

Central government may cut threshold for gratuity

Live Mint | Updated: 10 Aug 2020, 05:16 PM IST

- Labour market experts said the five-year threshold is outdated and no longer serves the interest of employees.
- Trade unions claim some firms fire workers before they become eligible for gratuity payments to save on costs.

The government is considering easing the minimum eligibility condition for gratuity payments to employees from five years of continuous employment as shorter tenures are increasingly becoming the norm in India, government officials said.

There is a growing demand to make the gratuity eligibility criteria shorter—between one and three years—as declining job security and increasing contractualization of employment are depriving workers of their dues. “There is demand from several quarters to lower the gratuity threshold. How to take it forward and lower the five-year threshold is a subject on the table; it is likely to be lowered. The parliamentary standing committee on labour, too, has suggested that it be lowered and made part of the social security code,” one of the two government officials cited above said, seeking anonymity.

Labour market experts said the five-year threshold is outdated and no longer serves the interest of employees. Trade unions claim some firms fire workers before they become eligible for gratuity payments to save on costs. “The five-year threshold was formulated decades ago to promote long-term work culture. The realities now are different. I think gratuity threshold of 2-3 years is a better option. One year may not be a feasible idea,” said R.P. Yadav, chairman and MD of Genius Consultants, a staffing company.

The changing nature of jobs makes this a necessity, said another government official, who also declined to be named. The official said fixed-term employment will increase going forward, more so after the pandemic. The Industrial Relation Code has also favoured fixed-term employment, echoing a school of thought that job creation is more important than job protection.

“There are two options—pro-rata basis or proportional change for a few sectors, or a reduction in the five-year threshold for all sectors. Demand for the second option has more takers in the normal discourse with experts and economists. The standing committee has suggested to lower it to 1-3 years from the current five years,” the second official said.

A labour ministry spokesperson said he has no official information about the talks. The standing committee on labour in its report on social security code suggested the expansion of gratuity to all segments of the workforce.