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CROWN ALUMINIUM WORKS ... APPELLANTS; **VERSUS WORKMEN ... RESPONDENTS**

AUTHORED BY: AYUSH KUMAR JAISWAL

INTRODUCTION.

The case of *Crown Aluminium Works v. Workmen*¹ is the landmark case dealing under the *Industrial Dispute Act, 1947*². It has shaped the discourse on wage protection, employer obligation and judicial intervention in labour law disputes. The case involves the judicial issue which arose between the workmen which were represented by the Bengal Aluminium Worker's Union and the Crown Aluminium Works represented by Jeewanlal Ltd. (1929), Belur.

It involves industrial disputes regarding the revision, reconsideration or modification of the wages structure and other benefits which need to be provided to the workers or workmen. As per the section 10 of the Industrial Disputes Act, 1947, the dispute was referred to the Sixth Industrial Tribunal by the Government of West Bengal. The financial records and industry standard practices were reviewed by the tribunal and significant changes were made to the wage structure which got later modified by the Labour Appellate Tribunal. Due to which the employer later appealed the order to the supremecourt on being dissatisfied with the modification. In the Supreme Court the case was before the Hon'ble Justice P.B. Gajendragadkar who delivered the judgement along with Hon'ble Justices N.H. Bhagwati and Hon'ble S.K. Das on behalf of the court. The decision of the Supreme Court decision had played a crucial role while determining the wage structure and other benefits i.e; Dearness Allowance and bonuses.

BACKGROUND.

The industrial relations between Crown Aluminum Works and its workmen have a history marked by multiple adjudications, reflecting recurring disputes over wages and conditions. The case was first adjudicated before the First Omnibus Engineering Tribunal, West Bengal in the year 1947 majorly focusing on the basic wages, dearness allowance and leave policies. The Tribunal after stating employment terms gave award on 30th June in the year 1948.

¹ Crown Aluminium Works v. Workmen, 1957 SCC OnLine SC 128

² The Industrial Dispute Act, 1947 (Act 14 of 1947)

In the year 1950, due to a rise in the cost-of-living index, the tribunal increased the dearness allowance and also changed leave rules. After the first award, the appellant revised its facility bonus to keep pace with the cost-of-living index. This meant the workmen did not dispute their dearness allowance and the Appellate and its workmen did not participate in the second adjudication process. These orders and awards did not lead to the end of Justice, however more disputes arose.

On 24th November, 1950, a minor dispute relating to wage increase claim led to an Arbitration before the Arbitrator Shri. G. Palit, who awarded in the favour of workers granting the increase in daily wages and emphasized that there should not be any discretionary allowances, rather there must be a structured wages system to avoid future issues. Shri Palit stated, “for the company to have a hide-bound wage structure instead of having so many flexible component parts of the wage which merely will create unrest”.

In the year 1952, due to financial issues Crown Aluminium Works announced modification in wages which included reduction in working hours, cutting of bonuses, and lowering the dearness allowances. The workers opposed and various discussions happened, but eventually the negotiations failed and the company proceeded with the wage reduction from 1st June, 1952. The appellant issued a notice to its workmen proposing modifications. The notice was in particulars to reducing factory hours from 47 to 40, reducing the facility bonus by 3 annas per day, and reducing temporary dearness allowance for salaried workers by 10%.

These modifications were rejected by the Union. The dates of the combined discussion were June 2 and June 26, 1952. The notification dated May 30, 1952, proposed more financial measures for debate, such as lowering the facility bonus by an additional 6 annas per day, eliminating the two-hour special bonus concession, and terminating rolling mills department employees. Only a reduction in working hours from 47 to 42½ hours per week was agreed upon by the union.

The appellant notified the workers of the impending changes on June 27, 1952, after the combined consultations failed. The aforementioned modifications, which were announced on March 28, 1952, and would take effect on June 1st, 1952, are reportedly related to the facility bonus, dearness allowance, and decrease in working hours. Additionally, it was announced that the two-hour concession would end on June 1, 1952. Other modifications included the rolling

mills department's purported dismissal on August 1, 1952. The workers thus turned to the Labour Commission in an effort to oppose these hurried modifications. Thus, the industrial conflict began, and a joint meeting was called on July 4, 1952. All of this, however, was in vain as the Labour Commission's efforts were judged ineffectual and failed to produce the desired outcomes. 52 employees of the rolling mills department were let go with 14 days' notice, and the appellant also laid off 227 employees starting on July 16, 1952, with the same notice.

Further the dispute escalated leading to case being referred to the Sixth Industrial Tribunal. The tribunal ruled in favour of the workers and declaring the wage reduction unjustified. However, the appellate tribunal modified the decision, ruling that allowances has become a part of wages and employer can not withdraw it arbitrarily.

The Appellant Tribunal while ruling in the favour of the workers relied upon the principle of non-reduction of wages which states that the until and unless any financial crises or distress is proven beyond the doubt, the existing wages should not be reduced. Therefore, the employer appealed to the Supreme Court.

The judicial approach of the court regarding the wages structures was evolved from laissez-faire principle to social welfare policies which means the peace and fairness of the industries will take precedence over the discretion of absolute employer. The court further relying on the constitutional principle and jurisprudence (Labour Law) applied the doctrine of minimum wage principle where at least a minimum fair wage must be paid by the industry to justify its existence. The Appellate Tribunal's decision was upheld by the Hon'ble Supreme Court stating that the wage structure had become an integral part of the disputed payment. It was also stated that whenever there is an involvement of minimum wages, the wage structure should be reduced unless there is any compelling reason of justification for such reduction.

ANALYSIS.

The case *Crown Aluminium Works v. Workmen*³ was a three-judge bench case (Justice N.H. Bhagwati, Justice S.K. Das and Justice P.B. Gajendragadkar). The judgement was delivered by the Justice P.B. Gajendragadkar on behalf of the court. The decision made by the Hon'ble Supreme Court has reaffirmed the certain principles in labour law including the recognition of

³ *Supra* note 1

concession as wages and fair treatment of workmen. The ruling established that long-standing employer provided concessions can become enforceable wage components which emphasized the stability and fairness and also highlighted that employers can not alone reduce the benefits that have been integrated into the wage structure.

The Hon'ble Supreme Court while the determining the wage or any modification in wage structure drew upon the pervious industrial awards and economic consideration. The court also emphasized that there should be a balanced approach in the industrial harmony, which means that no economic hardship could give discretionary power to the employer in reducing or deducting the wages of the employee. However, it could only be allowed in the exceptional circumstances where the financial incapacity is proven or demonstrated by the employer, this clarification in the wage reduction protects the workers without compromising the business realities and introduces a flexibility in labour law. The decision by the court had mark a step towards balancing the employers and employee rights by using the nuance approach rather than rigid enforcement of wage protection.

The court analysed that while evaluating the legitimacy of the employer claims regarding the wage's reduction, Industrial Tribunal plays a crucial role while doing so. This decision provides the alternative measures that the employers could take before seeking wage reduction. A precedent has been set before the tribunal to provide the alternative measure before assessing only financial distress. A balance approach has been set by the court decision where the possibility of wage restructuring can be allowed but only under the strict judicial scrutiny. This helps the court in preventing the arbitrary reductions of the wages and ensuring that the financial hardships of the employer are considered genuine.

The decision influenced the corporate policies in considering long-term sustainability rather than immediate cost cutting in wage structure and compelling businesses. The decision helped in reinforcing collective bargaining and underscored the importance of negotiation between the employers and unions. The court's decision does not provide precise framework for determining what qualifies as "exceptional financial distress" but however provides a robust protection for workers, contributing to the stability in labour laws by reaffirming existing legal frameworks and to prevent the arbitrary reductions of the wages which could disrupt the industrial relation. The ruling of the court has marked in reinforcing the India's commitment towards fair labour practices in an evolving economic landscape by aligning with the global

labour protection norms.

The Supreme Court stated:

"It would, we think, be also equally true to say that normally the industrial adjudication would be reluctant to disturb the prevailing wage structure, and that an employer who seeks a change in the wage structure which has been in operation for a long time, would have to discharge a heavy onus in proving the need for such change. But we cannot accede to the argument that in no case can the existing emoluments of the workmen be reduced. If it is established that the financial position of the employer makes it impossible for him to bear the burden of the existing rates of wages, it would be open to the Tribunal to consider whether a modification should be made in the wage structure so as to enable the employer to pay to his employees what he can reasonably afford."

This decision by the Hon'ble Supreme Court have set benchmark under labour for determining or considering the wage structure and employer obligations, this decision has also been used in the subsequent cases for determining where the wage reduction by the employer is legally valid or not. This decision ensures that wage reduction could be done with due diligence rather being outrightly dismissed or scrutinized, and also serving as the guidance for future cases in wages reduction under the labour law.

The case had ensured that there must be more consistency in labour adjudications with the need of clearer legislative guidance on what constitutes financial hardship for making a wage reduction, and aligning with evolving judicial interpretation there must be proactive financial planning and structured wage agreement which the companies my need to adopt to mitigating the risk of future disputes.

CONCLUSION.

The important precedent has been set in industrial jurisprudence in the case of *Crown Aluminium Works v. Workmen*⁴ by solidifying worker's right and benefits as a part of their wage structure. It was establishment that the arbitrary reductions of the wages are impermissible especially when the minimum wage level is affected. The decision of this case has been frequently been used and had also been cited in many subsequent cases in the Supreme Court

⁴ *Supra* note 2

which involves the issues related to wage disputes, collective bargaining agreements, and employer obligation under the legislation of labour law. However, if an employer can provide the substantial proof of financial incapacity, the decision leaves room for potential modification which is subject to the judicial scrutiny.

In the evolving economic conditions, there are many subsequent cases which involves the disputes concerning to wage revision and industrial relation where this decision of the Supreme Court have been taken into consideration, such as *Ahmedabad Millowners' Assn. v. Textile Labour Assn.*⁵ (AIR 1966 SC 497), *D.C.M. Chemical Works v. Workmen*⁶ ((1962) 1 LLJ 388) and *Workmen v. Gujarat Electricity Board*⁷(AIR 1970 SC 87). While protecting the worker rights, the Supreme Court had ensured that industrial adjudication remains flexible yet it is firmly rooted in protecting the fundamental rights of works, the discussion on wage policy, and more balanced and just labour ecosystem, and employer obligations and labour rights in India, this case has been remained a critical reference.

⁵ Ahmedabad Millowners' Association v. Textile Labour Association, 1965 SCC OnLine SC 129

⁶ Management of D.C.M. Chemical Works v. Workmen, 1962 SCC OnLine SC 375

⁷ Workmen v. Gujarat Electricity Board, (1969) 1 SCC 266