

## Study of Employment Laws and its impact on Employee Satisfaction

**Ankita Aggarwal**

Assistant Professor, Jagan Institute of Management Studies, Rohini, New Delhi, India

---

### Abstract

As per the article published by **Steven Greenhouse in the New York Times (2013)**, the **bureau of Labor Statistics** revealed that the total number of union members fell by 400,000 last year to 14.3 million, even though the nation's overall employment rose by 2.4 million. This triggers out the need of analyzing prevailing Labor laws and discussing about the changes which are in need to be regularized for their better welfare. This research paper focuses on the detail study of Employment Laws so implemented in Indian establishments along with their relationship with employee satisfaction phenomenon. For this, literature review is considered as the base and various conclusions of the different researchers are analyzed. Laws like The Factory Act 1948, Employees' State Insurance Act, 1948, The Employees Provident Fund and Miscellaneous Act, 1952, The Workmen's Compensation Act, 1923, The Maternity Benefit Act, 1961 and The Payment of Gratuity Act, 1972 are discussed in this paper in connection with the employee satisfaction with authenticated underlined review of literature as a support.

**KEYWORDS:** employment, laws, factory, satisfaction

---

### Introduction

Roles of Labor Market institutions have changed manifold in the past two decades. As per **Hayter, 2011** globalization and technological change have exposed developed and developing countries to greater competition and raised the stakes for finding the optimal institutional framework (1).

The moment a candidate gets selected for some designated job position, he becomes employee for that organization. From the same moment, he is bounded to perform his duties according to employee code of conduct and simultaneously organizations have to ensure applicability of Employment Laws on him. Employment law also known as Labor Law is the body of laws, administrative rulings and precedents which address the legal rights of, and restrictions on, working people and their organizations (2). In general, Employment Law is categorized in two broad categories.

- Collective Labor Law - it protects the rights and put obligation to perform roles and responsibilities on Employee, Employer and Labor union.
- Individual Labor Law - it focuses on protecting the rights of the employee at his workplace.

In India, the history of Employment Law is associated with British colonialism. The Classification of Labor Law is described in a report of **Ministry of Labor and Employment, Government of India** (3) as

- 1st Category - Labor Laws enacted and enforced by Central Government. Like, **The Employees' State Insurance Act, 1948, The Employees Provident Fund and Miscellaneous Act, 1952**, The Mines Act, 1952, The Beedi Workers Welfare Fund act, 1976, The Dock Workers (Safety, Health and Welfare) Act, 1986, etc
- 2nd Category - Labor laws enacted by Central Government and enforced both by Central and State Government. Like, The Child Labor Act (Prohibition and Regulation), 1986, The Industrial Disputes Act, 1947, **The Maternity Benefit Act, 1961, The Payment of Gratuity Act, 1972**, Unorganized Workers Social Security Act, 2008, etc.
- 3rd Category - Labor Laws enacted by Central Government and enforced by the State Governments. Like, **The Factories Act, 1948**, The Trade Union Act, 1926, The Employers' Liability Act, 1938, The Weekly Holidays Act, 1942, **The Workmen's Compensation Act, 1923**, etc.
- 4th Category - Labor Laws enacted and enforced by the various State Governments which apply to respective states. Like, Bonded Labor System (Abolition) Act, 1976 of Maharashtra, The Beedi workers Welfare Cess Act, 1976 of Gujrat, Children (Pledging of Labor) Act, 1933 of Madhya Pradesh, etc.

Job Satisfaction implies degree to which one like or dislikes his current job. If he likes his job then his job satisfaction level tends to be higher or vice versa. Job satisfaction is referred to as a person's general attitude toward the job or toward specific dimensions of the job (4 i,ii). As per **Locke (1976)** Job satisfaction is a pleasurable or positive emotional state that is related to the work that individual performs (5). **Leap and Crino (1993)** had given more elaborated definition of job satisfaction the attitude of worker towards his job, rewards which he gets, social, organizational and physical characteristics of the environment in which he performs his working activities (6).

Labor unions put an influential role into proper working of an organization. In fact, management is helpless and cannot introduce the change into the organization if labor union is opposing it. Therefore, it is very necessary to protect their rights and make them feel integral part of the organization. Their rights are protected by ensuring implementation of Employee Laws within the Organizational culture. However, there are many Laws existing in India related to protection of employees but this paper covers the following ones.

- The Factory Act 1948 - It is the social legislation which has been formed for occupational safety, health and welfare of workers at work places.
- Employees' State Insurance Act, 1948 - It is a self financing social security and health insurance scheme for Indian workers.
- The Employees Provident Fund and Miscellaneous Act, 1952 - It is enacted in order to provide workers so working in factories and other establishments with benefit of provident fund, pension fund and deposit linked insurance fund.

- The Workmen's Compensation Act, 1923 - The objective of this Act is to provide compensation to a worker at the time of his employment injury and in case of his death, the compensation is provided to his dependants.
- The Maternity Benefit Act, 1961 - This Act helps in regulating the employment of a women for certain period before and after child birth and also provide her with certain other benefits.
- The Payment of Gratuity Act, 1972 - It is the reward in the form of money from employer to his employee for completing one year of service by the employee with the organization.

The above said Laws are now described in relationship with Employee Satisfaction level.

a) **The Factories Act, 1948** - In India, first Factories Act was passed in 1881. But the scope of this Act was limited and was providing only few measures of health and safety to the workers. With time more comprehensive Law was introduced in 1911. Again some amendments were made in the year 1923, 1926 and 1931. The main objective of the Indian Factories Act, 1948 are to regulate the working conditions in factories, to regulate health, safety welfare and annual leave and enact special provision in respect of young persons, women and children who work in the factories (7). Application of this Act ensures fixation of maximum working hours for the employees along with the provision of compensatory holidays. It also provides various health benefits as mentioned in the research of **Meera Singh (2014)** due to health provisions in the Factories Act, 1948, employees are entitled to receive proper sanitation and healthy working environment (8).

#### Implication with Job Satisfaction

**Shobha Mishra and Dr Manju Bhagat (2007)**, discussed in their paper about impact of labor welfare activities in an industrialized society, not only on the workforce but also on all other facets of human resource (9). The research of **Parul P Bhati and Dr Ashok Kumar M (2013)**, revealed that there is positive relationship between sitting arrangement facility, first aid facility within the organization, shelters, lunch room, restroom facility, Baby care facility and Employee satisfaction (10). Thus, it proves that inclusion of The Factories Act, 1948 helps in improving job satisfaction level among the employees.

b) **Employee State Insurance (ESI) Act, 1948** - ESI scheme in India provides social security to the employees and their dependants against sickness, maternity, Employment injury or death or disablement. In the words of **Kishore (2009)**, ESI involves the scheme of health insurance that provides full medical facilities to insured persons and their dependants as well as cash benefits to compensate for any loss of wages or earning capacity in times of physical distress (11). This Act is administered by a duly constituted corporate body called the employee State Insurance Corporations (ESIC).

#### Implication with Job Satisfaction

As per the research of **Ramesh Verma et.al. (2012)**, the distribution of study subjects in relation to satisfaction level with ESI services showed 73% of participants were satisfied and 27% were dissatisfied (12). Satisfied personnel will feel more associated with their

organization and it will help in improving their satisfaction level. In a similar research of **Bedi et al. (2005)**, 63.34 % beneficiaries were satisfied with ESI health care facilities which conversely increase their job satisfaction level as a whole (13). In few researches it was also the case that majority of beneficiaries were dissatisfied. As quoted by **Leatherman (2010)**, they found that the reason of dissatisfaction was more time spent per visit, lengthy queues and shortage of staff (14). In some researches non availability of medicines and quality were the main reasons for causing dissatisfaction among the employees (15). Thus, the application of ESI Act, 1948 solely does not contribute into employee satisfaction, but level of services existing in the ESI hospitals affects their satisfaction status. Still, there is need to explore the reasons for dissatisfaction among beneficiaries so that positive correlation between job satisfaction and this Act is possible.

c) **The Employees Provident Fund and Miscellaneous Act, 1952** - In India, the following three schemes are working under this act. The Employees' Provident Fund Scheme 1952 provides for contributory Provident fund; The Employees' Pension Scheme 1995 which was earlier known as The Family Pension Scheme 1971 provides for monthly pension, widow pension, orphan pension and nominee pension; The Employees' Deposit Linked Insurance Scheme 1976 provides for insurance cover to all members in the event of their unfortunate death while at service. The Employees' Provident Fund Scheme 1952 covers all employees whose monthly wages does not exceed \*6500/-. But as per the report of **Human Capital (2011)**, generally, in India, most companies and establishments provide provident fund benefits to all employees, even if their wages exceed \*6500/- (16).

#### Implication with Job Satisfaction

Application of The Employees Provident Fund and Miscellaneous Act, 1952 within an establishment ensures economic security to the employees post service also. In one of the research carried out in 7 different construction companies in and around Bangalore, India by **Debashish Sengapat and Ray Titus (2013)**, it was determined that this act is one of the most important social security legislation that players in this sector must abide by. Thus it become an important indicator for understanding the effectiveness of these firms in managing their manpower and thus increasing their satisfaction level along with increasing the productivity and reducing attrition rate (17). The same research also revealed that "Natural Calamities" being the least availed benefit in many companies. Hence employers must create provision for the same and benefit must be provided to employees against any uncontrollable natural activity. This will make them psychological free and improve their satisfaction level with the organization and with their job as a whole.

d) **The Workmen's Compensation Act, 1923** - the main objective of this Act is to provide compensation to the employees against any organizational injury or death. This Act imposes statutory liability upon an employer to discharge his moral obligation towards employees when they suffer from any physical disabilities or disease, during the course of employment in civil law (18). However, this Act does not apply to Factories which are covered under The Employees' State Insurance Act, 1948.

#### Implication with Job Satisfaction

The Workmen's Compensation Act, 1923 came into force on the first day of July, 1924 and extends to the whole of India. In the terms of **K.D.Shrivastava (Supra)**, Provision of social security to industrial worker is not a waste but a good investment which will yield good dividends to society (19). Therefore, all establishments must keep such provision to make their employees feel secured and uplift their satisfaction level. In another research by **Muin-Ud-Din Khan**, he concluded, the greater the measure of social security, the better the worker's sense of security which conversely helps in maintaining his job satisfaction level (20). Despite of all these benefits, organization must save them from **Worker's compensation fraud** as it will definitely dip the satisfaction level of the employees. Worker's compensation fraud is committed by doctors, lawyers, employers, insurance company employees and claimants and occurs in both public and private sectors (21). In fact, as per the statistics of **National Insurance Crime Bureau Statistic**, workers' compensation fraud accounts for \$7.2 billion in unnecessary cost. The practice of paying less to the employees by their employers in order to lower their premiums or convincing employees that they are covered under Workmen's Compensation Act when actually they are not. Such embezzlement cause disturbance in the mind of personnel and he feel cheated and eventually would not be satisfied from his job. Therefore, such fraud must be avoided by the employers and proper regulation of this act must be implemented thoroughly.

e) **The Maternity Benefit Act, 1961** - First Maternity Benefit Act was passed in 1929 by the Bombay Government and now it is applicable in all states. The Act seeks to regulate the employment of women in certain establishments for certain periods before and after childbirth and to provide maternity benefit and certain other benefits to women workers.

#### Implication with Job Satisfaction

It is a well known fact that women form a large part of the workforce in our economy, and their numbers in this role are only increasing. As per the sample taken by **Shashi Bala (2013)** of 800 employees and 200 employers in various sectors like IT, Health and Education, ITES, about 75% were shouldering the responsibility of children. When such a large percentage is of women employees then maternity protection become a crucial issue. It was revealed in the above said research that, in the organizations where sturdy and sound system of maternity protection have been followed, women's attachment to the labor force, their loyalty and commitment to their work has been found (22). Thus, incorporation of this act will lead to better Satisfaction level among the female employees and among their spouses as well who are the employees of either some other organization or of the same organization.

In contrary to this, the employee perspective from the same research also revealed that the provisions of the legislation must have a wider scope of applicability. Also, the duration of the leave must be extended so that women could get the complete recovery.

f) **The Payment of Gratuity Act, 1972** - The Payment of Gratuity Act 1972 is a social security enactment. An Act to provide for a scheme for the payment of gratuity to employees engaged in factories, mines, oilfields, plantations, ports, Railway companies, shops or other establishments (23). The Payment of Gratuity Act 1972 applies to the

whole of India and so far as it relates to ports and plantations and it does not apply to the State of Jammu and Kashmir.

### Implication with Job Satisfaction

As per the research of **Goyal (1995)**, based on random sampling of 350 textile workers in Punjab, it was revealed that majority of the workers were satisfied with their jobs with respect to retirement benefits like gratuity and provident fund. Also, the number of such satisfied workers was the highest in the private sectors and the minimum in the public sectors (24). According to another research conducted by **Shrimannarayan & Srinivas (2005)**, The findings revealed significant association between satisfaction of one's job with respect to the implementation of labor welfare laws within the Organizational culture (25). Hence, the above mentioned researches depict the importance of regularization of the Gratuity Act.

### **Conclusion**

Managing amicable relationship with the employees is the very complex task as all employees are individual specific. Yet, this difficult task is utmost necessary to achieve for smooth running of the organizations. This paper reflects the ways to bring stability in the relationship of employer and employee from the law aspect. The following table highlights the findings along of scope of future study in that particular field.

<b>S.No.</b>	<b>Labor Law</b>	<b>Findings</b>	<b>Scope of Future Study</b>
1.	The Factories Act, 1948	Positive relationship with job satisfaction	Health provision in the Factories Act is required to be study in more depth and results are in need to be evaluated from both facets of organization (employer and employee)
2.	The Employees Provident Fund and Miscellaneous Act, 1952	Improves job satisfaction among employees but employers must create provision against any uncontrollable natural activity	More research is required in the area of simplifying inhibit complexity of the benefits and modes of payments

3.	The Employees' State Insurance Act, 1948	The application of ESI Act, 1948 solely does not contribute into employee satisfaction, but level of services existing in the ESI hospitals affect their satisfaction status more	There is need to explore the reasons for dissatisfaction among beneficiaries
4.	The Workmen's Compensation Act, 1923	Improves satisfaction level among employees but companies should save them from Job Satisfaction Fraud phenomenon.	More exploration is required in the area of detecting and curbing Job satisfaction Fraud
5.	The Maternity Benefit Act, 1961	Boost the commitment with the organization and job satisfaction among female employees but modification is demanded to widen the scope of applicability of this act	The modes of benefits to be availed under this act is required to research more
6.	The Payment of Gratuity Act, 1972	Inclusion of this act ensures job satisfaction subject to completion of minimum service period i.e. of 5 years	Regularization of this act and differences between private and public corporations with respect to implementation of this act, are in need to be explore more

## References

(1) Hayter, S.(2011). *The role of collective bargaining in the Global Economy: Negotiate for social justice*, Introduction in Hayter (Ed.), 1-19

(2)A report on Labor Laws in India, Retrieved from [www.caaa.in/Image/19ulabourlawshb.pdf](http://www.caaa.in/Image/19ulabourlawshb.pdf) p.p: 3

- (3) A report of Ministry of Labor and Employment, Government of India, Retrieved from <http://labor.nic.in/>
- (4)i. Knoop,R.(1995). *Relationship among job involvement, job satisfaction and organizational commitment for nurses*. Journal of psychology, 129(6), p.p.:643-649
- (4)ii. Robbins, S.P.(2001). Organizational behavior. Upper Saddle River, NJ:Prentice hall
- (5). Locke, E.A.(1976). *The nature and causes of job satisfaction*. In Dunnette, M.D., Editor. Handbook of Industrial/ Organizational Psychology, McNally, Chicago, p.p:1297-1346
- (6). Leap, T.L., & Crino, M.D.(1993). Personnel/Human Resource Management. Macmillian Publishing Company
- (7) Pal, M.(2015). *Five main objectives of the Factories Act, 1948*, Retrieved from [www.shareyouressays.com/91787/five-main-objectives-of-the-factories-act-1948](http://www.shareyouressays.com/91787/five-main-objectives-of-the-factories-act-1948)
- (8) Singh, M.(2014). *Impact of health and safety provisions under Factories Act, 1948 for protection of labor rights in real estate industry of Pune*, International Journal of Research and development - A Management Review, 3(2), 14-18
- (9) Mishra, S. and Bhagat, M.(2007). *Principles for successful implementation of labor welfare activities from policy theory to functional theory*, Retrieved from [www.tesionline.com/intl/indepth.jsp?id=575](http://www.tesionline.com/intl/indepth.jsp?id=575)
- (10) Bhati, P.P. and Kumar, A.M.(2013). *Provision of welfare under Factories Act and it's impact on employee satisfaction*, Journal of Business. Management and social sciences research, 2(2), 57-69
- (11) Kishore, J.(2009). *The Employees State Insurance Act, 1948 and Regulations 1950*, National Health Programs of India, 8 Ed., New Delhi, Century publication, 720-723
- (12) Verma, R., Kumar, R., Kharb, M., Kumar, N., Arora, V. and Sharma, S. (2012). *Effects of quality attributes of ESI health care services on patient's satisfaction*, Indian Journal of Health and well being, 3(3), 707-710
- (13) Bedi, S., Arya, S.K., Sharma, D.K. and Sharma, R.K.(2005). *What it costs and what they Get: A study of perceived costs and benefits among ESIS Beneficiaries*, Journal of Academy of Hospital Administration, 17(2).
- (14) Leatherman, S., Ferris, T.G., Berwick, D., Omaswa, F. and Crisp, N. (2010). *The role of quality improvements in strengthening health systems in developing countries*, International Journal of Quality Health Care, 22(4), 237-243
- (15) El-Shabrawy, A.M. (1992). *A study of patient satisfaction as an evaluating parameter for utilization of primary health care services*, J R Soc Health, 112(2), 64-67
- (16) HumanCapital (2011, December). *Social security laws in India*. Retrieved from [www.humncapitalonline.com](http://www.humncapitalonline.com)

- (17) Sengupta, D. and Titus, R.(2013). *Evaluating employee welfare through provision and utilization of Employee Benefit Scheme*, International Journal of Economy, Management and Social Sciences, 2(8), 544-549
- (18) Retrieved from [Kkhsou.in/main/EVidya2/management/workmen.html](http://Kkhsou.in/main/EVidya2/management/workmen.html)
- (19) Shrivastava, K.D.Report on the National Commission on Labor, *Supra*, 7, p.p:7
- (20) Khan, Muin-Ud-Din, *Social Security and National Development*, 2, 108-123
- (21) Worker's Compensation Fraud. Los Angeles County District Attorney's Office. Retrieved from [da.lacounty.gov/workers-compensation-fraud](http://da.lacounty.gov/workers-compensation-fraud)
- (22) Bala, S.(2012). *Implementation of Maternity Benefit Act*, NLI Research Studies Series, 099, Chapter 5, 67
- (23) Rao, E.M. & Malhotra, O.P.(2004), *The Law Of Industrial Disputes*, 6th Ed., Lexis Nexis Butterworths, New Delhi, 198
- (24) Goyal (1995). *Impact of Labor Welfare on Employee Attitudes and Job Satisfaction*, New Delhi, Deep and Deep Publications,31-41
- (25) Srimannarayana, M. and Srinivas, V. (2005). *Human Resource Development Climate in Indian banks*, ICFAI Journal of Organizational Behavior, 6(1), 33-40