

## **CHAPTER - III**

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### **THEORETICAL BACKGROUND OF THE STUDY**

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#### 3.1 INTRODUCTION:

Indian economy is primarily an agricultural economy. With the increase in the population, the major problem that springs up is that of unemployment. Sugar industry in India is purely a seasonal industry. Its season starts from November and ends in the middle of May. Hence, the nature of employment in this seasonal industry is both seasonal and non-seasonal. Besides seasonal workers, casual and purely temporary workers are also employed in this industry. The non-seasonal workers are permanent workers, who work in the industry throughout the year. The seasonal workers work in the industry so long as the factory is in operation. The workers, who are seasonal, have to leave the factory during the off-season and join in the next crushing season. Due to the nature of work, these seasonal workers do not get full salary, and allowances for the off-months. They are given certain percentage of salary and allowance as retention allowance during the off-season, but full salary is paid only for the period in which the period the factory is in operation. There are purely temporary and casual workers, they are employed in different departments as per the position of workload.

### 3.2 CONCEPT OF LABOUR:

Any work, manual or mental, undertaken for certain pecuniary consideration is termed as 'labour' in Economics.

As per Marshall,

"any exertion of mind or body undergone, partly or wholly, with a view to some good other than pleasure derived directly from the work"<sup>1</sup>

is called 'labour'.

Labour is not only a part of production, but also an end of production. Labour is a commodity and cannot be stored up even for a single day. It means that it has no reserve price.

According to T.N.Bhagoliwal,

"The term 'labour' is used in various senses. In Economics, any work, whether manual or mental, which is undertaken for a monetary consideration is called 'labour'".<sup>2</sup>

According to Encyclopaedia Britannica,

"In Economics, as in ordinary discourse, the word 'labour' is used as a name for the general body of wage-earners. It is in this sense that one speaks of 'organized labour'. In a more special and technical sense, however, labour means, in Economics, any valuable service rendered

by a human agent in the production of wealth, other than accumulating and providing capital or assuming the risks that are a normal part of business undertakings. It includes the service of manual labourers, but it covers many other kinds of services as well".<sup>3</sup>

In the above discussion, the terms used 'labour' 'worker' or 'employee' are synonymous and thereby wage labour, which may be specifically defined as 'workers' who sell their labour power in return for the wages they get. Sometimes, the term 'labour' is used to denote the total working force, which includes all persons who work for living.

### **3.3 CHARACTERISTICS OF LABOUR:**

There are certain characteristics of labour, which distinguishes it from the rest of the factors of production, such characteristics are also called 'peculiarities of labour' and have been discussed below.

- (1) Firstly, labour is inseparable from the labourer as the labourer has to go himself to deliver the goods at the production centre. The worker is a person who has to sell his work or provide his labour for getting the price called wages and who bears the cost of recruitment;
- (2) Secondly, the person called 'labourer' has to remain

present personally at the centre of production, where he is expected to sell his services. Therefore, the environment in which labourer has to work has a strong bearing on the supply of labour;

- (3) Labour is perishable. If a labourer does not work for a particular day and loses hours of work for which he would have received consideration, he loses the hours and price of the work of that day;
- (4) Labour has a very weak bargaining power as the labourers are generally poor, and for the non-availability of natural resources and absence of reserve fund, they cannot easily bargain in the market or cannot withhold for a long time. Hence, the words of Erich Roll, "The worker has no reserve price".
- (5) It is not possible to adjust easily the supply of labour with its demand. For example, during the period of depression, when the demand for labour decreases, its supply cannot be contracted at once. On the other hand, during the period of prosperity, when the demand for labour increases rapidly, its supply cannot be expanded immediately. This is known as 'rigidity of supply';
- (6) There are many restrictions on the mobility of labour, as compared to other factors of production. Difference of language, customs, traditions, affection towards family are the more important of these restrictions.

It is for this, Adam Smith states, "Of all the usages, human labour is by far the most difficult to be transported".

- (7) Finally, labour being a human factor, along with economic considerations, moral and social considerations should also be taken into account.

### **3.4 DEFINITION OF SEASON:**

'Season' means the period or periods of each year during which sugarcane is crushed and sugar is manufactured.

#### **3.4.1 Definition of 'Seasonal Employee' or 'Worker':**

'Seasonal employee' means an employee who is appointed in writing by the Managing Director to do seasonal work mainly and/or also for the period necessary for cleaning and other routine work, either before and/or after the season.<sup>5</sup>

A seasonal worker is a person who works for more than half of the total number of days on which he actually works during the year.<sup>6</sup>

A Seasonal worker means a worker who is appointed for a hire or reward to do any work for more than half of the total number of days on which he actually works during the year, whose work is skilled or unskilled, manual or clerical, in a scheduled employment, in respect of which minimum rate of wages have been fixed.<sup>7</sup>

### 3.5 CLASSIFICATION OF EMPLOYEES:

Employees working in the sugar industry can be classified as under:

- (1) Permanent Employees: Any employee employed continually for three consecutive seasons, if he is a seasonal employee, and in other cases, employed continuously for not less than 6 months (otherwise than a temporary employee, casual employee or a substitute or an apprentice) shall be deemed to be a permanent employee.
- (2) Seasonal Employee: Seasonal employee means an employee who is appointed in writing to do seasonal work when factory production is in operation and also works for more than half of the total number of days on which he actually worked during the year.
- (3) Temporary Employee: Temporary employee is an employee who is previously appointed in writing for a limited period or a particular period of work, which is essentially of a temporary nature or is an employee temporary as an additional employee in connection with an increase or contingency in work of a permanent or a seasonal worker.
- (4) Probational: Probational is an employee who is appointed previously in writing to fill in a permanent vacancy and who is not made permanent.
- (5) Casual Employee: The casual employee is an employee

who is appointed to carry out the work which is necessarily of an occasional nature.

- (6) Substitute: Substitute means an employee appointed in writing by the Managing Director in the post of permanent or seasonal or a probational, who is temporarily absent.
- (7) Apprentice: Apprentice is an employee appointed by the Managing Director and who is paid an allowance during the period, without obligation of his employment on the conclusion of his period of apprenticeship.

### **3.6 RECRUITMENT OF LABOUR:**

Recruitment is the first step in the employment process which aims at maintaining the adequate manpower resource, and its development upon which success of the organization depends. Hence, the word 'recruitment' means to get necessary labourforce having necessary skill and training required to carry out duties in the organization and it also includes training them properly, in order to satisfy the present and future needs. Recruitment is a continuous process which starts with the establishment of an organization till its liquidation.

#### **3.6.1 Sources of Recruitment:**

Sources of recruitment of labour can broadly be classified as 'internal' and 'external'.



- (1) Internal sources: Internal sources of recruitment are the sources of getting the necessary workers from the lower rank within the organization, through promotions. It is a source where the needs of the organization of the higher post are visualized and the workers working in the lower rank and properly trained and guided to shoulder the duties and responsibilities of higher post and they are promoted whenever vacancies are created. For this purpose, the management of an organization has to follow an ideal promotion policy. This helps to create healthy relations and reduce the cost of recruitment and also reduces the labour turnover.
- (2) External sources: This is a source to recruit the necessary workers at the initial stage and at the expansion stage of an organization. The necessary workers are recruited following this source, when vacancies are not filled up through promotions. Following are the external sources of recruitment:
- (a) Employment Exchange,
  - (b) Contract labour.
  - (c) Intermediaries,
  - (d) Recruitment at the factory gates,
  - (e) Unsolicited applications,
  - (f) Advertisement,
  - (g) Professional institutions,

- (h) Schools, colleges, University and technical institutes,
- (i) Private agencies,
- (j) Employee relatives,
- (k) Trade Unions,
- (l) Badli Workers.

### 3.6.2 Recruitment of Seasonal Workers:

In sugar factories, all the seasonal workers such as unskilled, semi-skilled, skilled and clerical are recruited by the following methods:

- (1) Direct Recruitment: This is a method by which workers who are in need of job and who come to the doors of the factory for job, are recruited after taking into account their physical fitness, knowledge of the job, education and training, etc.
- (2) Friends and Relatives: Sometimes sugar factory informs the present employees to recommend the names of their friends and relatives to fill in the posts. This method helps to create job loyalties in the present employees.
- (3) Advertisement: Before starting the crushing season, the sugar factory gives advertisement in the newspapers to the seasonal workers who were working during the last season, to report their willingness to work within a specified period. If some of the workers fail to report their willingness to work for the current season, the Director Board can recruit the necessary number

of employees by following the first two methods.

- (4) Directors, Friends and Relatives: In the case of a cooperative sugar factory, this is a usual method to fill in the vacancies. The directors generally use to recruit their supporters and friends and relatives of their area to fulfil their social obligations.

### **3.6.3 Recruitment of Seasonal Workers in Shri Chh.Rajaram Sahakari Sakhar Karkhana:**

In this factory, it is usual practice to discontinue the seasonal workers at the end of the crushing season and or recruit the same seasonal workers at the starting of the next season through a notification of their recruitment in the sugar factory starts in the second week of October and the season ends in the first week of May. Thus, the working period of the seasonal workers is only of 6 to 7 months. Generally, the notification of recruitment of the seasonal workers at the starting of the crushing season is given by the Managing Directors or the Labour Officer of the factory. The vacancies created due to the failure of a few workers in rejoining the duties are filled in through direct advertisement or recommendations of the directors.

### **3.7 LABOUR TRAINING:**

In order to select the most suitable persons for the various categories of jobs in the industry through the

application of scientific techniques, it becomes necessary to arrange for the training of the workers. Training aims at improving the attitudes, skill and techniques of the job and to increase job abilities. A trained worker is an asset to the organization. Following are the advantages of the labour training:

- (1) Training increases the job-skill and ability of a worker to do the job systematically;
- (2) Training helps to increase both the quantity and quality of the output;
- (3) Training teaches the labour to use the material economically and to handle equipments in proper manner, this reduces the cost of production;
- (4) It helps the management to appoint proper persons to the proper job, this will reduce the possibility of accidents;
- (5) Training creates a feeling among the workers that they are properly cared for, this helps to increase sincerity and loyalties among the workers.
- (6) Training helps to improve industrial relations;
- (7) Proper use of material and machine helps to increase the productivity;
- (8) As less supervision and control on trained labourers is required, it helps to reduce the cost of supervision and control;
- (9) An effective training programme will assist the

organization in maintaining the standard of products:

- (10) Training creates aptitude among the workers for adopting new methods of work and modern type of equipments and machinery.

### 3.7.1 Methods of Training:

There are various methods of training and choice of the method depends upon the type of organization, type of product, cost of training, number of workers to be trained, etc.

- (1) On-the-job training: Under this method, separate provision of training is not made, as the worker is expected to perform his duties under the guidance of a senior person. He is expected to get the necessary knowledge of material, machines and equipment while on the job.
- (2) Vestibule training: Under this method, a separate provision is made for training. An attempt is made to create working conditions similar to those prevailing in the workshop. After providing necessary training, the worker may be put on a similar job in the actual workshop. This method is helpful to train a large number of workers in a short period.
- (3) Apprenticeship Training: This method is used to train workers in trades, crafts and technical fields, in which long period is required for gaining proficiency. The apprentice will have to work under the direct supervision

of his master or a jobber. During the period of apprenticeship, the remuneration is paid according to the agreement.

- (4) Internship training: In this method, a joint programme of training with the cooperation of the technical institutions and business houses is taken. This helps to maintain a balance between the theoretical and practical knowledge of the job. For this purpose, the students may be sent to the factories, for practical training in between the terms of the school. The main drawback of this method is that it takes usually a long period for training.
- (5) Learner's Training: This method is used to train unskilled and semiskilled persons recruited. A provision is made to study mathematics and operation of machines in the vocational schools and after getting the necessary knowledge, they may be assigned to regular work in shop jobs.

### **3.7.2 Training of Seasonal Labour in Shri Chh.Rajaram Sahakari Sakhar Karkhana:**

This factory has not made any provision for training the seasonal employees. The seasonal worker is expected to work under the supervision of a senior person, who provides practical knowledge of the job. The permanent workers engaged in manufacturing departments are sent to the seminars and workshops during the off-season.

### 3.8 WAGES TO THE LABOURS:

Remuneration paid to the workers engaged for the day, week, fortnight or month is usually referred to as 'wages'. The term 'wages' includes any non-pecuniary benefits attached to the money payment. Wages constitute that share of the total cost of production which can be attributed to labour. From the point of view of a worker, wages constitute the income by which he lives, Herzberg and others include though factors amongst wages which can cause dissatisfaction if they are not sufficient.

As per the Payment of Wages Act of 1936, wages means all the remuneration whether by way of salary, allowance or otherwise expressed in terms of money or capable of being so expressed, which would, if the terms of employment express or implied, were fulfilled to be, payable to a person employed in respect of such employment. Simply stated, wages means all remunerations due to any worker or employee if the terms of contract are fulfilled.

#### 3.8.1 Types of Wages:

Wages can be broadly classified as follows:

- (1) Living Wages: Living wages are the wages which are sufficient to ensure bare necessities of food, shelter and clothing and provisions for evil days. These wages are less than the minimum wages and are known as

'subsistence wages'.

- (2) Minimum Wages: Minimum wages are the compensation to a workman, just sufficient to cover the bare necessity of food, shelter and clothing for himself and his family and to maintain his work efficiency.
- (3) Fair Wages: Fair wages are the wages which are above the minimum wages. In the real sense, this is a rate of wages equal to the rate prevailing in the same trade or for a similar work. Fair wages can be fixed only by a comparison with an accepted standard of wages.

### **3.8.2 Wages of Seasonal Workers in Shri Chh. Rajaram Sahakari Sakhar Karkhana:**

In this sugar factory, the wages are paid to the seasonal workers according to their wage board rules. In this factory, two methods of wage payment are followed, firstly monthly wage payment for skilled and permanent workers and secondly, daily wages to the workers temporarily appointed.

### **3.9 PAYMENT OF BONUS:**

The dictionary meaning of the word "Bonus" is "something to the good", especially extra dividend to the share holders of a company, 'distribution of profits to insurance policy-holders' or 'gratuity to workmen beyond their wages'. It is the last meaning of the word, which has acquired significance for labour management relations in India. Till recently, bonus was regarded as an ex-gratia payment made



by an employer to his workers to provide a stimulus for extra effort by them in the production process, on occasions, it also represented the desire of the employer to share with his workers the surplus generated by common endeavour and enterprise. From this limited connotation of the word, we have travelled a long way to reach the stage of enactment of the Payment of Bonus Act, 1965, which makes this annual payment obligatory on the employer.

The term 'bonus' is defined neither in the Payment of Bonus Act, 1965, nor in any other enactment.

Bonus is one of the major cause of industrial disputes in India. In December, 1961, the Government of India appointed a Committee under the chairmanship of M.R.Meher to study the bonus issue. As per the recommendations of the Committee, the Government passed the Payment of Bonus Act in 1965, and which was made applicable to the workers earning wages upto Rs.1600. The Act was made applicable to all the establishments employing 20 or more workers. The Act also provided a payment of bonus at 4% of the annual income. B.K.Madan Committee recommended the minimum and the maximum bonus of 8.33% and 20%, respectively. In 1975, in the period of Emergency, the minimum rate of bonus was reduced to 4% by the Government of India. In 1977, the rate of bonus was brought back to 8.33% by the Janata Government.

**3.9.1 Bonus to Seasonal Workers in Shri Chh.  
Rajaram Sahakari Sakhar Karkhana:**

The factory has made applicable the provisions of the Bonus Act and every permanent and seasonal worker is entitled to get the bonus. During the year 1985-86, bonus was declared at the rate of 12.50% and an incentive price of Rs.50/- to each worker.

During 1986-87, the rate of bonus was increased to 13% and the incentive price to Rs.100/- each; in 1987-88, there was an increase in the rate of bonus by 2% as compared to the previous year, which was again increased to 16% in 1988-89. During last two years, bonus is paid at the rate of 16%. But in the last four years, no incentive price has been given.

**Table 3.1**  
**Yearwise bonus and incentive to the labour**

Year	Bonus rate in percentage	Incentive prize in Rs.
1985-86	12.50	Rs. 50 each
1986-87	13.00	Rs.100 each
1987-88	15.00	-do-
1988-89	16.00	-do-
1989-90	16.00	-do-
1990-91	16.00	-do-

### 3.10 WORKING CONDITIONS:

Working conditions are those conditions under which the workers have to perform their task. Hence, if the working conditions or environment creates a man and if these conditions are improved, then the ability of the workers to work also improves. Therefore, good working conditions is a need of the factory along with fair wages.

Working conditions include the following:

- (1) Temperature: The temperature inside the factory and particularly at the place of work should be maintained at a level necessarily required for the different processes. During cold months, temperature inside the factory should be kept adequately warm through a suitable heating system. During the hot months, it is desirable to keep the temperature at a lower degree than that required for the work.
- (2) Air Movement: Air movement is an essential factor to reduce the fatigue of a worker, there must be regular movement and supply of fresh air inside the factory to maintain temperature at proper degree of humidity.
- (3) Humidity: It is necessary to regulate humidity in accordance with the technical needs of the plant.
- (4) Sanitation: Sanitation includes cleanliness of floor, walls, roof, machines and clean arrangement of latrines, urinals and provision for removing dust and air inside the factory.

- (5) Lighting: Adequate and proper lighting provision in the place of work helps to protect the eyesight of the workers and increases their efficiency. Hence, as far as possible, natural light may be derived from roof or windows and if necessary, artificial lighting provision may be made through electricity.

**3.10.1 Working Conditions in Shri Chh.Rajaram Sahakari Sakhar Karkhana Limited:**

The factory has provided all the working conditions mentioned in the Indian Factory Act, 1948. Majority of the workers in the factory are satisfied with the temperature, air-movement, humidity, sanitation and lighting.

**3.11 LEAVES AND HOLIDAYS:**

Holidays and leaves with pay or wages help to reduce the fatigue and help to reduce labour turnover. This also helps to increase the health of a worker. Provision of leave and holidays is made in the Indian Factory Act, 1948.

**3.11.1 Leave and Holiday Facilities provided by Shri Chh.Rajaram Sahakari Sakhar Karkhana:**

In this factory, as per the Indian Factory Act, 1948, all holidays, including public holidays and periodic holidays, are available to the workers. In addition to that, workers get leave, sick leave with full pay as per the provisions made in the Act.

In the case of seasonal workers, 10 days' casual leave and 6 days' sick leave, in all 16 days' leave, is available in this factory.

### **3.12 LABOUR WELFARE:**

The concept of labour welfare is elastic, having different interpretations from country to country, industry to industry, depending upon the degree of industrialization and the level of social and economic development. According to Proud, welfare work refers to,

"the efforts on the part of the employers to improve the conditions of employment within their own factories".

Prof. Richardson, on the other hand, includes under it,

"Any arrangement of working conditions, organization of social and sports-club and establishment of funds by a firm, which contributes to the workers' health and safety, comfort, efficiency, economic security, education and recreation".

#### **3.12.1 Necessity of Labour Welfare Activities in India:**

India, being a developing country, where production is carried out in small and medium size industries, the working conditions are not satisfactory, which have a strong bearing on the health and efficiency of the workers. Labour

welfare activities will help to improve the working conditions and the economic standard of workers, which will help to increase the awareness among the workers about their duties, which will help to keep them physically and mentally fit for the job. This will boost the production.

### **3.12.2 Development of Labour Welfare Activities in India:**

For the first time during the First World War, the Government felt the necessity of increasing the production in the ammunition factories and the British Government, in order to increase morale and to boost the production of defence goods, introduced labour welfare schemes. In 1944, the Coal Mines Labour Welfare Fund was established. The important Central Acts which contain the provisions for labour welfare are as follows:

- (1) Factories Act, 1948,
- (2) Plantation Labour Act, 1951,
- (3) Indian Merchant and Shipping Act, 1953,
- (4) Mica Mines Labour Welfare Fund Act, 1946,
- (5) Coal Mines Labour Welfare Act, 1947,
- (6) Sugar and Power Alcohol Industries Labour Welfare and Development Fund Act, 1950,
- (7) Employees' Provident Fund Act, 1952,
- (8) Assam Tea Plantation Act, 1955,
- (9) Employees' State Insurance Scheme, 1961,
- (10) Employees' Family Scheme, 1971.



The above Acts and Schemes were amended from time to time. In India, labour welfare activities are organized by the Central Government, State Government, the employers the trade unions and the voluntary organizations.

**3.12.3 Labour Welfare Activities in Shri Chh. Rajaram Sahakari Sakhar Karkhana:**

In this factory, different Acts containing the labour welfare provisions are made applicable. Following facilities are provided to the workers.

- (1) Workers' Cooperative Credit Society: The factory has established a workers' cooperative credit society for helping the needy workers by way of short and medium term loans to its members upto Rs.25,000;
- (2) Consumer Cooperative Society: With the initiative of the management and workers, Shri Chh.Rajaram Consumers Cooperative Society was established at the site of the factory, to provide essentials such as foodgrains, cloth, utensils at a reasonable price.
- (3) Medical facilities: This factory is providing first-aid to the workers. No provision of hospital with modern medical equipment is available at the factory site. This is because factory is providing medical allowance to its workers.
- (4) Housing facilities: As the factory is near Kolhapur city, most of the workers have made their own provision for housing. Factory has also made housing arrangements

for those workers who are in need of it.

- (5) Provision of Safety Equipments: In this factory, workers working in the manufacturing department, agricultural department and particularly in sulphuration process, need the safety devices, such as handgloves, safety shoes and devices to protect eyes and face, but it is painful to note that this factory is not providing such devices to its workers.

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