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**STANDING COMMITTEE ON
LABOUR AND WELFARE**

(1997-98)

ELEVENTH LOK SABHA

**THE PAYMENT OF GRATUITY (AMENDMENT)
BILL, 1997**

EIGHTH REPORT



सत्यमेव जयते

(319)

**LOK SABHA SECRETARIAT
NEW DELHI**

November, 1997 / Kartika, 1919 (Saka)

3657

EIGHTH REPORT

STANDING COMMITTEE ON
LABOUR AND WELFARE
(1997-98)

(ELEVENTH LOK SABHA)

MINISTRY OF LABOUR

THE PAYMENT OF GRATUITY (AMENDMENT)
BILL, 1997

Presented to Lok Sabha on 2/11/97

Laid in Rajya Sabha on



LOK SABHA SECRETARIAT
NEW DELHI

November, 1997/Kartika, 1919 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON
LABOUR AND WELFARE
(1997-98)

Shri Madhukar Sirpotdar — *Chairman*

MEMBERS
Lok Sabha

2. Shri Hansraj Ahir
3. Shri Chandulal Ajmeera
4. Shri Illiyas Azmi
5. Dr. Amrit Lal Bharti
6. Shri Narendra Budania
7. Shri Jai Sinh Chauhan
8. Shri Ajoy Chakraborty
9. Smt. Bhagwati Devi
10. Smt. Shubhawati Devi
11. Shri Louis Islary
12. Shri Murli Dhar Jena
13. Shri Harbhajan Lakha
14. Shri Bheru Lal Meena
15. Shri Ajoy Mukhopadhyay
16. Shri Rupchand Murmu
17. Shri Kameshwar Paswan
18. Shri Mangalram Premi
19. Shri Ashok Pradhan
20. Shri K. Pradhani
21. Smt. Kamal Rani
22. Smt. M. Parvati
23. Shri N.J. Rathwa

(iv)

24. Shri Ram Shakal
25. Shri Laxman Singh
26. Shri Shibu Soren
27. Smt. Purnima Verma
28. Shri Rammurti Singh Verma
29. Shri Virendra Kumar
30. Shri Lal Babu Prasad Yadav

Rajya Sabha

31. Shri Brahmakumar Bhatt
32. Shri Sanatan Bisi
33. Shri Debabrata Biswas
34. Shri Mohinder Singh Kalyan
35. Shri Bangaru Laxman
36. Shri S. Muthu Mani
37. Smt. Urmilaben C. Patel
38. Shri Abdul Gaiyur Qureshi
39. Shri Jibon Roy
40. Shri Jagannath Singh
41. Shri Karma Topden
42. Shri Janardan Yadav
43. Shri Mohd. Azam Khan

SECRETARIAT

1. Shri G.C. Malhotra — *Additional Secretary*
2. Shri J.P. Sharma — *Deputy Secretary*
3. Shri R.S. Misra — *Under Secretary*

INTRODUCTION

1. I, the Chairman of the Standing Committee on Labour and Welfare (1997-98) having been authorised by the Committee to submit the report on their behalf present this Eighth Report on "The Payment of Gratuity (Amendment) Bill, 1997".

2. The Bill was introduced in Rajya Sabha on 24 July, 1997. It was referred to the Committee by the Hon'ble Speaker, Lok Sabha on 6.8.1997 under Rule 331E (b) of the Rules of Procedure and Conduct of Business in Lok Sabha for examination and Report.

3. The Committee considered the Bill clause-by-clause at their sitting held on 4 November, 1997.

4. The Committee wish to express their thanks to the officers of the Ministry of Labour for placing before them detailed written notes on the subject and for furnishing the information the Committee desired in connection with the examination of the Bill.

5. The Report was considered and adopted by the Committee on 12 November, 1997.

NEW DELHI;
12 November, 1997
21 Kartika, 1919 (Saka)

MADHUKAR SIRPOTDAR,
Chairman,
Standing Committee on Labour and Welfare.

CHAPTER I

INTRODUCTORY

1.1 The Payment of Gratuity Act, 1972 provides for Payment of Gratuity to the employees engaged in factories, mines, oilfields, plantations, ports, railway companies, shops or other establishments and for matters connected therewith or incidental thereto.

1.2 Sub-Section (3) of Section 4 of the Payment of Gratuity Act, 1972 provides that the amount of gratuity payable to an employee shall not exceed one lakh rupees. This amount was fixed in 1994. There have been representations from trade unions to remove or enhance the ceiling on the maximum amount of gratuity.

1.3 The amendment proposed in the Bill is to enhance the ceiling of one lakh rupees on the maximum amount of gratuity payable under section (3) of section 4 to two lakhs and fifty thousand rupees.

1.4 The Payment of Gratuity (Amendment) Bill, 1997, as introduced in Rajya Sabha was referred to the Committee on 6 August, 1997. The Central Government has promulgated the Payment of Gratuity (Amendment) Ordinance, 1997 on 24.9.1997 so as to make the enhanced amount of gratuity payable to the workers with immediate effect.

1.5 The observations of the Committee in regard to the proposed amendment in the Bill are detailed in the succeeding Chapter.

CHAPTER II

REPORT

Clause 2 of the Bill

Clause 2 of the Payment of Gratuity (Amendment) Bill, 1997 provides that in sub-section (3) of the Payment of Gratuity Act, 1972—

“for the words ‘one lakh’

the words ‘two lakhs and fifty thousand’ shall be substituted.”

2.1 The Committee note that the Ministry of Labour has brought the Payment of Gratuity (Amendment) Bill, 1997 before the Parliament to enhance the ceiling of one lakh rupees on the maximum amount of gratuity payable under sub-section (3) of section 4 of the Payment of Gratuity Act, 1972 to two lakhs and fifty thousand rupees.

2.2 The Committee discussed the issue in detail. Members of the Committee were of the view that in order to protect the interests of the public sector undertakings and other private sectors by enabling them to check the likely exodus of highly skilled technocrats, engineers, scientists, etc. to multinationals, the ceiling on the maximum amount of gratuity should further be raised from 2.5 lakh rupees to 3.5 lakh rupees. The Committee, therefore, recommend that the Ministry should review the issue and raise the ceiling on the maximum amount of gratuity to 3.5 lakh rupees by amending sub-section (3) of section 4 of the Act.

NEW DELHI;
12 November, 1997

21 Kartika, 1919 (Saka)

MADHUKAR SIRPOTDAR,
Chairman,
Standing Committee on
Labour and Welfare.

MINUTES OF THE SIXTH SITTING OF THE STANDING
COMMITTEE ON LABOUR AND WELFARE HELD
ON 12 NOVEMBER, 1997

The Committee met from 14.30 hrs. to 15.30 hrs. in Committee Room 'D' Parliament House Annexe, New Delhi.

PRESENT

Shri Madhukar Sirpotdar — *Chairman*

MEMBERS

Lok Sabha

2. Shri Chandulal Ajmeera
3. Shri Illiyas Azmi
4. Shri Narendra Budania
5. Shri Jai Singh Chauhan
6. Shri Murli Dhar Jena
7. Shri Bheru Lal Meena
8. Shri Ajoy Mukhopadhyay
9. Shri Rupchand Murmu
10. Shri Kameshwar Paswan
11. Shri Ashok Pradhan
12. Smt. Kamal Rani
13. Shri Rammurti Singh Verma

Rajya Sabha

14. Shri Brahmakumar Bhatt
15. Shri Mohinder Singh Kalyan
16. Shri Bangaru Laxman

17. Shri Abdul Gaiyur Qureshi
18. Shri Jibon Roy
19. Shri Jagannath Singh
20. Shri Mohd. Azam Khan

SECRETARIAT

1. Shri J.P. Sharma — *Deputy Secretary*
2. Shri R.S. Misra — *Under Secretary*

2. The Committee considered and adopted their Eighth and Ninth Reports on "The Payment of Gratuity (Amendment) Bill, 1997" and "The Employees Provident Funds and Miscellaneous Provisions (Amendment) Bill, 1997" without any amendment.

3. The Committee authorised the Chairman to finalise and present the Reports to the House on the first day of the Winter Session.

The Committee then adjourned.

APPENDIX

SUMMARY OF RECOMMENDATIONS/CONCLUSIONS

Sl. No.	Para No.	Summary of Recommendations/Conclusions
1	2	3
1.	2.1	The Committee note that the Ministry of Labour has brought the Payment of Gratuity (Amendment) Bill, 1997 before the Parliament to enhance the ceiling of one lakh rupees on the maximum amount of gratuity payable under sub-section (3) of section 4 of the Payment of Gratuity Act, 1972 to two lakhs and fifty thousand rupees.
2.	2.2	The Committee discussed the issue in detail. Members of the Committee were of the view that in order to protect the interests of the public sector undertakings and other private sectors by enabling them to check the likely exodus of highly skilled technocrats, engineers, scientists, etc. to multinationals, the ceiling on the maximum amount of gratuity should further be raised from 2.5 lakh rupees to 3.5 lakh rupees. The Committee, therefore, recommend that the Ministry should review the issue and raise the ceiling on the maximum amount of gratuity to 3.5 lakh rupees by amending sub-section (3) of section 4 of the Act.