BHARATHIDASAN UNIVERSITY
Tiruchirappalli- 620024,
Tamil Nadu, India

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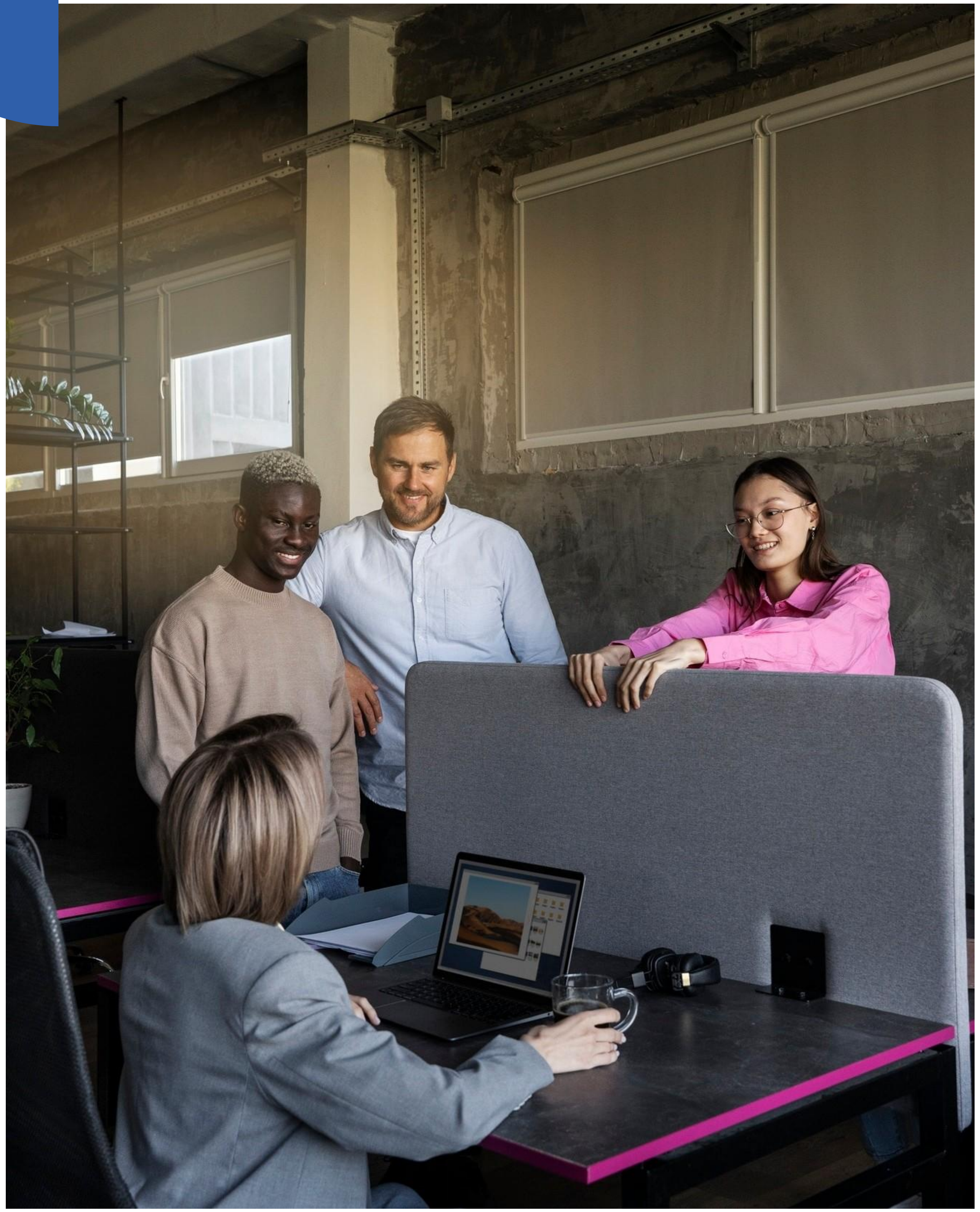
Unit-III
Social security and liability

Dr. T. KUMUTHAVALLI
Associate Professor
Department of Lifelong Learning

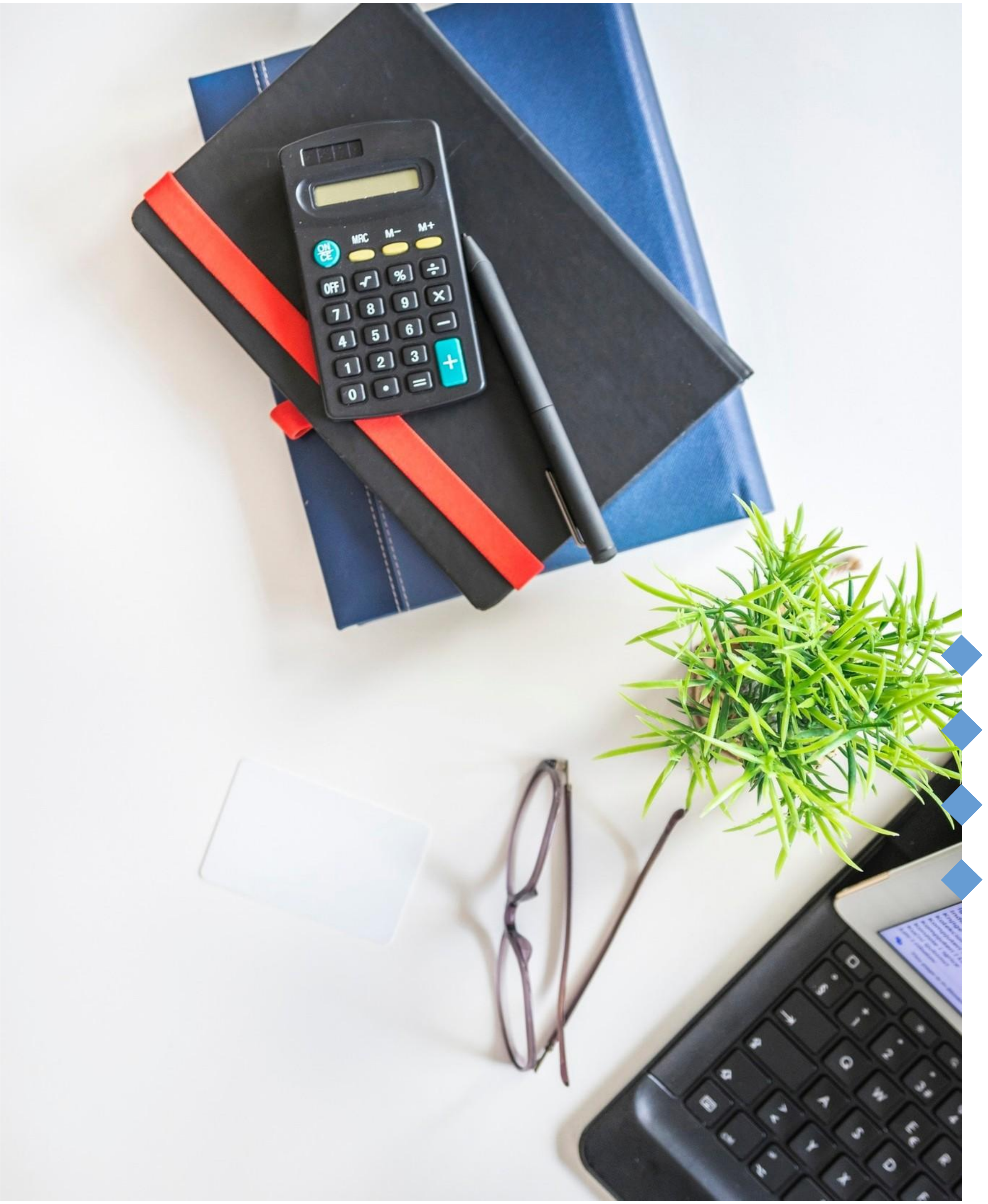
Introduction to Employee Benefits

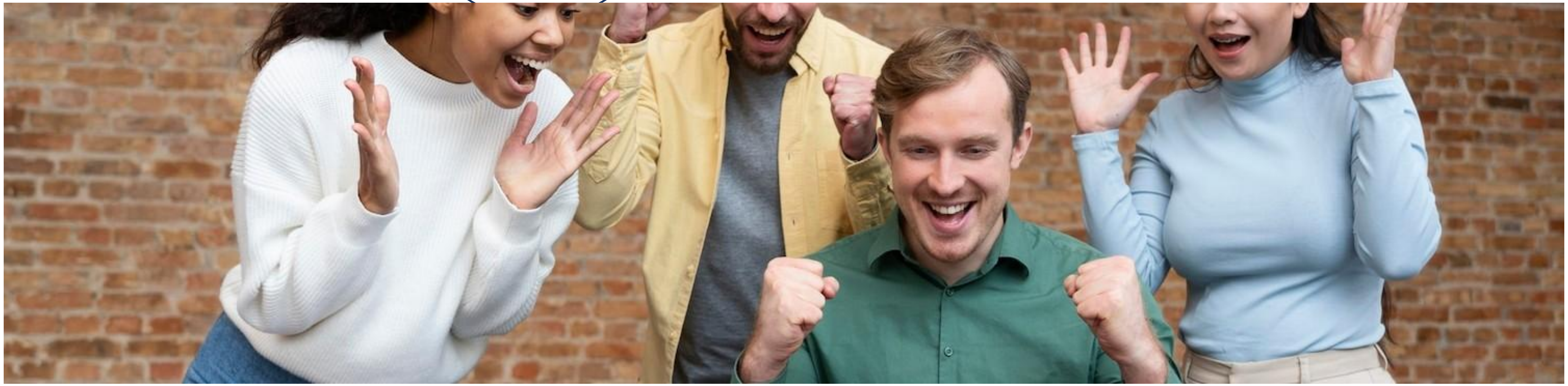
In today's competitive landscape, **employee benefits** play a crucial role in attracting and retaining talent. This presentation will explore the intricate world of **gratuity**, **bonus**, and **social security laws**, providing insights into their significance and implications for both employees and employers.



Understanding Gratuity

Gratuity is a **financial reward** given to employees for their service upon leaving a company. It is essential to understand the **legal framework** surrounding gratuity, including eligibility criteria and calculation methods, to ensure compliance and fairness in the workplace.



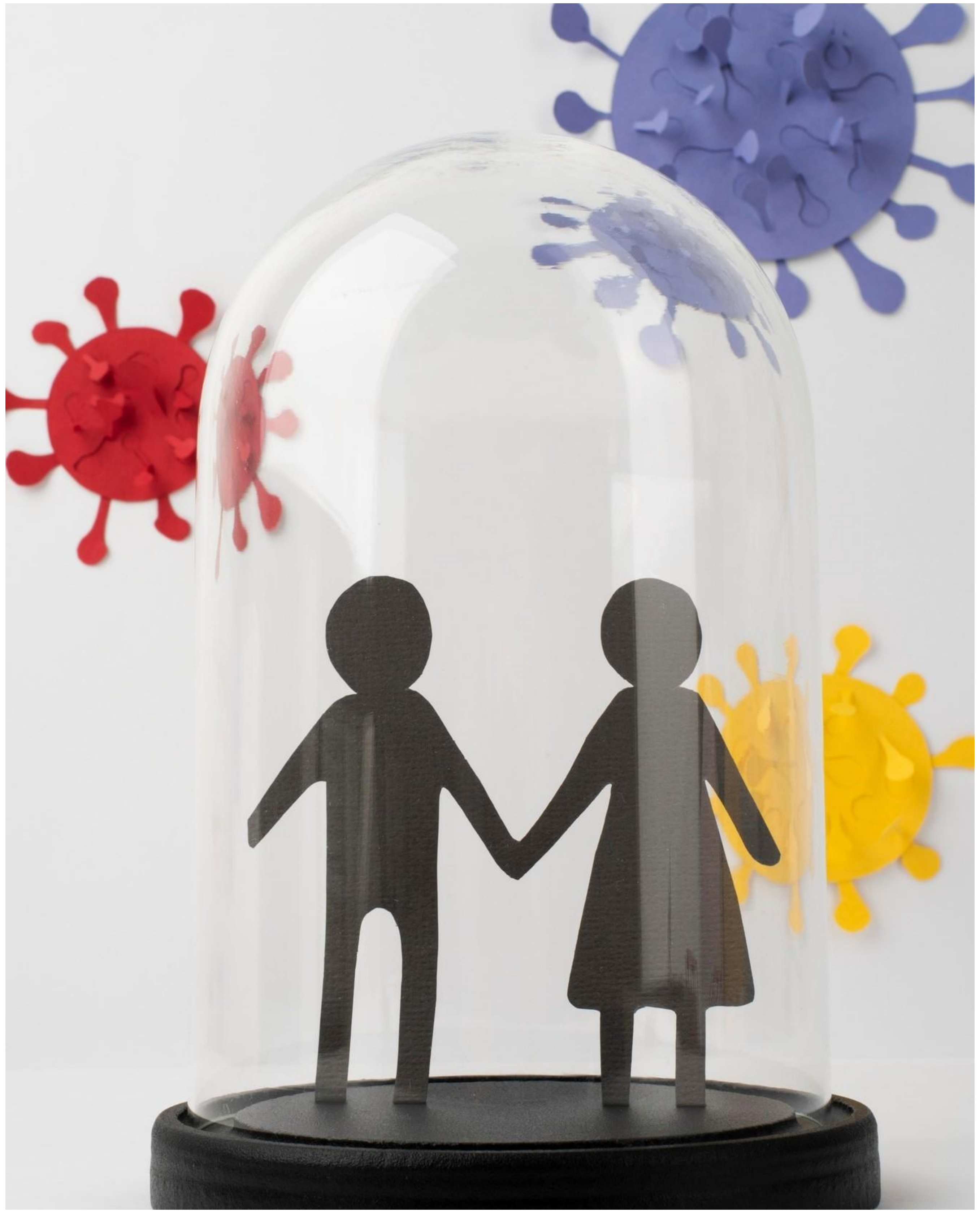


The Bonus System Explained

Bonuses serve as an **incentive** for employees to achieve specific goals or milestones. Understanding the **types** of bonuses, such as performance-based or profit-sharing, is crucial for fostering a motivated workforce while adhering to relevant **regulations**.

Social Security Laws Overview

Social security laws provide a safety net for employees, ensuring **financial stability** in times of need. Familiarizing oneself with the **benefits** and eligibility requirements is vital for both employees and employers to navigate this complex system effectively.



Best Practices for Compliance

Employers must stay informed about the latest changes in **gratuity**, **bonus**, and **social security laws** to ensure compliance. Implementing best practices, such as regular training and audits, can help mitigate risks and promote a culture of transparency.

The Payment of Gratuity Act, 1972 - Definition

•**Definition**: The Payment of Gratuity Act, 1972 provides a lump sum payment to workers who have completed a specified period of service.
•**Purpose**: To reward workers for long service and ensure their financial stability post-retirement

- **The Payment of Gratuity Act, 1972 - Scope**
- **Scope**: Applies to factories, mines, oilfields, and any establishment with 10 or more employees.
- Covers workers with continuous service of at least 5 years.

Important Provisions of The Payment of Gratuity Act, 1972

- **Eligibility**: Workers who complete 5 or more years of continuous service.
- **Gratuity Calculation**: Calculated as 15 days' wages for each completed year of service.
- **Payment**: Payable on retirement, resignation, or death .

- **Case Law - The Payment of Gratuity Act, 1972**
- **Case**: *Bharat Petroleum Corporation Limited v. K.K. Verma* (2003)
  - The case dealt with the interpretation of continuous service and the right of a worker to claim gratuity.
- **Importance**: Reinforced the concept of continuous service in determining eligibility for gratuity.

The Payment of Bonus Act, 1965 - Definition

- **Definition**: The Payment of Bonus Act, 1965 provides a statutory right for workers to receive bonuses based on their earnings.
- **Purpose**: To motivate workers and improve their economic welfare.

- **The Payment of Bonus Act, 1965 - Scope**
- **Scope**: Applies to factories, establishments with 20 or more workers.
- Covers employees drawing wages up to a prescribed limit.

Important Provisions of The Payment of Bonus Act, 1965

- **Eligibility**: Employees earning up to Rs. 21,000 per month are eligible for a bonus.
- **Bonus Calculation**: Based on profits of the company, with a minimum of 8.33% and a maximum of 20% of annual wages.
- **Payment**: To be paid within 8 months of the close of the accounting year.

Case Law - The Payment of Bonus Act, 1965

•**Case**: *Western India Match Co. Ltd. v. Workmen* (2000)

•Addressed the issue of bonus distribution in companies and workers' right to bonus despite low profits.

•**Importance**: Clarified the obligation of employers to pay bonus as per the act even under challenging financial conditions.

- **The Employees' Provident Fund & Miscellaneous Provisions Act, 1952 - Definition**
- **Definition**: The Act establishes a provident fund scheme for workers, allowing employees and employers to contribute towards future savings.
- **Purpose**: To provide retirement benefits and social security to workers.

The Employees' Provident Fund & Miscellaneous Provisions Act, 1952 - Scope

•**Scope**: Applies to establishments with 20 or more employees.
•Covers the Employees' Provident Fund (EPF), Employees' Pension Scheme (EPS), and Employees' Deposit Linked Insurance (EDLI).

- **Important Provisions of The Employees' Provident Fund & Miscellaneous Provisions Act, 1952**
- **EPF Contributions**: Employee and employer each contribute 12% of the employee's salary to the fund.
- **Pension Scheme**: Employees contributing to EPF are also eligible for pension under the EPS.
- **Insurance**: Employees are provided life insurance through the EDLI.

Case Law - The Employees' Provident Fund Act, 1952

•**Case**: *Employees' Provident Fund Organisation v. Girnar Industries Ltd.* (2010)
•The Supreme Court ruled on the applicability of the EPF Act to certain workers and the employer's liability.

•**Importance**: Established that all employees, regardless of designation, must be covered under the EPF scheme if the employer is liable.

The Employees' State Insurance Act, 1948 - Definition

•**Definition**: The Employees' State Insurance (ESI) Act, 1948 provides health insurance, medical benefits, and social security for workers.
•**Purpose**: To provide financial protection in case of sickness, maternity, injury, or death.

- **Important Provisions of The Employees' State Insurance Act, 1948**
- **Contributions**: Employees contribute 0.75% and employers contribute 3.25% of the employee's wages.
- **Benefits**: Includes sickness, maternity, disability, and dependent benefits.
- **Medical Benefits**: Workers and their families are entitled to free medical treatment under the scheme.

Case Law - The Employees' State Insurance Act, 1948

•**Case**: *E.S.I.C. v. M/s. S.K. Pulp and Paper Ltd.* (2004)
•The case dealt with the eligibility of workers to receive ESI benefits.
•**Importance**: Clarified the requirements for factory workers to qualify for benefits under the ESI Act.

- **The Fatal Accidents Act, 1855 - Definition**
- **Definition**: The Fatal Accidents Act, 1855 allows for the compensation of families of workers who die due to a workplace accident.
- **Purpose**: To provide financial security to dependents of workers who die in work-related accidents.

The Fatal Accidents Act, 1855 - Scope

•**Scope**: Applies to workers who die in accidents caused by the negligence of employers or third parties.
•Covers cases where dependents (spouse, children, parents) are entitled to compensation.

- **Important Provisions of The Fatal Accidents Act, 1855**
- **Compensation**: Compensation is based on the income of the deceased worker and the number of dependents.
- **Claimants**: The claim can be made by the dependents or legal representatives of the deceased worker.
- **Time Limit**: Claims must be made within 2 years from the date of the accident.

Case Law - Fatal Accidents Act, 1855

•**Case**: *Nagendra Nath v. K.K. Chattopadhyay* (1997)
•The case dealt with determining the amount of compensation for a fatal accident under the act.
•**Importance**: Set out the criteria for assessing compensation for the dependents of the deceased.

- **Comparison of the Acts**
- **Comparison**: Overview of the key differences and similarities in the acts discussed:
  - **Gratuity**: Long-term service benefits.
  - **Bonus**: Based on company profits.
  - **Provident Fund**: Retirement savings.
  - **ESI**: Health and social security benefits.
  - **Fatal Accidents**: Compensation for death due to work-related incidents.

Challenges in Implementation of These Acts

•**Awareness**: Many workers are unaware of their rights under these acts.
•**Documentation**: Complexities in proving eligibility for claims under these laws.

- **Role of Government in Enforcement**
- **Regulatory Bodies**: Role of EPFO, ESI Corporation, and Labour Commissioners in ensuring compliance.
- **Awareness Campaigns**: Government initiatives to raise awareness about workers' rights.
- **Penalties for Non-Compliance**: Legal actions against employers who fail to comply with these laws.

Impact on Workers and Employers

- **Workers**: Financial security, medical benefits, and post-retirement support.
- **Employers**: Compliance with legal requirements, creating a responsible work environment, and avoiding penalties.
- **Global Comparison of Similar Laws**
- **International Labour Standards**: How similar acts work in other countries (e.g., Social Security in the US, National Insurance in the UK).
- **Comparative Analysis**: Key differences in the implementation and benefits of such laws across countries.

Conclusion and Key Takeaways

Navigating employee benefits requires a thorough understanding of **gratuity**, **bonus**, and **social security laws**. By staying informed and compliant, organizations can create a supportive environment that enhances employee satisfaction and loyalty.