

Labour law recast to add more leave to maternity, gratuity to be made portable

The Narendra Modi-led NDA government is looking to enhance maternity leave for working women from three months to six months, virtually double bonus payments to employees and make gratuity portable between jobs. These proposed changes in employment laws could buttress the Modi government's credentials with the working class while it attempts to push through more ambitious reforms in labour rules that are blamed for hampering investment and job creation in the country.

The changes in the Payment of Bonus Act would raise the salary limit for getting a bonus from Rs 10,000 per month to Rs 19,000, and are at an advanced stage with a draft Cabinet note being moved earlier this month for comments from ministries," said a senior labour ministry official. Separately, the government is initiating stakeholder consultations to amend the Maternity Benefits Act of 1961 and the Payment of Gratuity Act of 1972, the official added.

The ministry of women and child development has been pursuing this with us extensively as it is primarily responsible for women's welfare, so we are framing a proposal to kick off talks with employers and trade unions on enhancing the maternity leave to 24 weeks," the official said. One option being considered is to limit the enhanced maternity leave to two children and an employee having a third child would be granted 12 weeks off, in line with the present norm.

Similar tripartite discussions are also being launched on amending the gratuity law to do away with the requirement that employees serve at least five years in a single workplace to be eligible for the benefit.

Employee representatives have been seeking a reduction in the five-year continuous service clause to qualify for gratuity and the social security committee of the Indian Labour Conference had endorsed the idea in May 2013.

"While we are examining the possibility of reducing the five-year eligibility for gratuity benefits, this requirement would be redundant if we allow gratuity to be transferred from one job to another. So we are looking at both the options," the official said.

The Payment of Bonus Act of 1965, expected to be the first of the three laws for which amendments will come up for the Cabinet's consideration, sets two numerical ceilings for limiting bonus payouts to workers.

All employees earning up to Rs 10,000 a month are eligible for a minimum bonus of 8.33% of their annual salary and a maximum of 20%. This ceiling takes into account any productivity-linked bonus that employers may offer.

The Rs 10,000 salary cut-off is only used for eligibility purposes and actual bonus payments are linked to a separate 'calculation ceiling'. Bonus payments for anyone earning more than Rs 3,500 a month are made assuming his or her salary is Rs 3,500 per month. Both these thresholds were last revised in 2006. After tripartite consultations with employers and employees yielded no consensus late last year, the government had referred the Bonus Act amendments to an inter-

ministerial group that has now recommended both thresholds be raised in line with changes in the consumer price index since 2006.

The new ceilings under the Bonus Act are likely to be Rs 19,000 per month (salary limit for eligibility) and Rs 6,600 (salary limit for bonus calculation purposes).

(HT Mint)