

Media Coverage

Publication	Date	Edition	Link	Headline
livemint	20 Sept 2020	Online	https://www.livemint.com/news/india/social-security-code-removes-gratuity-payment-threshold-rigidity-11600603903862.html	Social Security Code Removes Rigidity In Gratuity Payment Threshold




Experts have said the five-year threshold was outdated and no longer serves the interest of employees. (Photo: Bloomberg)

Social security code removes rigidity in gratuity payment threshold

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NEW DELHI: People need not work continuously for five years to get gratuity benefits, according to the new Social Security Code bill.

The code has removed the mandatory minimum gratuity threshold of five years, while introducing a different threshold structure for various category of workers. Regular and permanent employees will now have to work for at least five years to become eligible, while fixed-term workers will have no such limit. Instead, their gratuity payment will be linked to their tenure of work.

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For working journalists, the code makes a provision to avail gratuity benefits after three years of service and for seasonal workers gratuity payments equivalent to salary for seven days will be provided for every season of work.

There was growing demand to make the gratuity eligibility criteria between one and three years, as declining job security and increasing contractualization of employment were depriving workers of their dues. Labour market experts said the five-year threshold was outdated and no longer serves the interest of employees. Firms fire workers before they become eligible for gratuity payments to save costs, trade unions said.

"Gratuity shall be payable to an employee on the termination of his employment after he has rendered continuous service for not less than five years (a) on his superannuation, or (b) on his retirement or resignation, or (c) on his death or disablement due to accident or disease, or (d) on termination of his contract period under fixed term employment, or (e) on happening of any such event as may be notified by the central government," it said.

"The completion of continuous service of five years shall not be necessary where the termination of the employment of any employee is due to death, or disablement or expiration of fixed-term employment or happening of any such event as may be notified by the central government," it added.

For working journalists, "five years occurring in this sub-section shall be deemed to be three years", the social security code bill has underlined. Earlier, the five year gratuity payment was mandatory, which meant millions of workers used to forfeit their gratuity deposits, salary of 15 days for every year of work, if they resigned or lost jobs before the stipulated period.

Mint reported on 10 August that such a move was being considered. "The five-year threshold was formulated decades ago to promote long-term work culture. The realities now are different. I think gratuity threshold of two to three years is a better option. One year may not be a feasible idea," R.P. Yadav, chairman and managing director, Genius Consultants, a staffing company, had said in an interview.