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# Navigating Legal Challenges: The Supreme Courts's Role in Shaping Industrial Disputes Laws in India

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JEEVANSHI TYAGI<sup>1</sup>

## ABSTRACT

*This research paper explores the constitutional validity of industrial disputes in India, analyzing the role of Supreme Court in shaping the legal framework. Industrial disputes can be recognized as global issue consisting of closure, lockouts, protests, retrenchment and other forms. The Industrial Dispute Act, 1947 plays a significant role in managing the disputes between employer and employees serving as a dispute resolution mechanism, promoting peace and unity among the employer and employees.*

*Categorizing disputes into rights and interest disputes, the research delves into specific sections under the industrial dispute act that have remain in controversy for their validity in accordance with constitution since ages. For this study, secondary sources such as judicial decisions, journals, research articles, statutes, government sites have been used.*

*The study reveals the important role of Supreme Court in upholding the constitutional validity, particularly in the case of Workmen v. Meenakshi Mills Ltd. and Bangalore Transport Company v. M/S Orissa Textile, ensuring a balance between the employers and workers. However, research also reveals the challenges such as lack of uniformity in the interpretation and the need for legislative changes with evolving societal needs.*

**Keywords:** *Constitution, Industrial Dispute, Retrenchment, Constitutional Validity, Reasonable Restrictions.*

## I. INTRODUCTION

In the world of Industrial relation, constitutional validity of industrial dispute holds an important place especially in India. The problem of industrial disputes in developed and developing countries is quite common because of absence of workers ownership over means of production and striking a balance between the rights of workers and societal interest has been a challenging aspect. Industrial disputes can arise in the form of strikes, lock-out, protests, closure of industry, retrenchment and other forms. The Industrial Dispute Act, 1947 allows a peaceful resolution of disputes and promotes harmony between employer and employee, employee and employee and

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<sup>1</sup> Author is a student at Unitedworld School of Law, Karnavati University, Gandhinagar, India.

employer & employer.

The Constitution of India under Article 19<sup>2</sup> provides the rights to the workers to form groups and trade unions and raise their issues. From time to time, controversies regarding constitutional validity of several provisions of industrial dispute have been raised and judiciary has ensured that these provisions works in accordance with constitutional principles.

As the society and economy changes, working of people also changes which makes the study of constitutional validity of industrial disputes more important as it helps in understanding the key principles and precedents that have emerged from the historic cases. This research paper examines the judicial interpretation of industrial dispute, different categories of dispute mentioned under ID Act<sup>3</sup>, reason behind the industrial disputes, constitutional aspects of industrial disputes and analyzing the role of Supreme Court in shaping the laws related to industrial disputes in India.

## II. INDUSTRIAL DISPUTE – DEFINITION

The term industrial dispute has been defined as any dispute or difference between employers and employees, or between employers and workmen, or between workmen and workmen, which is connected with the employment or non-employment or the terms of employment or with the conditions of workers, of any person<sup>4</sup>. Since, its incorporation in the act the definition has remained unamended. It is the modified version of the definition of “trade disputes” in section 2(j) of the repealed Trade Disputes Act, 1929 which was also a revised version of section 8 of the U.K. Industrial Courts Act, 1919. Although the definition of trade dispute has gone under many changes in UK, the Indian Parliament has made no effort to change the definition.

### (A) Judicial Interpretation

From time to time, Supreme Court of India had establish different aspects of the definition; not allowing formalism and technicalities<sup>5</sup> to stand in the way of workers and trade unions. In the case of *Shambu Nath Goyal v. Bank of Baroda*<sup>6</sup>, court held that for an industrial dispute to come into existence fulfillment of written demand is not required, except in the case of public utility service as section 22<sup>7</sup> forbids strike without giving notice. The industrial dispute can only be arise in an industry where the business is being carries on and not where it has been closed

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<sup>2</sup> INDIA CONST. art. 19.

<sup>3</sup> The Industrial Dispute Act, India, 1947, Act No. 17.

<sup>4</sup> Kaul, B. T. (2008). 'Industry,' 'Industrial Dispute,' and 'Workman': Conceptual Framework and Judicial Activism. JOUR. OF THE IND. LAW INST., 50(1), 3-50.

<sup>5</sup> Supra note 3.

<sup>6</sup> *Shambu Nath Goyal v. Bank of Baroda*, (1978) 2 SCC 353.

<sup>7</sup> The Industrial Dispute Act, India, 1947, Act No. 17, § 22.

but it will on the industrial adjudicator to decide whether the closure was bona fide or not<sup>8</sup>.

### III. TYPES OF INDUSTRIAL DISPUTES

The industrial disputes under ID Act can be categorized into two parts:

#### 1. Rights Disputes

These disputes are related to the existing agreement or contract of employment. The matters within the jurisdiction of labour courts of Second Schedule of ID Act falls under the category of rights disputes. These disputes are as follows<sup>9</sup>:

- Section 24- Illegality of strike or lock-out.
- Section 11A- To give appropriate relief in case of discharge or dismissal of workmen.
- The legality of an order passed by an employer.
- Withdrawal of any customary privilege.

#### 2. Interest Disputes

These disputes are related terms and conditions of employment claimed by the employees from management. The matter within the jurisdiction of Industrial Tribunals of Third Schedule of ID Act falls under the category of interest disputes. It can classifies as follows<sup>10</sup>:

- Mode of payment, wages
- Compensation and other allowances
- Retrenchment of workmen and closure of establishment, lay-off, discharge
- Dispute between union
- Award denied to a worker, demands of employees for medical relief for their parents
- Fairness of standing order
- Payment of hours, gratuity, provident fund.

### IV. CONSTITUTIONAL VALIDITY IN INDIA

#### 1. Constitutional validity of Section 36 of Industrial Dispute Act, 1947

In the case of *Bangalore Transport Company v. The Madras Bangalore Transport Company*

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<sup>8</sup> J.K Synthetic v. Rajasthan Trade Union Kendra, (2001) 2 SCC 87.

<sup>9</sup> *Industrial Relation- FAQ*. (n.d.). [https://labour.gov.in/sites/default/files/Industrial\\_Relations\\_faq.pdf](https://labour.gov.in/sites/default/files/Industrial_Relations_faq.pdf).

<sup>10</sup> Daudkhane, Y. (n.d.). INDUSTRIAL DISPUTES IN INDIA – CAUSES AND CONSEQUENCES. *International Journal of Scientific Research and Management Studies (IJSRMS)*, 3(11), 375–384.

*Worker's Union & Ors*<sup>11</sup>, court held that the restrictions imposed by section 36 of ID Act in a statute sanctioned by parliament in the exercise of its constitutionally granted authority cannot be viewed as an infringement of fundamental rights. However, when this came before Allahabad High Court, section 36(4) of the ID Act and Section 6-I(2) of the UP Industrial Disputes Act which had similar provision was declared ultra vires by the court<sup>12</sup>.

## **2. Constitutional validity of Section 25(o) of Industrial Disputes Act, 1947**

After the amendment made in the 1982, constitutional validity of section 25(o) was always in question. On one side, Delhi High Court and Kerala High Court held the amended section as constitutionally valid and was of the view that section 25(o) was not violating the Article 19(1) (g) as restrictions imposed were within the reasonable limits mentioned under article 19(6) of the constitution<sup>13</sup> whereas, Karnataka High Court and Calcutta High Court held it unconstitutional as it was violating article 19(1) (g) of the Constitution<sup>14</sup>.

### **Legislative History of Section 25(o)**

Prior to 1953 the words “lay-off” and “retrenchment” were not used in any legislative enactment, it was in 1953 when their definition was added as section 2(kkk) and section 2(oo) respectively in ID Act. Further, to provide compensation for the same Chapter VA was added. It was in the case of *Barsi Light Railway Company v. Joglekar K.N*<sup>15</sup>, the Supreme Court held that the definition of retrenchment is not applicable to the cases of closure undertaking which left the workers of closed undertaking without severance pay.

Now, severance pay was made compulsory for discharged employees of a closed undertaking by inserting section 25(fff) in 1957, which made a 60-day notice mandatory by the employer before closing down an establishment having 50 or more workers and failure to do invited penalty. Neither any preventive measures nor any prior scrutiny of the reasons for closure<sup>16</sup> was provided in the act. It was in 1976 that further amendment was made by adding Chapter- VB in the act which also contained section 25(o) with a special provision relating to industrial establishments employing more than 300 workers.

Now, section 25(o) laid down certain conditions and procedure that needed to be followed while

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<sup>11</sup> *Bangalore Transport Company v. The Madras Bangalore Transport Company Worker's Union & Ors*, (1964) II LLJ 614.

<sup>12</sup> *ICI India Ltd. v. Labour Court (IV) & Another*, 1992 1 LLN 972.

<sup>13</sup> The Constitution of India, 1950.

<sup>14</sup> The Constitution of India, 1950.

<sup>15</sup> *Barsi Light Railway Company v. Joglekar K.N*, (1957) I LLJ 243.

<sup>16</sup> Srivastava, S.C. (2002). *Constitutional Validity of The Procedure For Closing Down An Undertaking: A Critique Of Case "M/S Orissa Textile And Steel Co. Ltd."*. Journal of the Indian Law Institute, 44(3), 393-405.

closing down an industrial establishment. The conditions were<sup>17</sup>:

- i. An employer must serve a 90 day notice period stating reason
- ii. If the reasons are inadequate or insufficient permission can be refused by the government.
- iii. If the employer does not take the permission for closure then, the closure will be considered as illegal and workers will be entitled to full benefits.

This section was challenged before the Supreme Court in the case of *Excel Wear v. Union of India & Ors*<sup>18</sup>. And was struck down by stating the following reasons:

- i. While refusing permission no time period was fixed.
- ii. The order was not subject to any appeal or review to a higher authority or to the authority passing the order
- iii. The restrictions was excessive in nature.
- iv. Government was not required to give any reason while refusing the permission for closure.
- v. Even after the approval, employer has to comply with the liability under section 25(n) for notice and compensation
- vi. Even after waiting for the communication from the government for 90 days, employer was still not allowed to legally close down the industry without incurring civil liability.

In order to fill this gap, Section 25(O) of ID Act was amended by Act 46 of 1982 and the five judge bench in the case of *M/S Orissa Textile and Steel Co. Ltd v. State of Orissa and Others*<sup>19</sup>, upheld the constitutional validity of amended section 25(O) and settled the ongoing controversy regarding it stating that the reasonable restrictions imposed are reasonable and in interest of general public.

### **3. Constitutional Validity of Section 25-N**

The section 25-N was inserted by the amendment act of 1976 which lays down the conditions precedent to retrenchment of workmen. It protects existing employment and also keeps a check on the growth of unemployment<sup>20</sup>. The constitutional validity of this section was a matter of

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<sup>17</sup> *Supra* note 16.

<sup>18</sup> *Excel Wear v. Union of India*, AIR 1979 SC 25.

<sup>19</sup> *M/S Orissa Textile and Steel Co. Ltd. V. State of Orissa and Others*, AIR 2002 SC 708.

<sup>20</sup> Kalpakam, P. (1996). *Management's Power of Retrenchment*. JOUR. OF THE INDI. LAW INSTI., 38(1), 121-123.

controversy among various High Courts such as Andhra Pradesh High Court<sup>21</sup> upheld the section constitutionally valid whereas Madras High Court<sup>22</sup> held it in violation of the right guaranteed under article 19(1) (g)<sup>23</sup> as it imposed unreasonable restrictions on the right of the employment to carry on the business. Even Full Bench of Rajasthan High Court, also opined the same view and held section 25-N to be invalid. The decision of Rajasthan High Court and Madras High Court was challenged in the case of *Workmen v. Meenakshi Mills Ltd*<sup>24</sup>.

The court relied on the assumption that the right to retrench the workmen is an integral part of the fundamental right of the employer to carry on business under article 19(1) (g) and addressed the question whether the restrictions imposed under section-25N can be considered as reasonable and in the interest of public. As Madras and Rajasthan High Court strongly relied upon on the decision passed by the Supreme Court in the case of *Excel Wear v. Union of India*<sup>25</sup>, Supreme Court decided to distinguish the matter of Meenakshi Mills from Excel Wear and observed that the considerations which lead to strike down of section 25(O) in Excel Wear could not be applied to judge the validity of section-25N.

After distinguishing the court examined the objective behind the restrictions imposed under the section 25-N of ID Act and held that section provides mandate to the directive principles of constitution mentioned under articles 38<sup>26</sup>, 39<sup>27</sup>, 41<sup>28</sup> and 43<sup>29</sup> and any restriction having a promoting effect on directive principles will be presumed as a reasonable restrictions imposed in the interest of public. The Supreme Court upheld the section 25N constitutionally valid and reasonable with the article 19(6) of Constitution of India.

## V. ANALYZING THE ROLE OF SUPREME COURT

The Supreme Court plays a crucial role in shaping the legal framework surrounding industrial disputes. There were instances when different high courts had conflicting view on similar issues which created confusion and uncertainty due to which Supreme Court had to intervene. Supreme Court established the constitutional validity of various section of the Industrial Disputes Act such as 25(o) balancing the interests of employers and workers within the framework of constitution. Simultaneously, it protected the rights of workers as it upheld the

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<sup>21</sup> I.D.L. Chemicals Ltd. v. T. Gattiah (1981).

<sup>22</sup> K.V. Rajendran v. Deputy Commissioner of Labour, Madras, 1908(2) LLJ 275.

<sup>23</sup> The Constitution of India, 1950.

<sup>24</sup> Workmen v. Meenakshi Mills Ltd, (1992) 3 SCC 336.

<sup>25</sup> *Supra* note 18.

<sup>26</sup> Art. 38 Cats a duty on the state to secure a social order for the promotion of welfare of the people.

<sup>27</sup> Art. 39 lays down certain principles of policy to be followed by the State.

<sup>28</sup> Art. 41 deals with directive principles relating to right to work, to education and to public assistance in certain cases.

<sup>29</sup> Art. 43 deals with directive principles relating to living wage etc. for workers.

constitutional validity of Section 25N.

However, at many instances judicial interpretations and amendments have created complex situation and need for the court to strike a balance between the rights of the workers and societal interests such as in the interpretation of Section 36 of ID Act various high courts have given contradicting views regarding constitutional validity of the section, supreme court needs to intervene and establish the validity of this section. Also, there is a need for legislative changes, as the society is continuously evolving the contemporary needs to align with the legal framework so that constant judicial intervention can be avoided.

## **VI. CONCLUSION**

It can be said that from time to time Supreme Court's interpretation have clarified the definition of industrial dispute and their positive approach towards the interpretation of different provision related to industrial dispute in India. The work done by the judiciary is commendable however as the country proceeds towards the modernization, globalization new challenges tends to emerge and to align them with the legal framework, constant intervention of judiciary is needed. To avoid this, legislation needs to take charge and create a responsive legal system which ensures balance between worker's rights and societal interests in today's dynamic landscape of industrial relations.

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