and help them to live in peace and harmony.

10.7.1 Objectives and Scope of Social Security

Objectives of social security can be summed up in three categories:-

a) **Compensation:** It ensures security of income. It is based on the consideration that during the period of contingency of risks, the individual and his/her family should not be subjected to a double calamity.

b) **Restoration of:** It means cure of one's sickness, reemployment so as to restore the person to earlier condition.

c) **Prevention:** These measures imply to avoid the loss of productive capacity due to sickness, unemployment or invalidity to earn income.

The scope of social security is wide and it covers the aspects relating

to social and economic justice. All social security schemes furnished by the government are broadly classified under two types

i) **Social Assistance:** It refers to the assistance rendered by the government to the needy persons without asking them to make contributions to be entitled to get such assistance. Workmen's compensation, maternity benefits, old age pension are the example of social assistance.

ii) **Social Insurance:** It refers to a scheme of maintaining fund from the contributions made by the employees and employer, with or without subsidy from the Government. Provident fund, group insurance etc. are example of social insurance

According to Social security (Minimum Standards) Convention (No.102) adopted by the ILO in 1952, the following are the nine components of social security:-

1. Medical care
2. Sickness benefit
3. Unemployment benefit
4. Old age benefit
5. Employment injury benefit
6. Family benefit
7. Maternity benefit
8. Invalidity benefit
9. Survivor's benefit

10.7.2 Social Security Measures in India

There are several schemes providing social security to the workers is incorporated by Government of India in various enactments from time to time. The important enactments in this regards are:-

a) The Workmen's Compensation Act, 1923
b) The Employees State Insurance Act, 1948
c) The Employees Provident Fund and Miscellaneous Provisions Act, 1952
d) The Maternity Benefit Act, 1961

e) The Payment of Gratuity Act, 1972

f) Coal Mines Provident Fund and Miscellaneous Provisions Act,1948

The various schemes under the above Acts are:-

i) Employee State Insurance Scheme(ESI)

ii) Employees Provident fund

iii) Employees Deposit-linked Insurance Scheme

iv) Gratuity Scheme

v) Death relief

vi) Family pension

vii) Coal Mines Provident Fund Scheme

viii) Coal Mine Provident Fund Deposit Linked Insurance Scheme

ix) Maternity Benefits etc.

10.8 LABOUR WELFARE

Labour Welfare is one of the major determinants of Industrial relations. **Encyclopedia of Social Science** defines welfare work as, "Voluntary efforts of the employers to establish within the existing industrial system, working and sometime living custom of the industry and the condition of the market."

According to **Royal Commission of Labour,** "The term welfare as applied to the industrial worker, is one which must necessarily be elastic; bearing a some what different interpretation in one country from another, according to different interpretations in the degree of industrialization and educational development of workers."

International Labour Organization, defines "Workers welfare should be understood as meaning such service facilities and amenities which may be established in, or vicinity of, an undertaking to enable the persons employed there to perform their work in healthy congenial surroundings and provided with amenities conducive to good health and high morale."

Thus, from the above definitions, it can be stated that:-

a) Labour welfare includes all voluntary acts by employers aimed at improvement and betterment of workers social, moral, economic and intellectual conditions.

b) Those acts which the employer is compelled, on pain of legal action, to undertake , however beneficial these may be for the workers are not included in the province of labour welfare

c) By welfare scheme the industrialists give evidence of their moral and social enlightenment and help all round development of workers.

10.8.1 Labour Welfare Activities

Labour Welfare activities are of three kinds:

1. **Constitutional:** Legal compulsion regarding the safety and working conditions of workers, etc.
2. **Voluntary:** The works performed by employer for the benefits of the workers
3. **Mutual:** It includes the welfare works done by labour Unions and management in cooperation with each other.

Dr. Broughton has divided the works of Labour welfare into two classes as follows:

1. Intra Mural: - It includes

a) Scientific selection and appointment
b) Industrial Training
c) Arrangement for Light, Fresh Air and Water
d) Prevention of Accidents
e) Canteen, rest rooms, refreshment etc.

2. Extra Mural: It includes

a) Provision of Education
b) Arrangement of proper housing accommodations
c) Medical services
d) Provision of inexpensive and Nourishing food
e) Recreation facilities

Apart from the above labour welfare activities it also includes the services like Social insurance scheme, Provident fund benefits,

pension, sickness and maternity benefits, arrangement of cultural programmes etc.



ACTIVITY 1

"Labour welfare activities help in improving morale of workers." Give your comment.

10.9 VRS AND GOLDEN HANDSHAKE

The term VRS means Voluntary Retirement Scheme where in the Employee takes the retirement from the service on his own, and he would also be eligible for the fringe benefits which are availed only after the Completion of the 33 years as per the rules of the Central Government.

There is another term similar to 'VRS', i.e. CRS. VRS can also be taken on Medical Grounds of the employee & also seeking more benefits from the employer.

CRS is the term related to Compulsory Retirement Scheme where in the employee is asked to taken retirement from the service based upon various reasons.

VRS is a popular method of reducing the manpower in the organization. Most of the company under this method offer very attractive package of benefits to the employees who would opt for VRS. Such Schemes are often referred to as **GOLDEN HANDSHAKE** Scheme.

The reasons for proposing VRS

1. Recession in business
2. Intense competition, which makes the establishment unviable unless downsizing is resorted to
3. Changes in technology, production process etc.
4. Realignment of business - due to market conditions
5. Joint-ventures with foreign collaborations
6. Takeovers and mergers
7. Business re-engineering process
8. Product/Technology obsolescence

10.9.1 Merits and Demerits of VRS and Golden Handshake

Merits

1. There is no legal obstacle in implementing VRS - as is predominantly encountered in retrenchment under the labour laws.
2. It offers to the employee an attractive financial compensation than what is permitted under retrenchment under the law.
3. Voluntary nature of the schemes precludes the need for enforcement, which may give rise to conflicts and disputes.
4. It allows flexibility and can be applied only to certain divisions, departments where there is excess manpower.
5. It allows overall savings in the employee costs thus lowering the overall costs.

Demerits

1. To certain extent it creates fear, a sense of uncertainty among employees.
2. Sometimes the severance costs are heavy and outweigh the possible gains.
3. Trade unions generally protest the operation of such schemes and may cause disturbance in normal operations.
4. Some of the good, capable and competent employees may also apply for separation which may cause embarrassment to the managements.



CHECK YOUR PROGRESS 2

Q 2: State two merits of VRS.

i) .....

ii) .....

Q 3: State two demerits of VRS.

i) .....

ii) .....



10.10 LET US SUM UP

In this unit we have discussed the following-

- Benefits and services are the part of wage and salary administration.
- Benefits and services are available to all the employees as against the financial incentives which are given to those employees whose shows higher standard of performance.
- Holidays and vacations are the means to refresh the employees.
- Various acts are enacted to provide social security to workers in India like, the Employees state Insurance Act, 1948, the Maternity Benefit Act, 1961, the Payment of Gratuity Act, 1972 etc.
- Under VRS, an employee can take retirement from the service on his own.
- The merits and demerits of VRS.



10.11 FURTHER READINGS

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10.12 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1:

i) To recruit and retain the best personnel.

ii) To increase and improve employees morale.

iii) To meet statutory requirements.

Ans to Q No 2:

i) There is no legal obstacle in implementing VRS.

ii) It offers to the employee an attractive financial compensation.

Ans to Q No 3:

i) Some efficient employees may also apply for VRS

ii) It creates a sense of uncertainty among employees

10.13 MODEL QUESTIONS

Q 1: What is meant by benefits and services offered to employees?

Q 2: Discuss the procedure of granting sick leave.

Q 3: Discuss different pension plans.

Q 4: Explain the social security measures available to workers.

Q 5 Discuss the merits and demerits of VRS.

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