

Lesson - 9

FRINGE BENEFITS

9.0 Objective:

After completion of this lesson, you should be able to understand:

- * definition
- * coverage
- * need
- * objectives Fringe Benefits
- * types of Fringe Benefits
- * welfare Facilities

Structure:

- 9.1 Introduction
 - 9.1.1 Definition
- 9.2 Coverage
- 9.3 Need for Fringe Benefits
- 9.4 Objectives of Fringe Benefits
- 9.5 Types of Fringe Benefits
- 9.6 Classification of Fringe Benefits
 - 9.6.1 Payment for Time not Worked.
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9.1 Introduction:

Fringe Benefits are the extra benefits provided to employees. They are provided in addition to the compensation paid in the form of wage or salary.

9.1.1 Definitions:

Balcher defines as “any wage cost not directly connected with the employees’ productive effort, performance, service or sacrifice”.

Cockmar defines “fringe benefits are those benefits which are provided by an employer to or for the benefit of an employee and which are not in the form of wages, salaries and time-related payments.

Different terms are used to denote fringe benefits. They are welfare measures, social charges, social security measures, supplements, sub-wages, employee benefits etc.,

The **ILO** described, fringe benefits as, “wages are often augmented by special cash benefits by the provision of medical and other services or by payments in kind, that forms part of the wage for expenditure on the goods and services.

In addition to this, workers commonly receive such benefits as holidays with pay, low cost meals, low-rent housing etc. Benefits that have no relation to employment or wages should not be regarded as fringe benefits even though they may contribute a significant part of the worker’s total income”.

Thus, fringe benefits are both monetary and non-monetary benefits provided to the employees during and post-employment period which are connected with employment but not to the employee’s contribution to the organisation.

9.2 Coverage:

Fringe Benefits ‘covers bonus, social security measures retirement benefits like Provident Fund, Pension, Gratuity, Housing, Medical, Canteen, Co-operative credit, recreational facilities, financial advice and so on.

Thus, fringe benefits cover a number of employee facilities provided by an employer to his employees and to the family members of the employees.

9.3 Need for Extending Fringe Benefits:

Certain non-monetary benefits were extended to employees during the World War II as means of neutralising the inflationary conditions resulted due to war. These benefits include housing, health, education, recreation, credit, canteen etc. These benefits have been increased from time to time due to the pressures from trade unions. These benefits help to meet their contingences. These benefits help the employers also in meeting their social obligations.

Most of the employees are provided with fringe benefits by the organisations year after year for the following reasons:

Employee Demands:

Employees make demands for varies types of fringe benefits rather than hike in their pay to get the tax benefits. They demand for fringe benefits due to increased cost-of living and unhealthy growth in price index.

Demand by the Trade Unions:

Trade unions to prove their supremacy over their rival unions compete with each other for getting a variety of new fringe benefits. If one union succeeds in getting one benefit, the other union pressures the management to provide a new model fringe. Thus, the competition among the unions within the same organisation results in more and varied benefits.

Employer's Preference:

Employers also prefer to provide fringe benefits to their employees rather than pay-hike to motivate the employees for increased output. It works as an effective advertisement.

As a Social Security:

It is a security that society furnishes through appropriate organisation against certain risks to which its members are exposed. These risks are contingencies of life like accidents and occupational diseases. Employer has to various benefits with a view to provide security to his employees against various contingence.

To Improve Human Relations:

Human relations are maintained where the employees are satisfied economically, socially and psychologically. Fringe benefits satisfy the economic, social and psychological needs of the employees. Consumer stores, canteen recreational facilities satisfy the social needs whereas retirement benefits satisfy some of the psychological problems about the post-retirement life. Thus fringe benefits improve human relations.

9.4 Objectives of Fringe Benefits:

- * to create sound industrial relations
- * to boost up the morale of the employee
- * to provide qualitative work environment
- * to provide security against social risks to employees
- * to protect the health of the employees
- * to promote the welfare of the employees
- * to meet the requirements of various legislations

9.5 Types of Fringe Benefits:

Organisations provide a variety of fringe benefits. They are classified under four heads:

For Employment Security:

Benefits under this includes un-employment insurance, technological adjustment pay, leave travel pay, overtime pay, leave for maternity, leave for grievances, holidays, jobs to their kith and kin etc.

For Health Protection:

It includes accident insurance, disability insurance, health insurance, life insurance, medical care, sick leave etc.

For Old Age and Retirement:

Benefits under this method includes deferred income plans, pension, gratuity, Provident fund, old age assistance, and counselling, medical benefits to the retired, jobs to sons/daughters etc.

For Personnel Identification and Stimulations:

It covers anniversary awards, attendance bonus, canteen, cooperative credit societies, education facilities, quality bonus etc.

9.6 Classification of Fringe Benefits:

The following are the various fringe benefits that are available to workers in India.

- (a) Payment for time not worked
- (b) Employee Security
- (c) Safety and Health
- (d) Welfare Recreational Facilities
- (e) Old age and retirement benefits.

9.6.1 Payment for Time Not worked: This type includes:

Hours of Work: According to Section 51 of the Factories Act, 1948, no adult worker shall work in a factory for more than 48 hours in a week. The number of working hours should not exceed 9 hours in a day. In some cases, the working hours is less than 9 hours as per the Act.

Paid Holidays: According to Act, an adult worker a weekly paid holiday, i.e. Sunday preferably. When a worker is deprived of weekly holidays, he is given compensatory holidays of the same number in the same month. Some organisations provides two days as paid holidays in a week.

Shift Premium: Workers who perform work in second and third shifts pay a premium to the workers who work in odd hours shift.

Holiday Pay: The workers who work on paid holidays are offered double the normal rate of salary.

Paid Vacation: Workers who work in manufacturing, mining and plantation organisations are eligible for paid vocation at the rate of one day for every 20 days worked in case of adult workers and at the rate of one day for every 15 days worked in case of child workers provided they worked for more than 240 days in a calendar year.

9.6.2 (b) Employee Security: Job security must be provided to the employees to promote confidence not only to the employee but also to his family members with regard to employment. Confirmation of the employee on the job creates a sense of security. Moreover, a minimum and continuous wage gives a sense of security to the life of the employees.

Employee security measures include:

Retrenchment Compensation: The Act provides for the payment of compensation in case of lay-off and retrenchment. The non-seasonal industrial establishments employing 50 or more workers have to give one month's notice or month wages to all the workers if retrenched after one year of

continuous service. It is 15 days wage for every completed year of service with a maximum of 45 days wage in a year. Workers are eligible for compensation on the same basis in case of closure of undertakings.

Lay-off Compensation: In this case, employees are compensated at the rate equal to 50% of the total of the basic wage and dearness allowance for the period of their lay-off except for weekly holidays. It is normally paid for a period of 45 days in a year.

9.6.3 Safety and Health:

The safety and health of the employees must be safeguarded against unhealthy working conditions, accidents etc. It is because the workers' productivity depends on good working conditions and sound health. The Factories Act has made certain conditions compulsory to safeguard safety and health of the workers. It includes cleanliness, dust and fume, artificial humidification, disposal of waste and effluents etc. Safety measures include fencing of machinery, employment of young persons on dangerous machines, prohibition of employment of women and children near cotton openers, hoists and lifts etc.

In addition to safety and health measures, provision for the payment of compensation has also been made under Workmen's Compensation Act 1923. The Act covers the employees whose wages are less than Rs.500 per month. Amount of compensation depends on the nature of injury and monthly wages of the employee. Dependents of employees are eligible for compensation in case of death of employees.

Health Benefits: Organisations are providing medical and dispensary facilities not only to employees but also to their family members.

Employees State Insurance Act deals with the health benefits to be provided. The Act is applicable to all factories using power and employing 20 or more workers. The Act covers those who draw salary or wages not exceeding Rs.1000 per month. The benefits provided under the Act are:

Sickness Benefit: Insured get a cash benefit of 56 days wages in a year under this benefit.

Maternity Benefit: Women employees are eligible for 12 weeks in addition to cash benefit of 75 paise per day or twice of sickness benefit whichever is more.

Disablement Benefit: If insured are disabled either temporarily or permanently due to injury or occupational diseases, they are entitled to a cash benefit under this head.

Dependant's Benefit: If the insured die as a result of injury sustained in the course of employment, his dependents are paid compensation under the Act.

Medical Benefit: It is provided to the insured or to his family members. It is provided in the following mode:

- * Out-patient treatment in a hospital or dispensary
- * Clinic or
- * By visits to the home of insured or
- * Treatment as in-patient in a hospital or other institutions.

Most of the organisations provide health services over and above the legal requirements to

their employees free of cost by setting up hospitals, clinics, dispensaries etc.

9.6.4 Welfare and Recreational Facilities: They include:

Canteens: It is statutory obligation on the part of the industrial establishments to provide canteen facilities where there are more than 250 workers. Some companies provide lunch where there are no canteen facilities are available.

Consumer Stores: Organisations which provide housing facilities to employees setup consumer stores in the colonies of employees and supply consumer goods at fair prices.

Credit Societies: Some organisation encourage employees to form co-operative credit societies to foster self-help rather than depending on money lenders. In some cases, they provide loans employees directly.

Housing: The problem of housing is one of the causes for fatigue and worry among employees. It reduces the productivity in the organisations. Moreover, most of the companies are located away from towns where housing facilities are not available. Hence, most of the companies provide cheap and decent housing facilities to the employees. In some cases, loans are provided to employees to construct homes of their own.

Legal Aid: They provide legal assistance to employees as and when required through company legal advisers or from outside legal experts.

Employee Counselling: Organisations provide this service through professional counsellors to tackle their personnel problems. It inturn reduces absenteeism, labour turnover etc.

Welfare Organisation: Some organisations set up welfare organisations to provide all types of welfare facilities at one centre. To monitor these facilities welfare officers are also appointed by some companies.

Transportation: Transport facilities are provided to employees from the place of their residence to the place of work, as most of the industries are located away from towns.

Parties and Picnics: Companies provide these facilities to inculcate in them a sense of association, belongingness, openness and freedom among employees. These activities help employees each other better.

Miscellaneous: They also provide other facilities like organising games, sports with awards, setting up clubs, community service activities, christmas gifts etc.,

9.6.5 Old Age and Retirement Benefits:

Industrial life may break the joint family system at times. The saving capacity of the industrial employees is low due to low wages and higher cost of living and increased ambitious of both the employees and their family members. So employers provide certain benefits after their retirement and during their old age to create a sense of security about the old age. These benefits include provident fund, pension, deposit linked insurance, gratuity and medical benefits.

9.7 Summary:

Fringe benefits are the benefits provided by the employers to the employees in addition to

their regular pay and wages or salary. These benefits have no connection with their regular employment. Generally, the companies are located at places away from towns where no housing, medical and basic amenities are not available. Moreover, because of their low wages, the employees find it difficult to meet the increasing cost of living. As a compensation, companies provide these benefits to the employees. These benefits provide a feeling of security to the employees in respect of housing, medical, recreational, education facilities, transport facilities, pension, gratuity etc.

9.8 Self - Assessment Questions:

1. Meaning of Fringe Benefits
2. Need for Fringe Benefits
3. Objectives of Fringe Benefits

9.9 Essay Questions:

1. Briefly explain the benefits that an organisation might give to its employees to provide them with greater financial security?
2. Fringe Benefits serve as "golden hand - cuff's? Discuss.
3. Fringe Benefits have psychological and social base - Discuss.
4. Explain the various legally required fringe benefits in India.

9.10 Reference Books:

1. Essentials of HRM and Industrial Relations - P. Subba Rao
2. Personnel Management and Industrial Relations - R.S. Davan
3. Personnel/Human Resource Management - V.S.P. Rao

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