A.K. BINDAL & ANR. VS. UNION OF INDIA & ORS.

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INTRODUCTION

The decision in A.K. Bindal & Anr. vs. Union of India & Ors. (2003) is an important case for the rights of such workers with a PSU whose earnings are negative regarding pay restatement by the Supreme Court of India. The case addresses the important facets of labour law, the viability in financial terms of PSUs and how the government controls PSU employees. The apex court placed much emphasis that those who are employed in PSUs have no statutory right to approach for parity of pay scale with that of the government employees and that it is financial viability which factors highest with respect to pay scales. The case is an important precedent in Indian labour law with regard to the liability of the government towards the financially compromised PSU employees.

FACTS OF THE CASE

The petitioners, A.K. Bindal and other staff members of Fertilizer Corporation of India and Hindustan Fertilizer Corporation were employed in the public sector. The Government of India, by way of a memorandum dated July 19, 1995, had initiated pay revision for PSU employees. The revision, however, was made contingent on the financial performance of the companies concerned.

Clauses 11[1] 12[2], and 13[3] of the memorandum specifically mentioned that pay revision would be effective only for those PSUs which were financially stable and could afford the extra financial burden. As FCI and HFC were running heavy losses, their staff was deprived of the benefits of the revised pay scale. Aggrieved by the above decision, the petitioners moved a

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[1] Singh, A.P. and Tripathi, S., 2023. Memorandum of Association. *Issue 2 Int'l JL Mgmt. & Human.*, *6*, p.1850.

[2] Suresh, J., 2022. Memorandum and Articles of Association: An Analysis of Their Role in Corporate Governance as Foundation of a Company. *Issue 6 Int'l JL Mgmt. & Human.*, *5*, p.539.

[3] Blackman, M.S., 1992. What Rights Can a Company's Memorandum and Articles of Association Confer on a Member. *S. Afr. Mercantile LJ*, *4*, p.1.

writ petition before the Supreme Court questioning the government's decision and seeking pay revision benefits.

ISSUES BEFORE THE COURT

1. Whether loss-making PSU employees were eligible for pay revision comparable to those working in profit-making PSUs or government departments.
2. Whether the government's policy-making pay revision contingent upon financial viability against the fundamental rights of employees under Articles 14 (Equality)[4] and 21 (Right to Livelihood) of the Constitution.
3. Whether PSU employees are eligible to claim parity of pay scales with government employees.

ARGUMENTS ADVANCED

Petitioners' Arguments -

Discriminatory Policy: The petitioners contended that discrimination against employees of loss-making PSUs and favour towards employees of profit-making PSUs in granting pay revision was unjust discrimination, which contravened Article 14 of the Constitution.

Right to Livelihood: Denial of pay revision adversely impacted their living standard, contravening Article 21[5] (Right to Life and Livelihood).

Government's Duty: As PSUs are government-owned organizations, the government has to provide equitable compensation to all employees irrespective of the PSU's financial condition.

Arbitrary Character of the Policy: The petitioners argued that the policy of the government was arbitrary and irrational because the economic constraints could not decide the right of an employee to receive fair remuneration.

[4] Shukla, A., 2021. Right to Equality (Art. 14 to 18) in Indian Constitution. *Issue 5 Int'l JL Mgmt. & Human.*, *4*, p.508.
[5] Jani, N., 2013. Article 21 of constitution of India and right to livelihood. *Voice of Research*, *2*(2), pp.61-66.

Arguments of Respondents (Union of India) -

Viability of PSUs in Terms of Finance: The government asserted that PSUs are independent economic entities. There is no reason why loss-incurring PSUs should be subjected to additional financial loads when they are finding it difficult to exist.

No Right to Revision of Pay: The government contended that revision of pay is not a constitutional right. PSU employees are not government servants and hence cannot claim automatic parity with government employees.

Executive Discretion: The state argued that it is at liberty to determine the pay scales with reference to the economic considerations and that the policy of correlating pay revision with financial health was reasonable and fair.

Public Interest: Giving the pay revision uncritically would aggravate the financial situation of loss-making PSUs, placing an additional burden on taxpayers' economy.

JUDGMENT OF THE SUPREME COURT

The Supreme Court, in A.K. Bindal & Anr. vs. Union of India, staunchly dismissed the petition for mandatory pay adjustments for workers of financially troubled Public Sector Undertakings (PSUs). The Court elucidated a number of key legal and economic principles regarding PSU workers' rights, stressing the independence of these institutions and the need for economic rationality in policy-making.

For the first point, the Court reasserted that PSU staff are different from government staff and cannot insist on parity in wage scales. PSU staff work in independent organizations governed by financial success and market performance, unlike the state-employed servants who have the advantage of constitutionally guaranteed provisions. Hence, PSU staff cannot insist on periodic pay adjustments just like their governmental counterparts.

Secondly, the ruling made it clear that the revision of salary is not a vested or fundamental right but rather a policy issue subject to the financial health of the organization. The Court noted the theory of just remuneration but stated that a wage revision is not economically viable and would not be a prudent move in the case of PSUs that are running at a loss. The judgment reiterated these propositions, emphasizing that salary increases must ensure employers are able to afford them, thus, they cannot be viewed as a right. The court also dismissed assertions citing the impugned government order to violate Articles 14 (Right to Equality) and 21 (Right to Life) of the Constitution. It while affirming that the subject policy was grounded on just economic reasons rather than on discriminatory grounds found the action of the government not to implement wage increases in case of loss-making PSUs fair and not unconstitutional. In the last analysis, the doctrine of economic rationalization restated salary revisions where financial viability may provide grounds for PSCs to look for salary increases in the case of organizations with minimal earning potential. In this ruling, an important precedent was set in consideration that employment benefits in PSCs should arise out of economic feasibility and cannot be subjected to outside pressures or one-size-fits-all expectations.

ANALYSIS OF THE JUDGMENT

1. Legal and Constitutional Perspective: The decision of the Supreme Court conforms with the view that the financial soundness of an organization might determine the salary levels of the employees. The distinction drawn between profit- and loss-making PSUs was upheld as a just and fair distinction thus accepting salary increments only from those firms within sound financial standing. The court also reaffirmed that PSU workers are not equal to government workers in terms of benefits. This difference explains that PSUs, while being owned by the state, are independent organizations, and their workers are not entitled to constitutional guarantees applicable to civil servants.

2. Economic Perspective: The decision of the Court serves to reinforce financial prudence among public sector enterprises. Forgoing pay revisions to loss-incurring PSUs would place a strain on their exchequers, worsening their losses. The judgment also favours the sound economic reasoning that businesses need to live within their means.

3. Social and Industrial Relations Perspective: The decision can be interpreted as stern on the employees of loss-incurring PSUs, who, through no fault of theirs, have stagnant wages. But it also recognises economic realities. To close, the government policy is intended to assess the long-term viability of the sick PSUs and not to allow uneconomic gains.

IMPACT OF THE JUDGMENT

The Supreme Court ruling in A.K. Bindal & Anr. vs. Union of India has reaffirmed the doctrine that the public sector undertakings (PSUs) are autonomous economic entities that should take economic viability into account in policymaking. In ensuring that PSUs are not mere extensions of the government but stand-alone organizations, the ruling stated that their decisions, including wage revisions, should be guided by economic viability, not external pressure. This has given greater freedom to PSUs, allowing them to be more fiscally prudent and strategic-thinking.

Additionally, the ruling set a very important precedent for future salary problems, providing that, in their determination of salary increases, the PSUs would have to take into account their financial position. This judgment was used by the Courts to deny unsustainable wage increases in loss-making PSUs, re-iterating the need to balance employee interests with company viability.

The judgment also indirectly provided a fostering environment conducive for various PSU reforms-the financially troubled firms would now have to devote themselves to getting into profits rather than launching into pay hikes that would take their toll on scarce resources, thereby initiating policy debate on PSU restructuring, financial prudence, and performance-related pay to ensure the competitive strength and long-lived viability of PSUs.

CRITICAL EVALUATION

Although the ruling was rational in legal and economic terms, it has been critiqued on several fronts: Focusing on Employee Welfare: While the ruling was primarily concerned with the operational viability of the enterprise from a financial perspective, it failed to consider alternative modes, like government subsidies or a gradual increase in salaries, for such PSUs that face financial stress. Absence of Protection from Management Inefficiencies: The losses in most PSUs arise from poor management rather than the inefficiency of the employees. The judgment, therefore, did not engage itself, in passing, in determining the impact of bad governance on this financial crisis which ultimately influences the employee.

Need for Balance: The judgment could have ordered the government to think in terms of incentives linked to productivity while, for that matter, taking care to be fair to the employees while upholding a commitment to financial prudence.

CONCLUSION

The ruling of A.K. Bindal & Anr. vs. Union of India constituted a landmark judgment as far as employees' rights in PSUs are concerned, especially with respect to pay revision. The ruling seemed to prop up the theory that the viability of PSUs should be taken into account while granting pay revision to its employees. Although an interpretation that defended the serious fiscal prudence of PSUs, it also touted a challenge against the erstwhile weaknesses of workers in financially troubled ventures, thereby embarking on the quest for a more rationally thought-out approach.

A common initiative could also be adopted in the future combining the viability of PSUs with well-being for the workers. There could be an industry-specific government policy to offer support on a graded basis in line with the state of the industry and its financial standing. A planned approach dangling on a knife-edge between economic survival and employee protection would serve well in fusing national economic goals with social aims, establishing stability in public sector jobs in the country.