

CIRCULAR No. 25/2010

Date: 09.06.2010

TO ALL MEMBERS



Dear friends,

**Revision in Gratuity Ceiling - Discrimination to Bank officers -
AIBOC seeks intervention of Govt.**

You are aware that the Government had enhanced the Gratuity ceiling from Rs.3.50 lacs to Rs.10.00 lacs through an amendment to the Gratuity Act. The amendments were notified on 24th May 2010 thereby making it effective from the date. However, the Govt. had made the enhanced ceiling of Rs.10.00 lacs applicable to Central Government employees with retrospective effect i.e. 1st January 2006. Even though PSBs are owned by the Govt., the benefit of enhanced ceiling extended to Central Govt., employees has been denied to bank employees. AIBOC has taken up the issue with the Government. We reproduce below the text of AIBOC Cir. No. 85 dated 07-06-2010 issued in this regard for your information.

With greetings,

Yours sincerely,

**[D. N. PRAKASH]
PRESIDENT**

**REVISION OF GRATUITY CEILING — DATE OF EFFECT - DISCRIMINATION TO BANK
OFFICERS — CONFEDERATION SEEKS INTERVENTION OF THE GOVERNMENT**

[Text of AIBOC Cir. No. 85 dt. 07-06-10]

1. The amendment to the Payment of Gratuity Act 1972 enhancing the ceiling from Rs.3.50 lacs to Rs.10.00 lacs was a welcome move. But the date of effect has caused a serious heartburn amongst thousands of officers who have retired with effect from 1.1.2006 since the date of effect has been made as 24th May 2010, an arbitrary decision on the part of the Government. We have to-day sent a communication to the Government reiterating our demand for extending this benefit in Banking Industry with effect from 01.01.2006. A copy of our communication is enclosed.
2. All our affiliates/members are requested to await further developments in the matter.

With greetings,

Sd/=
(G.D.NADAF)
GENERAL SECRETARY

[Text of Letter No. No.1410/173/10 dated 07.06.2010 addressed to
Sri Mallikarjuna Kharge, Hon'ble Minister for Labour, Govt. of India]

Dear Sir,

**BENEFIT OF GRATUITY REVISION
TO WORKFORCE IN THE BANKING INDUSTRY**

1. The Banking Industry is considered as an extended arm of the Government machinery both in respect of its functioning and their responsibility towards the Nation. The workforce involved in the administration of the Banking Industry are similar to that of the Government workforce except that they are recruited by the Government, whereas the workforce in the Banking Industry is recruited by the respective managements of the Banks under the guidance and directions of the Government from time to time.
2. The service conditions governing the Bank Officers are still much closer to that of the civil servants. The salary and other benefits are no doubt negotiated at the industry level by the Confederation and other organisations but it is ultimately approved and cleared by the Government of India since the Government is the absolute master as far as the Officers' fraternity in the banking industry is concerned. It is in this background; whatever the schemes that are brought in the Government in the matter of service conditions are being introduced in the Banking Industry either through negotiations or by persuasion from time to time. The classic example is the recent introduction of the New Pension Scheme as available to the Central Government employees to the Bank employees as well under the 9th Bipartite Settlement plus 2nd option on Pension agreements.
3. It is in this background, we need to examine the recent developments in regard to the Payment of Gratuity Act. The ceiling of the gratuity was enhanced from Rs.3.5 lacs to Rs.10.00 lacs due to the recommendations of the 6th Pay Commission which is responsible for bringing revolutionary changes in the superannuation scheme including the improvements in the Pension Scheme. In fact, the Government went one step ahead and decided to grant the enhanced gratuity to their employees with effect from 1.1.2006 since it was the date from which the 6th Pay Commission was implemented. As the time available was short for obtaining the approval of the Parliament for the enhancement of the Gratuity Ceiling under the Act, the Government by issuing an administrative notification provided the improved Gratuity benefit to their employees all over the country. As a model employer, the Central Government did a right thing which raised the hopes and expectations of all other sections of the workers, more so the Public Sector units including the banking industry. The Reserve Bank of India emulated the example of the Government thereby confirming our faith and belief that the Bank employees are also bound to get a similar treatment from the Government since there is already a precedent in respect of the employees of the Reserve Bank of India.

4. The Confederation was the first organization to approach your goodselfes and also the Finance Minister and submitted a Memorandum for taking care of the interest of the employees in the Banking Industry. We were given a patient hearing and also sympathetic response that the issue will be resolved and the amendment will be moved making sure that the date of effect will be retrospective one. When the amendment got the approval of the Parliament, our hopes were dashed, since there was no mention of date of effect; rather the Law Ministry issued a Gazette Notification saying that the date of effect will be decided by the Central Government. When we established contact with the Departments concerned at the Center, there were again sympathetic attitudes towards our legitimate demand that the employees in the Banking Industry should be treated on par with the Government employees as well as the workforce of Reserve Bank of India and the benefit of the enhanced gratuity should be made effective from 1.1.2006.
5. However, the Gazette Notification issued from the government came as a bolt from the blue. We have been getting anxious enquiries from all parts of the country regarding date of effect and there is a lot of frustration brewing all over the country. An individual who retires on 23rd May 2010 or earlier, but after the date of 1.1.2006 gets a Gratuity of Rs.3.50 lacs, whereas the one who retires on or after 24.5.2010 gets a Gratuity of Rs.10.00 lacs - nearly a difference of Rs.6.50 lacs in the superannuation benefit of the workforce in the Banking Industry, which is quite substantial.
6. We, therefore request you to initiate necessary administrative action to treat officers working in Banking Industry, at par with Government employees, in respect of date of effect of enhanced ceiling on gratuity.

Thanking you,

Yours faithfully,

Sd/=

(G.D.NADAF)

GENERAL SECRETARY

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