

# CHAPTER-2



**THEORETICAL FRAME WORK**

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INTRODUCTION :

Labour, at all times, has been recognised as a separate factor of production. Any work whether mental or manual, which is undertaken for a monetary consideration is called 'labour' in Economics. There have been differences of opinion with regard to, the importance of labour, but the fact remains that no production is possible without an efficient labour force. Labour, however, is manifestly different from other factors of production and has got certain characteristics which give rise to various problems in all countries. Labour is a living thing and that makes all the difference. Even if it may be summarised as -

- 1) Labour is inseparable from the person of the labourer.
- 2) He sells his work only, but remains his own property.
- 3) It is perishable in nature and hence it has no reserve price.
- 4) The supply of labour is not inversely proportional to its price ( wages )
- 5) Labour is not so mobile as capital, it is not only a factor of production but is also the ultimate end of production,
- 6) Lastly, it being a human factor, not only economic but moral, social and other considerations are to be taken into account, labour problems thus have many aspects economics, political, psychological, sociological, legal historical and administrative.

All these peculiarities given rise to many problems connected with labour. Whatever may be the system of administration, without solving these problems productive efficiency will suffer in every country. The growth of large scale enterprise in every country is an established fact and a distinct working class has arisen everywhere. India is no exception, though the development of an industrial working class is a comparatively recent phenomenon in our country. As long as labour remains a separate factor of production, the problems relating to it will always exist.

It follows that labour problems do not arise under small scale industries, where there are no employers and employees because the various factors of production are supplied by one and the same person. Labour movement everywhere has been the product of the establishment of large scale industries, in which different factors of production, especially labour, to be supplied by different agents. Every agent tries to get the largest share in the profits, and so many differences and conflict arise. This is because due to profit motive and due to the peculiarities of labour mentioned above. There are greater chances for exploitation of labour if the workers are not properly organised or Govt. laws for the protection of labour are not sufficient and effective. However, even in a socialistic economy, there can be a clash between the interests of the workers and interests of the Government. The worker may agitate for better living

and working conditions or for higher wages. The workers agitation resulted out of this reasons will give rise to the problems of labour unrest, labour turnover, absenteeism and man-days lost on account of strike. It will prove a great hindrance to achieve the goals of production. Labour turnover and absenteeism is unavoidable in any industry. But proper manpower planning and maintaining satisfactory workforce can control the problem to some extent. Labour turnover to some extent is beneficial because it arises from the factors; Such as voluntary quits, discharges, marriages of female workers, promotions or factors such as seasonal and cyclical fluctuations in business. It causes to make a flow of enthusiastic and more efficient work force in the organisation but to what extent the labour turnover and absenteeism is beneficial to the concern, is a problem of research to be made. This gave rise to the present study of sociological and psychological factors in the mobility and absence conduct of workers.

**MEANING OF LABOUR :**

The term labour is used in various ways. Any work whether mental or manual which is under taken for a monetary consideration is called 'Labour' in Economics. Labour today includes workers both at hand and head who work for others for a given payment in cash or kind. Therefore, highly trained or skilled technicians supervisors, clericals and salaried staff are as much a part of labour as the unskilled or semi-skilled workers.

Sometimes the term 'Labour' is used in a very broad sense as total working force or labour force which includes all persons who work for a living such as housewives children, old persons etc. In this sense labour is synonymous with human resources. However the sense in which the word "Labour" is used is generally clear from its context. In short, labour in a very broad sense of the term may be defined as "any hand or brain work, which is under taken for monetary consideration".

**SOME OTHER DEFINITIONS :**

1) **S. E. THOMAS :**

" Labour consists of all human efforts of body or of mind which is undertaken in the expectation of reward.

2) THE FACTORIES (ANENDMENT) ACT 1976. :

" Worker means a person employed directly or by or through any agency including a contractor with or without the knowledge of the principal employer whether for wages or not in any manufacturing process or in cleaning any part of the machinery or premises used for a manufacturing process or in any other kind of work incidental to or connected with the manufacturing process, but does not include any member of the armed forces of the union."

Critically speaking " Industrial Labour" should stand for all labour engaged in large and small industrial establishments including cottage industries. However in India the term is used in a restricted sense to refer to those workers who are employed in organised industries, that is those industrial establishments which are covered by the factories Act. Those workers who are engaged in cottage industries are excluded.



DEFINATION OF LABOUR TURNOVER :

Labour Turnover is to be clearly distinguished from absenteeism Because it measures the change of personnel of workers in an industrial establishment, while the absenteeism measures the extent to which the workers fail to attend to their regular work. Thus labour turnover is defined by the various authorities in the subject as follows .

1) THE LABOUR INVESTIGATION COMMITTEE :

Labour Turnover is the rate of change in the working staff of a concern during a definite period .

2) The committee of American Management Association defined labour turnover " as the extent of shifts and replacement of labour occuring in the maintenance of the working force. "

3) Scott, Clothier, Spriegel :- " Net labour turnover is defined as the number of replacements per hundred workers in the average working force.

4) C. B. MEMORIA :

" Labour turnover is a measure of the extent to which old employees leave and new employees enter into service in a given period. It is sometimes defined as a measurement of inarticulate labour unrest ".

5) ACCORDING TO WEBSTERS DICTIONARY :

"Labour turnover is the replacement rate of employees in a firm, or the total number of workers replaced in an organisation".



**IMPORTANCE OF LABOUR TURNOVER :**

Human beings are perfect machines endowed with the powers of reasoning with proper maintenance, machines perform their duties ungroundingly. To be efficient human beings require adequate scope, display of imagination and security of prospects for the future. The management of human beings has to be with a purpose and has to cater to all the above needs. In this way efficient management tries to control the evil effects of labour turnover.

Management is interested in labour turnover, not only from the point of view of the cost of replacing the men who leave, but also from the point of view of the cost of lessened interest and effectiveness throughout the organisation.

Labour turnover is highest among new employees. This fact emphasises the importance of proper selection, induction and training.

METHODS OF CALCULATING LABOUR TURNOVER RATE :

The significance of the problem of labour turnover in the workforce analysis cannot be appreciated unless it is statistically expressed. It has been variously interpreted and measured at different times. These various formulae involve such

- terms as
- 1) Accessions (A)
  - 2) Separations (S)
  - 3) Replacements (R)
- and 4) Average working force (W)

Accessions mean the additions to the pay roll during a particular period.

SEPARATIONS MAY BE OF TWO KINDS.

- a) Avoidable separations like voluntary quits, discharges etc.
- b) Unavoidable separations (U) like death, marriage in case of female workers, long illness, removal from area, military service etc.

Replacements mean one accession plus one separation.

Average working force means the average number of employees on pay roll. Labour turnover (T) is computed in the following ways.

1) ACCORDING TO TOTAL REPLACEMENTS.

$$T = \frac{\text{Total Replacements}}{\text{Average working force}} \times 100$$

$$T = \frac{100 R}{W}$$

It has been argued in favour of the above formula that it is the replacement figure that provides a picture of the movement of the workers in and out of the employment. On this basis, labour turnover occurs only when a successor has been brought in place of the worker who has left the organisation. Another reason advanced against replacement basis of index is that it appears in both numerator and denominator in the case of increasing staff. Thus labour turnover based upon separation is taken to be more representative than the one based on replacements.

2) ACCORDING TO TOTAL SEPARATIONS :

$$T = \frac{\text{Total separations}}{\text{Average working Force.}} \times 100$$

$$T = \frac{100 S}{W}$$

Here the labour turnover is computed with reference to total separation regardless of their causes.

3) ACCORDING TO TOTAL AVOIDABLE SEPARATIONS :

A more refined labour turnover rate may be established by deducting unavoidable separation from total separations.

$$T = \frac{\text{Separations - Unavoidable separations}}{\text{Average working Force}} \times 100$$

$$T = \frac{100 ( S - U )}{W}$$

The labour turnover here excludes persons who are leaving for reasons beyond the control of management, such as death, marriage in case of female workers, prolonged illness, drafting into the armed forces etc.

4) ACCORDING TO IDEAL ACCESSIONS PLUS SEPARATIONS :

$$T = A - S \div \frac{(P1 - P2)}{2} \times \frac{365}{M}$$

A = Accession

S = Separation

P1 & P2 = Total number of employees at the beginning and at the end of month respectively.

M = Number of days in the month for which the figures are obtained.

This is the widely accepted formula. This formula is given by the U.S. Bureau of labour statistics. According to this formula, during a period of normal business, when the working force is remaining stationary as to totals, the accession rate, separation rate and labour turnover rate are all the same.

**CAUSES OF LABOUR TURNOVER :**

The causes of labour turnover are numerous and may be classified from different angles. In first they may be classified as avoidable and unavoidable labour turnover.

- a) Avoidable turnover refers to resignations, dismissals and lay offs.
- b) Unavoidable turnover arises because of death, retirement, marriage fractional unemployment, military or national services.

Alternatively, these two kinds of turnover could be termed as voluntary and involuntary turnover.

According to various factors generating labour turnover, the causes may be classified as follows :

**1) REDUCTION IN THE QUANTITY OF WORK DUE TO :**

- a) Industrial depression.
- b) Seasonal fluctuations in volume of business.
- c) Completion of temporary jobs.
- d) Change in the industrial process.
- e) Discontinuance of the business.

**2) Causes relating to the job :**

They relate to the nature of work, lower wages, poor working conditions, unsatisfactory opportunities for advancement and inaccessibility of working place of the workers' home.

3) CAUSES PERTAINING TO THE METHODS OF HANDLING MEN :

Due to poor working conditions and dissatisfaction with work the relations between employee and employer are affected. It give birth to strike go-slow which in turn give rise to dismissals due to disciplinary action.

4) CAUSES PERTAINING TO THE FELLOW WORKERS AND UNIONS :

Sometimes the worker leaves his present job on account of disagreeable relations with fellow workers. Sometimes the workers are victimised on account of their participation in the union activities. Such workers tends to leave their present job.

5) CAUSES PERTAINING TO THE WORKERS :

These include workers' poor health, accidents, death supperannuation, marriage and desire to change work. As mentioned earlier, some of these are unavoidable and natural causes.

6) AVAILABILITY OF MORE ATTRACTIVE OPPORTUNITIES :

The attraction of high wage rates and other benefits have always tempted workers to migrate from factory to factory. Also the labour turnover is the result of availability of attractive jobs at places other than own places or work.

7) CAUSES RELATING TO THE METHODS OF RECRUITMENT :

The policy of recruitment followed by the employer has also affected labour turnover to a considerable extent. Selection of workers must be made on the principle of "right man in the right place".

In the absence of well conceived promotional policy to conserve existing human power before recruiting outside, the workers lose incentives to stick to their jobs for long.

8) CAUSES RELATING TO THE FAMILY OF WORKERS :

In a joint family, the adult workers do industrial work in rotation in order to maintain contact with both industry and agriculture. The female workers also sometimes leave their jobs in the period of pregnancy and again join some establishment after the period is over.

**EFFECTS OF LABOUR TURNOVER :**

Labour turnover is at once the cause and effect of instability of employment. Some amount of labour turnover is inevitable like retirement of aged workers, death etc. To some extent this natural turnover is welcomed because it arises due to retirement of aged workers and accession of fresh blood. But the percentage of such turnover is very small. Mostly, turnover is due to resignations and dismissals and a higher rate of turnover becomes harmful to the efficiency of the organisation.

Avoidable labour turnover has so many evil effects on the employer, employees and the society, in general. These may be summarised as follows :

- 1) Labour turnover increases the cost of recruitment of labour.
- 2) The workers are deprived of various advantages of continued employment, such as opportunities of graded pay, bonus, provident Fund and leave facilities.
- 3) The organisation suffers from creating a stable working force which has a value like loyalty, spirit of co-operation and skill. This cannot be measured in financial terms.



- 4) **The overall efficiency of the organisation is not maintained at proper level which results in low productivity and hence low wage rates to the workers, which in turn create labour turnover.**
  
- 5) **Labour turnover is a serious obstacle to the complete utilisation of a country's human and material resources.**

**MEASURES TO REDUCE LABOUR TURNOVER :**

As pointed out, labour turnover is very undesirable because it leads to lower efficiency and diminished output for the industry. Hence some measures have to be adopted for reducing labour turnover. One cannot control natural labour turnover to the great extent but it is possible to control avoidable turnover to some extent.

For this purpose the employer himself must realise the consequences of labour turnover and should take initiative to use the measures to reduce labour turnover. Some of them are listed as below.

- 1) He should improve the system of recruitment of labour. Recruitment through agents and jobbers give much scope for corruption and bribery; which may become a cause of labour turnover.
- 2) Employer should adopt measures such as to improve the economic position of the workers and also give them security of employment.

Besides these he should improve the working conditions of each and every labourer which will give satisfaction to the workers and compel them to stick to the old job for a long time.

- 3) The Badali control system can also reduce labour turnover.
- 4) As pointed out by Bombay, Textile Labour Enquiry committee, improvement in methods of recruitment is one of the principal remedies for excessive labour turnover, and some radical changes required such as establishment of employment exchanges restrictions on the power of the jobbers and proper organisation of personnel department.
- 5) Improvement of working conditions, welfare activities social insurance schemes, leave and holidays, better wages, worker's participation in management etc. will also make the labour force stable.

### CONCEPT OF ABSENTEEISM

A proper understanding of problem of absenteeism should begin with clarification of the concept itself. Very often the term absenteeism is used to denote any absence from work whether authorized or unauthorized. At times it signifies only unauthorized absence.

A worker is marked absent when he fails to report for duty on a day when he is expected to be present. If he does not seek an prior permission the worker loses wages and risks disciplinary action against him. Because of this unexpected absence of worker the company might suffer dislocation of work or loss of production due to idle machine. In essence it remains a problem of discipline.

However a worker cannot be treated as absent when he absentiaes from work on the strength of sick certificate from M.S.I. Doctor. In such a case he is granted leave ex post fact by the company for a period he stayed away from work. But though the absence of worker from duty is genuine, a higher rate of sickness among the workforce will certainly dislocate the production schedules. Therefore the management cannot remain unconcerned about it.

**DEFINITIONS OF ABSENTEEISM :**

Absenteeism has been variously defined by different authorities. Some of them are given below.

- 1) **ACCORDING TO NOAH WEBSTERS DICTIONARY :**  
 " Absenteeism is the practice or habit of being an 'absentee' and an 'absentee' is one who habitually stays away".
- 2) **LABOUR BUREAU SIMLA :**  
 " Absenteeism is the total man shifts lost because of absences as a percentage of the total number of manshifts scheduled to work ".
- 3) **C. E. MEMORIA :**  
 "Absenteeism signifies the absences of an employee from work he is scheduled to be at work ".
- 4) **DR. T.N. BHAGOLIWAL :**  
 " Absenteeism signifies the absence of an employee from work that is unauthorized, unexplained, avoidable and wilful."
- 5) **HACKETT DEFINES ABSENTEEISM AS :**  
 " A temporary cessation of work for not less than one whole working day, on the initiative of the workers, when his presence is expected."

TECHNICALLY IT CAN BE DEFINED AS :

"A ratio of the number of production man-days or shifts lost to the total number of production man-days or shifts scheduled to work."

- 6) ACCORDING TO A CIRCULAR ISSUED BY LABOUR DEPARTMENT, GOVERNMENT OF INDIA :

Absenteeism rate refers to "the total man-shifts lost because as a percentage of the total man-shifts scheduled."

- 7) THE LABOUR BUREAU, SIMLA AND THE ANNUAL SURVEY OF INDUSTRIES (ASI) BOTH THE AGENCIES DEFINE ABSENTEEISM AS :

"The failure of worker to report for work when he is scheduled to work."

- 8) REPORT OF THE LABOUR INVESTIGATION COMMITTEE. (P.97)  
ABSENTEEISM HAS BEEN DEFINED AS :

"Total man-shifts lost because of absences as a percentage of the total number of man-shifts scheduled."

METHODS OF CALCULATING ABSENTEEISM RATE :

Absenteeism signifies the absence of an employee from work that is unauthorized, unexplained, avoidable and wilful. A worker who reports for any part of a shift is to be considered as present. Thus absence is the failure of a worker to report for work when he is scheduled to work. A worker is considered as scheduled to work when the employer has work available for him and the worker is aware of it, and when the employer has no reason to expect well in advance, that the employee will not be available for work at the specified time.

For calculating the rate of absenteeism, two facts are required :

1. the number of persons scheduled to work.
2. the number of workers actually present.

Thus the rate of absenteeism can be estimated by the following formula --

$$\text{Absenteeism Rate} = \frac{\text{No. of daily absentees during period}}{(\text{No. of employees}) \times (\text{No. of working days})} \times 100$$

While calculating the rate of absenteeism the absences on account of the following points are to be excluded -

1. Regularly Scheduled Vacations .
2. Ordered lay off.
3. Strikes .
4. Privilage leave

5. Absence after dismissal.
6. Ex post facto regularised period of over stay following authorised leave.

The standard formula to calculate the absenteeism rate is the ratio of number of manshifts lost due to absences to the number of manshifts scheduled to work. The labour Bureau uses this formula.

$$\text{Absenteeism Rate} = \frac{\text{Manshifts lost due to Absences}}{\text{Manshifts Scheduled to work}} \times 100$$

This formula is used in this study. Mr.K.N. Vaid modified the above formula only because this formula underestimates the absenteeism rate due to inflated divisor and hence he suggested some following formula.

$$\text{Absence Rate} = \frac{\text{Persons not working due to Authorised Absence} + \text{Unauthorised Absence.}}{\text{Manshifts actually worked.}} \times 100$$

$$\text{Absenteeism Rate} = \frac{\text{Persons not working due to unauthorised Absence.}}{\text{Manshifts actually worked.}} \times 100$$

$$\text{Sickness Rate} = \frac{\text{Persons not working due to certified sick leave.}}{\text{Manshifts actually worked.}} \times 100$$



Persons not working due to authorised  
 Authorised Leave Rate =  $\frac{\text{Leave other than sickness}}{\text{Manshifts actually worked.}} \times 100$

( Papers on Absenteeism K.N. Vaid, Paper I )-

As badii offs are allowed by the management and casuals are available because of mutual adjustment in the factory generally find it possible to fill in all vacancies and allow no machine to remain idle. Loss of production due to machine idleness is only an exception. Hence man shifts actually worked equals the manshifts scheduled to work, both in theory and in practice. Therefore the rate of absence, absenteeism, sickness and authorised leave are calculated by taking the divisor as manshifts scheduled to work.

CAUSES OF LABOUR ABSENTEEISM

The workers remain absent for various reasons of which some may be genuine. Sickness is responsible for a considerable part of absenteeism at most places. The low vitality of the Indian workers combined with bad housing and insanitary conditions of living, makes them an easy prey to many epidemics.

Besides, there is a greater percentage of absenteeism during the night shifts than in the day shifts, owing to the greater discomfort of work during night time.

The most important causes of absenteeism may be summarised as below.

1. Rural exodus, 2) Harvesting and sowing of crops.
3. Social and religious ceremonies. 4) Industrial accidents
- 5) Drinking and Gambling habit. 6) Insanitary living conditions, 7) Dissatisfactory working conditions,
8. Shortage of accommodation, 9) Hazardous nature of work.

Absenteeism has been found to be higher among women than men due to women's household duties, maternity leave etc. Besides the level of absenteeism is comparatively high immediately after the pay day. Last but not the least, unattractive working conditions, under ground work in coal mines is also reasons for absenteeism.

### EFFECTS OF LABOUR ABSENTEEISM

Labour absenteeism results in production losses, increases labour costs, and reduces efficiency of operations. It forces enterprises to employ more hands than the jobs require which increases direct overhead costs. Additional expenses have to be incurred on recruitment and providing services for the labour.

The efficiency of plant operations is affected in several ways. Manpower planning is rendered impossible by an uncertain and fluctuating workforce. Inexperienced and casual operatives increase machine down time, rejects the product and maintenance and supervisory inputs. If all the aforesaid losses and additional costs are to be expressed in terms of money, the figures will be alarming.

Frequent absence from work is a great handicap to workers also as "No work no pay" is usually the rule the income is reduced and poor workers become still poorer. Hence the health and efficiency of workers is affected.

MEASURES OF REDUCE ABSENTEEISM

The problem of absenteeism does not become headache for the management. Therefore it should be controlled at the proper stage. Due care must taken in respect of unauthorised absence.

New York Telephone company suggests the following steps for overcoming the problem of absenteeism.

1) INQUIRE :

Welcome the employer back to the job and inquire the reason for his absence.

2) INVESTIGATE :

As repeated absence calls for a probe and in case the employee is not well, he should be referred to the doctor.

3) COUNSEL :

Discuss if unexcused absence continues and make him aware of management policy.

4) WARN :

This involves reviewing the case at the executive level and warning the employee about losing his job.

5) THREATEN :

When the position remains unchanged final warning should be issued.

6) DISMISS :

On the approval of management remove the services of the employee when he reports back.

\* Personnel Management & Industrial Relations  
by R.S. Dawar, 8th Edition.

