

**GOVERNMENT OF INDIA  
LABOUR AND EMPLOYMENT  
LOK SABHA**

UNSTARRED QUESTION NO:3861  
ANSWERED ON:19.04.2010  
ELIGIBILITY FOR GRATUITY  
Thamaraiselvan Shri R.

**Will the Minister of LABOUR AND EMPLOYMENT be pleased to state:**

(a) whether the Union Government has received any representation/ demand from various stockholders to reduce the eligibility for receiving gratuity from five years service to one year service; and

(b) if so, the details thereof alongwith the reaction of the Government thereto?

**Answer**

MINISTER OF THE STATE IN THE MINISTRY OF LABOUR AND EMPLOYMENT (SHRI HARISH RAWAT)

(a) & (b): Yes Madam, the Government has received representations in this regard. Gratuity is only a terminal benefit granted to an employee in addition to provident fund, pension, ESI benefits and bonus etc. in cases of superannuation, death, resignation, permanent disablement. If this benefit is granted only after one year service, it may not be called a terminal benefit and becomes part of the wages which is not the intention and object of the Payment of Gratuity Act, 1972. Secondly, the payment of gratuity is employer's liability and therefore the paying capacity of Micro, Small and Medium Enterprises is also required to be taken into consideration.