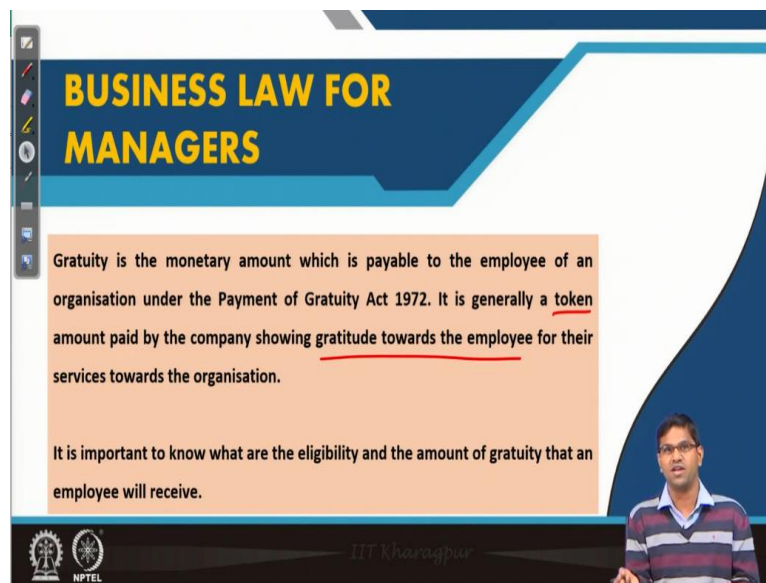


Business Law for Managers
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Module - 7: Social Securities
Lecture - 34
Payment of Gratuity Act 1972

Welcome to lecture number 34. This is the fourth lecture in module 7. And previous lecture, we discussed about Employees' Provident Fund and various benefits associated with it. What is the contribution you as an employee make and then as an employer, what is the contribution? We discussed about Provident Fund, Pension Scheme and Employees' Deposit Linked Insurance. Now, in this lecture, we are going to discuss about Payment of Gratuity Act.

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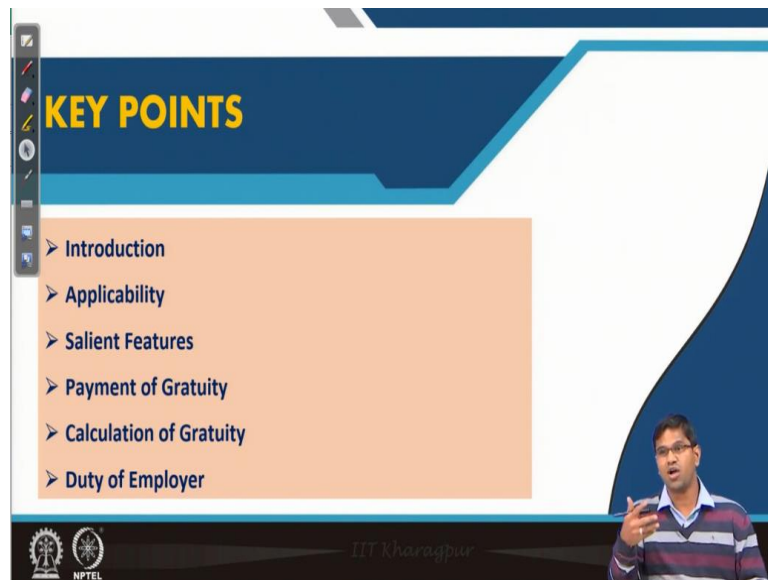


The slide features a blue header with the text "BUSINESS LAW FOR MANAGERS" in yellow. Below the header, a light orange box contains the following text: "Gratuity is the monetary amount which is payable to the employee of an organisation under the Payment of Gratuity Act 1972. It is generally a token amount paid by the company showing gratitude towards the employee for their services towards the organisation." Below this, it states: "It is important to know what are the eligibility and the amount of gratuity that an employee will receive." In the bottom right corner, there is a small video inset of a man in a striped shirt. The bottom of the slide has logos for IIT Kharagpur and NPTEL.

So, what is gratuity? So, gratuity is a monetary amount which is payable to an employee of a particular organisation under the Payment of Gratuity Act. It is generally a token or a gratitude or a kind of a gift paid by the company showing the gratitude towards an employee for their service towards their organisation. If you look at importantly, how this kind of a gratuity or a token or a gift provided to the employee for a service as provided to their employer; meaning that, can we pay a gratuity to an employee who served for a very brief time.

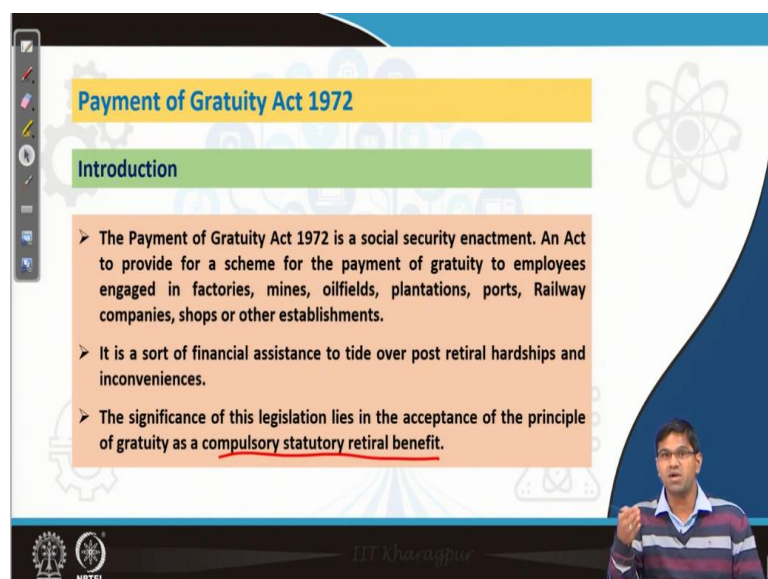
So, this Gratuity Act is going to talk about who is eligible to receive this gratuity which is we call a token or a gift from an employer for the service they rendered to the particular employer. It is important to know the eligibility and amount of gratuity that an employee will receive a part of this Gratuity Act.

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So, what are we going to discuss? We are going to have an introduction, small introduction about this particular legislation. We will have a very brief about this legislation. And we will also see applicability of this legislation. Who are those companies or organisation or establishment covered under this legislation; and salient features. And we will also talk about a payment of gratuity; how the payment has to be made; how the calculation to be made for the gratuity and duty of the employer under this legislation.

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Now, the Payment of Gratuity Act is one of the social security legislations which provides a scheme for a payment of a gratuity to all employees who is engaged in, either in factories, mines, oil fields, plantation, ports, railway, companies, shops or even any other establishments. So, this act is going to be covering all establishments, either you are registered under a Factories Act or a Companies Act or a Societies Act or Shops and Establishments Act, whatever the legislation have been covered, those organisations or all establishments will be covered under this legislation, meaning that they have to pay gratuity to its employees.

What does this gratuity amount? It is a kind of a financial assistant tied to the post-retiral hardships. So, essentially, this gratuity amount is paid during the superannuation or at this, we call, otherwise called as a retirement of the employees, as a financial amount support to the employees. And the significance of this legislation lies with the principles of acceptance of the gratuity as a compulsory statutory retiral benefit.

It is not an obligation, it is not an option for an employer, it is compulsory for an employer to pay gratuity. Generally, if you say gift, gift is a voluntary in nature; you can either desire to give a gift or you may not to give gift; whereas this gratuity which is a compulsory retiral benefit or a gratuity benefit which has to be provided to employees.

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Payment of Gratuity Act 1972

Important Definitions

- **Continuous service**
An employee shall be said to be in continuous service for a period if he has, for that period, been in uninterrupted service, including service which may be interrupted on account of sickness, accident, leave, absence from duty without leave (not being absence in respect of which an order treating the absence as break in service has been passed in accordance with the standing orders, rules or regulations governing the employees of the establishment), lay-off, strike or a lock-out or cessation of work not due to any fault of the employee.
- **Completed years of service** : "Completed year of service" means continuous service for one year.

240 Days/Year →
190 Days/Year →

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Now, there are some important definitions which is very important, because this is going to help in qualifying somebody to receive gratuity from a company. So, there is a one important definition, continuous service. So, employee shall be termed as a person who is in a

continuous service if he or she, that person, without any uninterrupted services, including service which are interrupted due to sickness or accident or leave of absence from duty without leave, and also, it does not include any lay-off period or during strike or lockout which is not because of him.

So, the continuous service means a person who is serving in a company without interruptions in their services, otherwise owing to other factors like strike or lay-off beyond his or her control, then that person is termed to be a person in a continuous service. So, what is the completed years of service? Completed years of service means a continuous service for 1 year. If a person has served for 1 year, that is called a completed year of service.

Here comes, one important point comes here, the completed years of service for in general employment in any industry; if a person, he or she has worked for 240 days a year, per year, then it is called a 1 completed year of service. In case if an employee or a worker who is working in a mine which is under the earth, which is the field which are under the earth, who are employed in that kind of an employment, then 190 days per year counted as 1 completed year.

So, you will be surprised to see why we are interested in saying continuous service. Yes, why are we want to learn continuous year and what is the importance of learning completed year service? Because the gratuity is proportionately paid based on the number of completed years of service they have in the factory or the any industrial establishment. So, that is why it is very important to learn the concept of continuous service and also the completed years of service.

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Payment of Gratuity Act 1972

Scope of the Act

The payment of Gratuity Act is a social security enactment.

It is derived from the word 'Gratuitous', which means 'Gift' or 'present'.

Gratuity is a payment made to an employee by the employer either at the time of retirement or when he is leaving the job.

The main purpose and concept of gratuity are to help the workman after retirement/resignation.

So, scope: This is applicable to all industries and this term which is the gratuity, derived from the word gratuitous which means a gift or a present. So, gratuity is a payment made to an employee from their employer at the time of a retirement or at the time a person leaves the particular company. So, the main purpose of this gratuity is to help a workman after either a retirement or a resignation.

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Payment of Gratuity Act 1972

To whom it is applicable

- It is mandatory for any employer in the **private sector or public sector who has 10 or more employees** to pay gratuity to all employees.
- Any shop or establishment shall continue to be governed by the Act even if the **no. of its employees comes below 10 persons at any time in the future.**
- **Public charitable and religious trusts** are also covered by this Act, provided that they are shops or establishments within the meaning of the Shops and Establishment Act.

Now, whom it is applicable? Any organisation, private sector or a public sector, is a government organisation, any other organisation, if that particular company or organisation has 10 or more employees, they have to pay gratuity to all employees. Now, you also see, let us say hire 10 employees in the beginning of the year, maybe probably the number have gone down less than 10; even though you have to pay gratuity to all employees because you already had 10 or more employees in your organisation in different point in time of the year.

And public charitable and religious trust also covered under this act and any organisation registered under Shops and Establishment also covered under this act. So, meaning that, largely all organisations are mandated to pay gratuity to its employees.

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Payment of Gratuity Act 1972

Who are Eligible for Gratuity?

Gratuity shall be payable to an employee on the termination of his employment after he/she has rendered continuous service for not less than five years,-

- (a) on his superannuation, or
- (b) on his resignation, or
- (c) on his death or disablement (five-year service not required) due to accident or disease

Now, who are eligible for gratuity? It is very important. Can I ask a company to pay gratuity to everybody? No. So, the gratuity shall be payable to an employee on termination or retirement after he or she has served continuous service. That is where; now you see why we have to learn this continuous service. So, continuous service not less than 5 years. So, if a person worked for 5 continuous years in a company, he or she qualifies or become eligible for the gratuity payment. So, now, the question comes.

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2YR = 15 Days of Salary

75 Days @ Wage/Salary as Gratuity Payment

3-4

5 Yrs @ Reason he/she not eligible "Common Sense"

4 Years 8 months = 5 Years

2014-14 - 7 Years

2021 73 Days

Let us say 1 employee worked for 3 years or 4 years; can the person be; let us say he wanted to resign the job; can the employee is being paid? He or she is not eligible, because this act clearly states that yes, you have to do at least 5 years of continuous service without a break. Continuous service, I mean that the continuous service, we already defined, if it is due to the lay-off or any health issues, that is not considered; otherwise, you have to do at least 5 years of continuous service to be eligible for this gratuity benefit, either during your superannuation; let us say you work for few years and you are getting retired.

If you are already passed 5 years and then you are retiring; the superannuation is nothing but your retirement; then you are eligible. Or during your resignation or in time of a death or disablement; so, in a death or a disablement, 5 years of service not required due to accident or disease. So, if it is a natural death, not eligible, but in case of an accident or any disease that yes, this person can be eligible for a gratuity payment. This is very clear now. So, who is ca, who is eligible to receive gratuity? Anyone who worked at least 5 years of continuous service, he or she is eligible to receive gratuity payment.

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Payment of Gratuity Act 1972

Gratuity Rules

- Employees who have completed **5 years of continuous years of service** with the employer are eligible for gratuity.
- If an employee works below the ground (e.g. mine), every year in which the **employee works for more than 190 days in a year**, is considered as 1 year.
- If the employee works above the ground, **240 working days** in a year is taken as 1 year for gratuity calculation.

*310 Days/Year
- 240 or more - 0*

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Now, what are the gratuity rules? So, as I said, yes, 5 years of continuous service is the minimum eligibility that you are, you will be eligible to receive the gratuity. Now comes as I already indicated that yes, if somebody has worked in a mine which is below the ground, then for them, to calculate 1 year of continuous service, which is 190 days. If a person worked for more than 190 days in a year, then that considered as a year. Otherwise, in other establishment, if a person worked for at least 240 days in a year, in a calendar year, then that is counted as 1 year for gratuity calculations.

So, let us say my company is open for 310 days a year. Now, if a person has worked for 240 days or more, then it will count as 1 year. So, you do not need to say that okay, this person has not worked for all 310 days, but if a person, he or she worked for at least 240 days or more in a year, then it is counted as 1 year of continuous service. If that is the case for 5 years, then he or she becomes eligible to receive this gratuity payment.

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Payment of Gratuity Act 1972

Payment of Gratuity

- For every completed year of service or part thereof in excess of six months, the employer shall pay gratuity to an employee at the rate of fifteen days' wages based on the rate of wages last drawn by the employee concerned.
- For the purpose of computing the gratuity payable to an employee who is employed, after his disablement, on reduced wages, his wages for the period preceding his disablement shall be taken to be the wages received by him during that period, and his wages for the period subsequent to his disablement shall be taken to be the wages as so reduced

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Now comes what is the payment for this gratuity? So, for every completed year part or thereof in excess of 6 months, the employer shall be paying the 15 days of salary as the gratuity amount. Let us say, so, now comes, it is always a rounded off year they calculate. Let us say a person worked for 4 years and let us say 8 months. The next closest year will be counted as 1, so, it is 5 years, service will be counted.

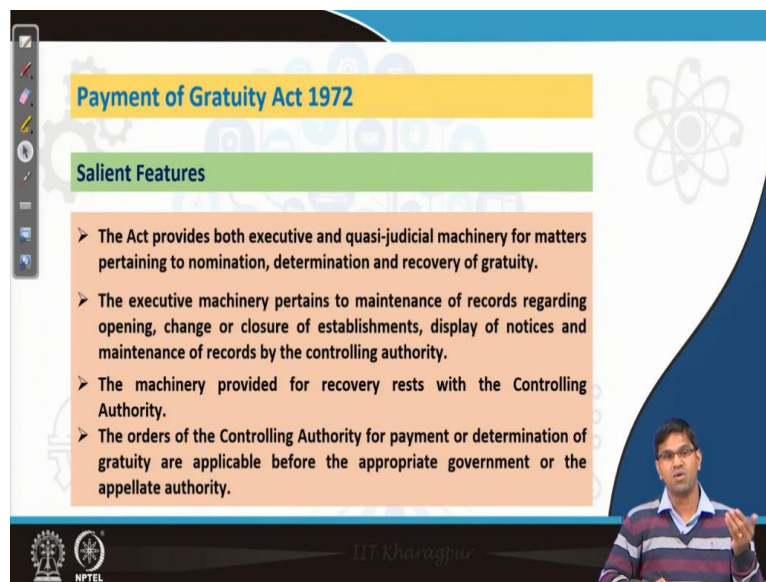
Now, what is the gratuity we are going to get, the money from the employer. So, for every completed 1 year, every 1 year, you will be eligible for 15 days of salary. Let us take an example. Employee 1 worked for 7 years. So, what, how many days this person will be getting? This person will be getting 75 days as the gratuity payment; the 75 days of wages or salary as gratuity payment.

So, every 1 year, 15 days will be considered for the gratuity payment. Now, so, for this purpose of computing the gratuity payment to employers which employed; for example, what is the wage you will be paying? Now, going back to the wage also. So, what is the wage you will be earning? So, let us say this person has worked for 7 years. Let us say one has joined in the year of 2014 and this person left the service in 2021. Let me say 7 years.

Now, 75 days of salary will be paid as a gratuity. Now, what is the amount you will pay? You will be paying the recent salary and then you will pay 75 days. It is not okay for 15 days of 2014 salary, 15 days of 2015. No, the recently earned, the last taken salary will be calculated to pay this gratuity amount, 75 days. Now, in case; so, if you look at this particular point which says in case somebody has because of the disablement reduced wage that person is leaving, the previous salary which was the full salary, what is the higher salary, which will be considered for making the gratuity payment.

So, the gratuity payment is associated with the number of years you worked against for each 1 completed year, you will be earning 15 days for your gratuity payment. And how much will be paid? Your recent salary will be considered for payment of gratuity.

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Payment of Gratuity Act 1972

Salient Features

- The Act provides both executive and quasi-judicial machinery for matters pertaining to nomination, determination and recovery of gratuity.
- The executive machinery pertains to maintenance of records regarding opening, change or closure of establishments, display of notices and maintenance of records by the controlling authority.
- The machinery provided for recovery rests with the Controlling Authority.
- The orders of the Controlling Authority for payment or determination of gratuity are applicable before the appropriate government or the appellate authority.

Now comes what are the other salient features of this. So, this act is both executive and quasi-judicial machinery, matters which are pertaining to the nomination of their nominee to be filed, a determination recovery of the gratuity. And also, they have an executive machinery pertains to the maintenance of records regarding the opening or change or closure of establishment in case when you wanted to start a company, when you are closed, display of notices, maintenance of records of controlling authority.

This machinery also provided to recovery rests with the controlling authority. And this also orders for controlling authority for payment or determination of gratuity are applicable before the appropriate government or the appellate authority. So, this act actually provides lot of

other missionaries to ensure that yes, the payment of gratuity has been made. And also, for an employer, employer can also start paying on the gratuity as an insurance amount.

So, there are lot of insurance packages available for an employer that they can contribute the gratuity amount, so that when the employee leaves, that gratuity benefit can be paid to their respective employees.

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Payment of Gratuity Act 1972

Nominations for Payment of Gratuity

Each employee who has completed one year of service is required to make a nomination for the purposes of gratuity in case of his death. (Sec 6)

There can be more than one nominee

Now, the nomination for the payment: So, each employee who has completed 1 year of service is required to make the nomination purposes for the gratuity in case of a death. There can be more than 1 nominee also possible. So, one can have more nominee for receiving the gratuity payment.

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Payment of Gratuity Act 1972

Calculation of Gratuity

- Gratuity calculation formula is based on salary and number of years of service.
- For salaried employees, the law states that one should get gratuity equal to 15 days of monthly salary for every completed year of service.

Gratuity Amount = Salary * Tenure * 15/26 *15 A x T x 15 x*

Salary (Last Drawn) = Basic + DA + Allowances

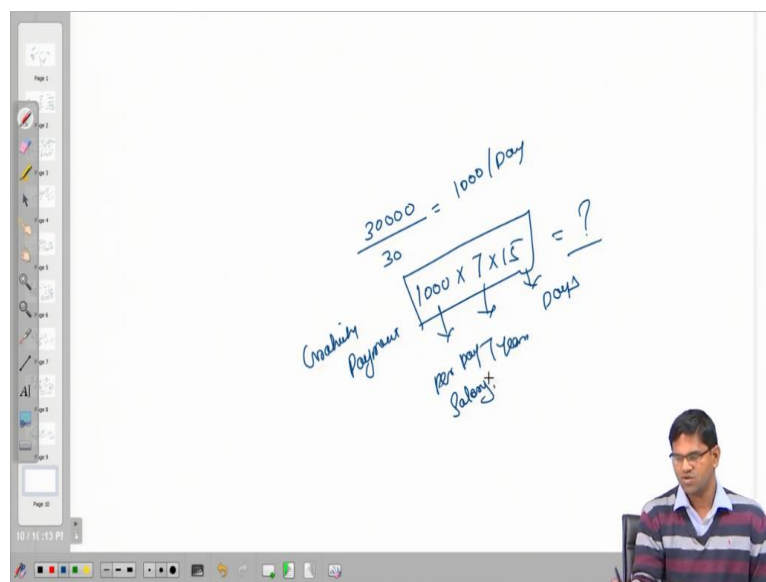
Tenure = No. of years of service

So, now let us spend time on understanding the calculation of the gratuity. How the gratuity is being calculated? So, as I said, this is a simple formula for gratuity payment. How? See, tenure is the number of years of service which you have done and the salary which is the last salary. Salary is including all; it is not only basic and DA, it is also including all your allowances; and which you say 15 by 26, otherwise, you can say just simply put 15 days for every year.

Let us say 7 years 1 person worked; let me put it this way. A is the salary into 7 years into 15 days; this will be the gratuity amount for the particular employee who worked for 7 years. Let us say if it is 1000 rupees, so, that is how you will be calculating the gratuity payment for any employee who is leaving the company. So, it is simply 15 days per year and into number of years served into the salary they are earned.

So, the salary we are, why? That is why they are dividing by 26 means the salary per day; I cannot just multiply the monthly salary. So, that is why the denominator comes into the picture of 26 days, means you will have to calculate per day salary into 7, how many years you served and also 15 days for each of the year.

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So, in a simple way to put, let us say you are earning 30,000 per month, in a simple formula let us say 30 days, then your salary is 1000 per day. So, 1000 rupees into 7 years into 15; that is how we will calculate your gratuity. That is how you will be calculating the gratuity payment for this particular employee who worked for 7 years. This is 15 days for each year;

then this is per day salary. So, this is clear now. So, now, let us also talk about; this is for a general employment.

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Payment of Gratuity Act 1972

Calculation of Gratuity

How do we determine the salary for **Piece Rate Employees**:

Gratuity Amount = Average Wage * 15 * Tenure

Average wage = Average daily wage of the labourers for the last 90 days.

500
600
300
90 day Average

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Now, there can be a case where we are also talking about a piece rate worker. How do I pay my piece rate worker? You would not know, every day somebody only be earn more money, someday there may be a less money. So, there should be an average of last 90 days will be calculated considered for calculation of this average wage. The last 90 days salary; let us say 1 day 500 rupees, another day 600 rupees, 1 day 300 rupees; so, all 90 days, the 90 days average will be considered here.

And 15 days of course; and then number of years. So, that is how in somebody worked on a piece rate employee in a particular factory or an organisation, though that is how their wages will be calculated, the gratuity will be calculated.

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Payment of Gratuity Act 1972

Calculation of Gratuity

How do we determine the salary for Seasonal Employees:

Gratuity Amount = Daily wage 7 * Tenure

7 = 7 days of wage of the Season

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Now, so, how do we pay the gratuity? Or how do we calculate the gratuity for seasonal employees? The seasonal employees do not have the employment throughout the year. So, now, instead of 15 days a year, it will be 7 days of the season. So, how many season this person has worked, that will be the tenure, let us say 10 years and it will be 7 days, because it is the seasonal employee, it is not a throughout the year employment.

So, daily wage into 7 days into the number of years the person worked; that is how the gratuity is being calculated. Why we are discussing all this? Because you might be in a position to help your own self or maybe you will be in an organisation to looking after this perspective as a manager or as an executive that it is important that you know this legislation to perspective that how do I calculate the gratuity for my employees. If somebody approaches me to understand the gratuity, you will be in a position to explain how the gratuity is calculated.

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The slide illustrates the evolution of the gratuity ceiling limit. It shows three stages: Rs. 3,50,000 (initial limit), Rs. 10,00,000 (intermediate limit), and Rs. 20,00,000 (current limit). Handwritten calculations show that for a salary of 1,00,000 over 30 years, the total days worked (30 years x 15 days/year) is 450 days. Multiplying the daily salary (3,000) by 450 days results in a gratuity amount of 13,50,000, which is below the current ceiling of 20,00,000.

Now, what is the ceiling limit of the gratuity, meaning that the maximum one can take the money? So, in initially when the act was implemented, it was a maximum of 3.5 lakhs and it has been increased to 10,00,000 and then subsequently to 20,00,000. Up to 20,00,000, one can take the gratuity amount. So, you will be surprised to see how. Is there a possibility that I will be able to earn maximum of 20,00,000 rupees as a gratuity? Yes, it is possible.

You imagine a company where somebody is earning know 1,00,000 rupees as his salary and worked for 30 years in a particular organisation. So, imagine 30 years into 15 days; so, it is like almost 450 days. So, then, per day salary will be calculated. So, per day salary is above, more than 3000 rupees. So, into 450 days right; that is how the calculator is comes. So, previously, in this case, even if it is exceeding the 10,00,000 rupees, only 10,00,000 rupees is paid; but now, this ceiling limit has been increased up to 20,00,000 rupees, you will be able to take the gratuity amount maximum of 20,00,000.

In case your gratuity amount is more than 20,00,000, you will be taking only 20,00,000 rupees as the maximum gratuity amount you will be able to draw from your employer. So, now, the indication here is that the longer the year you serve, you are going to have other social security benefits. Now, if you look at the current employment situations or the current the employer-employee relationship, we see that most of the employees used to have a very shorter duration of working life with their employer, current employer.

They keep switching to employer to employer. They look at the growth opportunity, the development opportunities. The gratuity is one of the legislations which actually reciprocates

the employees who work in a particular organisation for a longer period. So, that is why the gratuity is being mandated that yes, if somebody served you for at least 5 years, you have to pay them gratuity which is a mandatory benefit to be paid to the employee who work in a company for more than 5 years.

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The slide is titled "Payment of Gratuity Act 1972" and "Forfeiture of Gratuity". It contains two main sections:

- a) The gratuity of an employee, whose services have been terminated for any act, willful omission or negligence causing any damage or loss to, or destruction of, property belonging to the employer, shall be forfeited to the extent of the damage or loss so caused.**
- b) The gratuity payable to an employee may be wholly or partially forfeited-**
 - (i) if the services of such employee have been terminated for his riotous or disorderly conduct or any other act of violence on his part; or**
 - (ii) if the services of such employee have been terminated for any act which constitutes an offence involving moral turpitude, provided that such offence is committed by him in the course of his employment.**

Handwritten annotations on the slide include a red box around the number "5" in the text, and a red box around the number "5" in the text, with a red arrow pointing to it. There is also a red box around the number "5" in the text, with a red arrow pointing to it. The slide also features a watermark of a person's face and the text "IIT Kharagpur" and "NPTEL".

Now, can you forfeit the gratuity payment from the employees? Yes, you can and you will see at what conditions you will be able to do it. So, gratuity of an employee whose service has been terminated for a willful omission or negligence causing damage or loss or a destruction or property belonging to the employer, shall be forfeited to the extent the damage has been caused.

Let us say somebody's gratuity is 10,00,000 rupees and this person is leaving. Now, he has caused damage which is amounting to 5,00,000 rupees. So, then you can forfeit these 5,00,000 rupees and only pay 5,00,000 rupees as the gratuity to the particular employee. So, you can forfeit the gratuity amount to the extent of the damage or a loss so caused to the employer. This gratuity payable to the employee wholly or partially can be forfeited, as I was saying; and if the service of such employee has been terminated for his disorderly conduct or any other violence on his part, then you can as an employer, you will be able to forfeit the gratuity amount.

And if you are an employee, then you should be, do not violate or do not get into any of this willful disobedience which will cause the damage to the organisation. And if services of such employee terminated for which the offences involving moral turpitude or provide such

offence is committed during the course of his employment, then as an employer you are allowed to forfeit the partial or the full gratuity from an employee.

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Payment of Gratuity Act 1972

Employer To Initiate Calculation And Notice of Payment

Any person eligible to receive gratuity shall make an application to the employer for payment of the same within the prescribed time (Not more than 30 days).

Whether an application is made or not the employer shall determine the amount payable and give notice to the eligible person/s.

Handwritten notes in red:
→ Full & Final Settlement
↓ Pending Salary / BONUS / Gratuity / E.L. Encashment / Any other

Now, let us say, employer to initiate the calculation notice period. When a person is eligible to receive gratuity, so, what you can do? Now, when you are terminating yourself from an organisation or retiring or resigning from an organisation and if you are eligible, means, at least served 5 years of continuous service in the organisation, then you are eligible for a gratuity. So, what you can do?

So, you can make an application to the employer for making a payment within the prescribed, not more than 30 days, that yes, you have to pay me the gratuity because I am eligible for a gratuity. Now comes the question; in absence of application, will the employee receive a gratuity or not? Irrespective of whether an employee makes an application or not, the employer have to calculate and pay the gratuity amount to all eligible employees in an organisation; meaning the time of resignation or the time of retirement.

So, generally, the gratuity the amount is paid along with the full and final settlement. So, I have been repeating this in other lectures as well. So, let me explain what is this full and final settlement. Let us say you are working in a company called X for n number of years. When you leave and whatever due to you; whatever due to you meaning that the pending salary, bonus, gratuity, earned leave encashments, EL(earned leave) encashment and any other; all has to be considered as a full and final settlement when you leave an organisation, an

organisation has to calculate and make this payment, and that is called a full and final settlement.

So, the gratuity has to be paid irrespective whether you make an application or not. The responsibility of an employer is that yes, you have to calculate and pay your employee whoever who was eligible for a gratuity.

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Provident Fund	Gratuity
Contributions from both <u>employer</u> and <u>employee</u>	Contribution only from <u>employer</u>
Employee becomes eligible for PF from the <u>day of joining</u> .	Eligible only after <u>5 years in a single organization</u>
The PF act applies to any company having 20 employees or more	The payment of Gratuity Act applies to any company having 10 employees or more
<u>PF is transferable to new company</u>	<u>Gratuity is not transferable.</u> 3 YEAR →

Now, we are going to see the difference between a Provident Fund and gratuity, because we learnt about a Provident Fund and gratuity; both of them are a social security legislation. Now, what is the difference between the Provident Fund and gratuity? See, in the Provident Fund, it is a compulsory contributory law, wherein both of you, as an employer and employee contribute, 12% from employee and 12% from the employer; whereas in this case, it is only from an employer, employee does not contribute anything, that employee is only served for more than 5 years but no contribution from an employee.

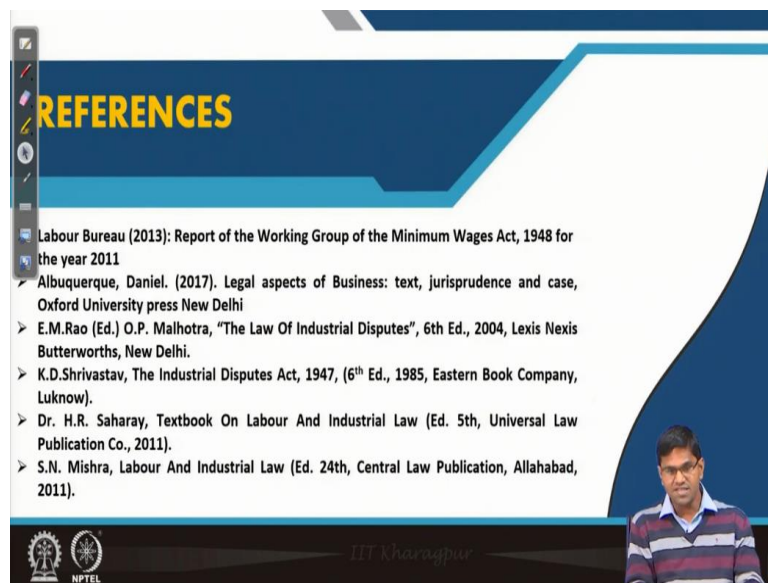
So, employee become eligible for PF from the day of joining. So, the moment you join a company, you will be able to contribute and employer will also contribute. Whereas for a gratuity, the gratuity, employee become eligible only after 5 years in a single organisation. If you are serving in the same organisation for 5 continuous years, then only the employee is eligible to receive this gratuity.

And PF does not apply to any company which are having less than 20 employees. Whereas in this case, it is applicable even for organisation which has more than 10 or more; it is

applicable to all those organisations. And PF is transferable to new company. As we say, when you have a UAN, Universal Account Number where you will be able to transfer your deposit to the next organisation.

Whereas gratuity is not transferable, meaning that if you are serving 3 years, you cannot carry forward your 3 years of service to the next organisation; means, if you have worked for 5 years and you will be getting gratuity and this gratuity cannot be taken forward to the next company where you are going to be get employed.

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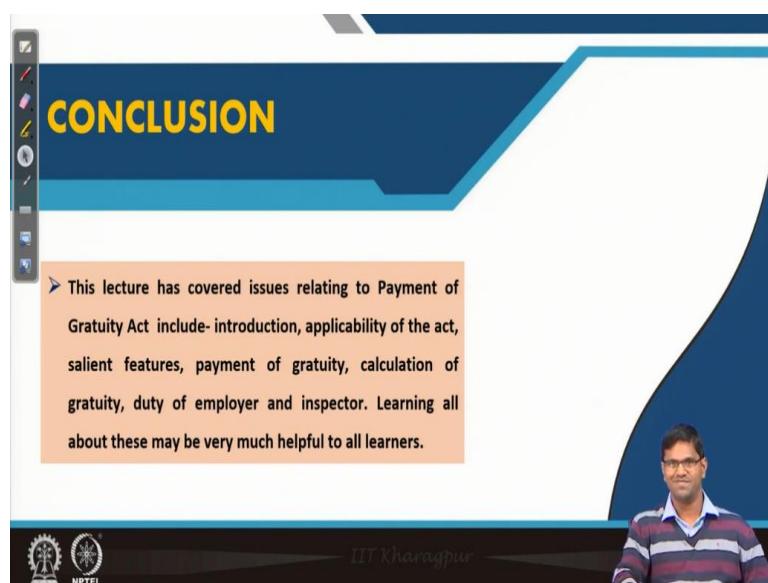
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So, these are the references.

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CONCLUSION

➤ This lecture has covered issues relating to Payment of Gratuity Act include- introduction, applicability of the act, salient features, payment of gratuity, calculation of gratuity, duty of employer and inspector. Learning all about these may be very much helpful to all learners.

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And this Gratuity Act is one of the social security legislations which is kind of a gratuity where an employer is providing a gift to his employees for this the long services he had in this particular organisation. So, it is a compulsory legislation which makes all the employer to make the gratuity payment to any employee who served for continuous years of 5 years of service in an organisation.

As I said, in mining, the 1 completed year is 190 days in a year and for any other industry or any other organisation which is 240 days in a calendar year that will be considered as a 1 completed year. If a person worked for 5 years, then he or she will be receiving the gratuity. So, then the next lecture, we will be discussing about Employees' State Insurance Act. With that, we will be completing the legislation on wages and then module 7. Thank you.