

Dharangadhara Chemical Works Ltd.

Vs

State of Saurashtra.

Civil Appeal No. 85 of 1956

(N. H. Bhagwati, P. Govinda Menon, T. L. Venkatarama Ayyar, S. K. Dass JJ)

23.11.1956

JUDGMENT

BHAGWATI J. -

This appeal with a certificate of fitness granted by the High Court of Saurashtra raises an interesting question whether the agaries working in the Salt Works at Kuda in the Rann of Cutch are workmen within the meaning of the term as defined in the Industrial Disputes Act, 1947, hereinafter referred to as the Act.

The facts as found by the Industrial Tribunal are not in dispute and are as follows. The appellants are lessees of the Salt Works from the erstwhile State of Dharangadhara and also hold a licence for the manufacture of salt on the land. The appellants require salt from the manufacture of certain chemicals and part of the salt manufactured at the Salt Works is utilised by the appellants in the manufacturing process in the Chemical Works at Dharangadhara and the remaining salt is sold to outsiders. The appellants employ a Salt Superintendent who is in charge of the Salt Works and generally supervises the Works and the manufacture of salt carried on there. The appellants maintain a railway line and sidings and also have arrangements for storage of drinking water. They also maintain a grocery shop near the Salt Works where the agurias can purchase their requirements on credit.

The salt is manufactured not from sea water but from rain water which soaking down the surface becomes impregnated with saline matter. The operations are seasonal in character and commence sometime in October at the close of the monsoon. Then the entire area is parcelled out into plots called pattas and they are in four parallel rows interested by the railway lines. Each agaria is allotted a patta and in general the same patta is allotted to the same agaria year after year. If the patta is extensive it is allotted to two agarias who work the same in partnership. At the time of such allotment, the appellants pay a sum of Rs. 400/- for each of the pattas and that is to meet the initial expenses. Then the agarias commence their work. They level the lands and enclose and sink wells in them. Then the density of the water in the wells is examined by the Salt Superintendent of the appellants and then the brine is brought to the surface and collected in the reservoirs called condensers and retained therein until it acquires by natural process a certain amount of density. Then it is flowed into the pattas and kept there until it gets transformed into crystals. The pans have got to be prepared by the agarias according to certain standards and they are tested by the salt Superintendent. When salt crystals begin to form in the pans they are again tested by the Salt Superintendent and only when they are of a particular quality the work of collecting salt is allowed to be commenced. After the crystals are collected, they are loaded into the railway wagons and transported to the depots where salt is stored. The salt is again tested there and if it is found to be of

the right quality, the agarias are paid therefor at the rate of Rs. 0-5-6 per month. Salt which is rejected belongs to the appellants and the agarias cannot either remove the salt manufactured by them or sell it. The account is made up at the end of the season when the advances which have been paid to them from time to time as also the amounts due from the agarias to the grocery shop are taken into account. On a final settlement of the accounts, the amount due by the appellants to the agarias is ascertained and such balance is paid by the appellants to the agarias. The manufacturing season comes to an end in June when the monsoon begins and then the agarias return to their villages and take up agricultural work.

The agarias work themselves with their families on the pattas allotted to them. They are free to engage extra labour but it is they who make the payments to these labourers and the appellants have nothing to do with the same. The appellants do not prescribe any hours of work for these agarias. No muster roll is maintained by them nor do they control how many hours in a day and for how many days in a month the agarias should work. There are no rules as regards leave or holidays. They are free to go out of the works as they like provided they make satisfactory arrangements for the manufacture of salt.

In about 1950, disputes arose between the agarias and the appellants as to the conditions under which the agarias should be engaged by the appellants in the manufacture of salt. The Government of Saurashtra, by its letter of Reference dated November 5, 1951, referred the disputes for adjudication to the Industrial Tribunal, Saurashtra State, Rajkot. The appellants contested the proceedings on the ground, inter alia, that the status of the agarias was that of independent contractors and not of workmen and that the state was not competent to refer their disputes for adjudication under s. 10 to the Act.

This question was tried as a preliminary issue and by its order dated August 30, 1952, the Tribunal held that the agarias were workmen within the meaning of the Act and that the reference was intra vires and adjourned the matter for hearing on the merits. Against this order the appellants preferred an appeal being Appeal No. 302 of 1952, before the Labour Appellate Tribunal of India, and having failed to obtain stay of further proceedings before the Industrial Tribunal pending the appeal, they moved the High Court of Saurashtra in M.P. No. 70 of 1952 under Arts. 226 and 227 of the Constitution for an appropriate writ to quash the reference dated November 5, 1951, on the ground that it was without jurisdiction. Pending the disposal of this writ petition, the appellants obtained stay of further proceedings before the Industrial Tribunal and in view of the same the Labour Appellate Tribunal passed an order on September 27, 1953, dismissing the appeal leaving the question raised therein to the decision of the High Court. By their judgment dated January 8, 1954, the learned Judges of the High Court agreed with the decision of the Industrial Tribunal that the agarias were workmen within s. 2(s) of the Act and, accordingly, dismissed the application for writ. They however, granted a certificate under Art. 133(1)(c) of the Constitution and that is how the appeal comes before us.

The sole point for determination in this appeal is whether the agarias working in the Salt Works of the appellants at Kuda are workmen within the definition of that term in s. 2(s) of the Act.

"Workman" has been thus defined in s. 2(s) of the Act :-

"(s) - 'Workman' means any person employed (including an apprentice) in any industry to do any skilled or unskilled manual or clerical work for hire or reward and includes, for the purposes of any proceedings under this Act in relation to an

industrial dispute, a workman discharged during that dispute, but does not include any person employed in the naval, military or air service of the (Government)."

The essential condition of a person being a workman within the terms of this definition is that he should be employed to do the work in that industry, that there should be, in other words, an employment of his by the employer and that there should be the relationship between the employer send him as between employer and employee or master and servant. Unless a person is thus employed there can be no question of his being a workman within the definition of the term as contained in the Act.

The principles according to which the relationship as between employer and employee or master and servant has got to be determined are well settled. The test which is uniformly applied in order to determine the relationship is the existence of a right of control in respect of the manner in which the work is to be done. A distinction is also drawn between a contract for services and a contract of service and that distinction is put in this way : "In the one case the master can order or require what is to be done while in the other case he can not only order or require what is to be done but how itself it shall be done." (Per Hilbery, J. in *Collins v. Hertfordshire County Council* [[1947] K.B. 598, 615.])

The test is, however, not accepted as universally correct. The following observations of Denning L.J., at pp. 110, 111 in *Stevenson, Jordan and Harrison Ltd. v. Macdonald and Evans* [[1952] 1 T.L.R. 101, 111.] are apposite in this context :

"But in *Cassidy v. Ministry of Health* [[1951] 1 T.L.R. 539, 543 S. C. [1951] 2 K.B. 343, 352-3.] Lord Justice Somervell, pointed out that that test is not universally correct. There are many contracts of service where the master cannot control the manner in which the work is to be done as in the case of a captain of a ship. Lord Justice Somervell, went on to say : One perhaps cannot get much beyond this : 'Was the contract a contract of service within the meaning which an ordinary man would give under the words' ?

"I respectfully agree. As my Lord has said, it is almost impossible to give a precise definition of the distinction. It is often easy to recognize a contract of service when you see it, but difficult to say wherein the difference lies. A ship's master, a chauffeur, and a reporter on the staff of a newspaper are all employed under a contract of service; but a ship's pilot, a taxi-man, and a newspaper contributor are employed under a contract for services. One feature which seems to run through the instances is that, under a contract of service, a man is employed as part of the business, and his work is done as an integral part of the business; whereas, under a contract for services, his work, although done for the business, is not integrated into it but is only accessory to it."

We may also refer to a pronouncement of the House of Lords in *Short v. J. & W. Henderson, Ltd.* [(1946) 62 T.L.R. 427, 429.] where Lord Thankerton recapitulated the four indicia of a contract of service which had been referred to in the judgment under appeal viz., (a) the master's power of selection of his servant, (b) the payment of wages or other remuneration, (c) the master's right to control the method of doing the work, and (d) the master's right of suspension or dismissal, but observed :-

"Modern industrial conditions have so much affected the freedom of the master in cases in which no one could reasonably suggest that the employee was thereby converted into an independent contractor that, if and when an appropriate occasion arises, it will be incumbent in this House to reconsider and to restate these indicia. For example, (a), (b) and (d) and probably also (c), are affected by the statutory provisions and rules which restrict the master's choice to men supplied by the labour bureaux, or directed to him under the Essential Work provisions, and his power of suspension or dismissal is similarly affected. These matters are also affected by trade union rules which are at least primarily made for the protection of wage-earners."

Even in that case, the House of Lords considered the right of supervision and control retained by the employers as the only method if occasion arose of securing the proper and efficient discharge of the cargo as sufficiently determinative of the relationship between the parties and affirmed that "the principal requirement of a contract of service is the right of master in some reasonable sense to control the method of doing the work and this factor of superintendence and control has frequently been treated as critical and decisive of the legal quality of relationship".

The position in laws is thus summarised in Halsbury's Laws of England, Hailsham edition, Vol. 22, page 112, para. 191 :-

"Whether or not, in any given case, the relation of master and servant exists is a question of fact; but in all cases the relation imports the existence of power in the employer not only to direct what work the servant is to do, but also the manner in which the work is to be done." :

and until the position is restated as contemplated in *Short v. J. & W. Henderson Ltd.*, (supra), we may take it as the prima facie test for determining the relationship between master and servant.

The principle which emerges from these authorities is that the prima facie test for the determination of the relationship between master and servant is the existence of the right in the master to supervise and control the work done by the servant not only in the matter of directing what work the servant is to do but also the manner in which he shall do his work, or to borrow the words of Lord Uthwatt at page 23 in *Mersey Docks and Harbour Board v. Coggins & Griffith (Liverpool) Ltd.*, and Another [[1947] 1 A.C. 1, 23.], "The proper test is whether or not the hirer had authority to control the manner of execution of the act in question".

The nature or extent of control which is requisite to establish the relationship of employer and employee must necessarily vary from business to business and is by its very nature incapable of precise definition. As has been noted above, recent pronouncements of the Court of Appeal in England have even expressed the view that it is not necessary for holding that a person is an employee, that the employer should be proved to have exercised control over his work, that the test of control was not one of universal application and that there were many contracts in which the master could not control the manner in which the work was done (Vide observations of Somervell, L.J., in *Cassidy v. Ministry of Health* (supra), and Denning, L.J., in *Stevenson, Jordan and Harrison Ltd. v. MacDonald and Evans* (supra).)

The correct method of approach, therefore, would be to consider whether having regard to the nature of the work there was due control and supervision by the employer or to use the words of

Fletcher Moulton, L.J., at page 549 in *Simmons v. Health Laundry Company* [[1910] 1 K.B. 543, 549, 550.] :-

"In my opinion it is impossible to lay down any rule of law distinguishing the one from the other. It is a question of fact to be decided by all the circumstances of the case. The greater the amount of direct control exercised over the person rendering the services by the person contracting for them the stronger the grounds for holding it to be a contract of service, and similarly the greater the degree of independence of such control the greater the probability that the services rendered are of the nature of professional services and that the contract is not one of service."

The Industrial Tribunal on a consideration of the facts in the light of the principles enunciated above, came to the conclusion that though certain features which are usually to be found in a contract of service were absent, that was due to the nature of the industry and that on the whole the status of the agarias was that of workmen and not independent contractors. It was under the circumstances strenuously urged before us by the learned counsel for the respondents that the question as regards the relationship between the appellants and the agarias was a pure question of fact, that the Industrial Tribunal had jurisdiction to decide that question and had come to its own conclusion in regard thereto, that the High Court, exercising its jurisdiction under Arts. 226 and 227 of the Constitution, was not competent to set aside the finding of fact recorded by the Industrial Tribunal and that we, here, entertaining an appeal from the decision of the High Court, should also not interfere with that finding of fact.

Reliance was placed on the observations of Mahajan, J., as he then was, in *Ebrahim Aboobakar v. Custodian General of Evacuee Property* [[1952 S.C.R. 696, 702.] :-

"It is plain that such a writ cannot be granted to quash the decision of an inferior court within its jurisdiction on the ground that the decision is wrong. Indeed, it must be shown before such a writ is issued that the authority which passed the order acted without jurisdiction or in excess of it or in violation of the principles of natural justice But once it is held that the court has jurisdiction but while exercising it, it made a mistake, the wronged party can only take the course prescribed by law for setting matters right inasmuch as a court has jurisdiction to decide rightly as well as wrongly."

There is considerable force in this contention of the respondents. The question whether the relationship between the parties is one as between employer and employee or between master and servant is a pure question of fact. Learned counsel for the appellants relied upon a passage from Batt's "Law of Master and Servant", 4th edition, at page 10 :-

"The line between an independent contractor and a servant is often a very fine one; it is a mixed question of fact and law, and the judge has to find and select the facts which govern the true relation between the parties as to the control of the work, and then he or the jury has to say whether the person employed is a servant or a contractor."

This statement, however, rests upon a passing observation of McCardie, J. in *Performing Right Society Ltd. v. Mitchell and Booker (Palais de Danse)* [[1924] 1 K.B. 762.] and is contrary to the catena of authorities which lays down that whether or not in any given case the relation of master

and servant exists is purely one of fact. (Vide Halsbury's "Laws of England", Hailsham edition, Vol. 22, page 112, para. 191; Per Cozens-Hardy, M.R. at page 547 and Per Fletcher Moulton, L.J. at page 549 in Simmons v. Heath Laundry Company (supra). It is equally well settled that the decision of the Tribunal on question of fact which it has jurisdiction to determine is not liable to be questioned in proceedings under Art. 226 of the Constitution unless at the least it is shown to be fully unsupported by evidence.

Now the argument of Mr. Kolah for the appellants is that even if all the facts found by the Tribunal are accepted they only lead to the conclusion that the agarias are independent contractors and that the finding, therefore, that they are workmen is liable to be set aside on the ground that there is no evidence to support it. We shall, therefore, proceed to determine the correctness of this contention.

Apart from the facts narrated above in regard to which there is no dispute, there was the evidence of the Salt Superintendent of the appellants which was recorded before the Tribunal :-

"The panholders are allotted work on the salt pans by oral agreement. The Company has no control over the panholders in regard to the hours of work or days of work. The Company's permission is not sought in matter of sickness or in matter of going out to some village. The Company has no control over the panholders as to how many labourers they should engage and what wages they should pay them. The company's supervision over the work of the panholders is limited to the proper quality as per requirements of the Company and as per standard determined by the Government in matter of salt. The company's supervision is limited to this extent.

The Company acts in accordance with Clause 6 of the said agreement in order to get the proper quality of salt.

Panholdes are not the workmen of the Company, but are contractors. The men who are entrusted with pattas, work themselves. They can engage others to help them and so they do. There is upto this day no instance that any panholder who is entrusted with a patta, has not turned up to work on it. But we do not mind whether he himself works or not.

If any panholder after registering his name (for a patta) gets work done by others, we allow it to be done.

We own 319 pattas. Some pattas have two partners. In some, one man does the job. In all the pans, mainly the panholders work with the help of their (respective) families."

Clause 6 of the agreement referred to in the course of his evidence by the Salt Superintendent provided :-

"6. We bind ourselves to work as per advice and instructions of the officers appointed by them in connection with the drawing of brine or with the process of salt production in the pattas and if there is any default, negligence or slackness in executing it on our part or if we do not behave well in any way, the Managing Agent of the said Company can annul this agreement and can take possession of the patta, brine, well etc., and as a result we will not be entitled to claim any sort of consideration or compensation for any half processed salt laying in our patta; or in

respect of any expense incurred or labour employed in preparing kiwa patta, well bamboo lining etc."

There was also the evidence of Shiva Daya, an agaria, who was examined on behalf of the respondents :-

"There is work of making enclosures and then of sinking wells. The company supervises this work. While the wells are being sunk, the company measures the density of the brine of wells. In order to bring the brine of wells to the proper density, it is put in a condenser and then the Company tests this and then this brine is allowed to flow in the pattas

The bottom of a patta is prepared after it is properly crushed under feet and after the company inspects and okays that it is alright, water is allowed to flow into it. When salt begins to form at the bottom of a patta, an officer of the company comes and inspects it. At the end of 2 1/2 months, the water becomes saturated, i.e., useless, and so it is drained away under the supervision of the company. Then fresh brine is allowed to flow into the patta from the condenser. This instruction is also given by the company's officer."

It was on a consideration of this evidence that the Industrial Tribunal came to the conclusion that the supervision and control exercised by the appellants extended to all stages of the manufacture from beginning to end. We are of opinion that far from there being no evidence to support the conclusion reached by the Industrial Tribunal there were materials on the record on the basis of which it could come to the conclusion that the agarias are not independent contractors but workmen within the meaning of the Act.

Learned counsel for the appellants laid particular stress on two features in this cause within, in his submission, were consistent only with the position that the agarias are independent contractors. One is that they do piece-work and the other that they employ their own labour and pay for it. In our opinion neither of these two circumstances is decisive of the question. As regards the first the argument of the appellants is that as the agarias are under no obligation to work for fixed hours or days and are to be paid wages not per day or hours but for the quantity of alst actually produced and passed, at a certain rate, the very basis on which the relationship of employer and employees rests is lacking, and that they can only be regarded as independent contractors. There is, however, abundant authority in England that a person can be a workman even though he is paid not per day but by the job. The following observations of Crompton, J. in *Sadler v. Henlock* [(1855) 4 El. & Bl. 570, 578; (1855) 119 E.R. 209, 212.] are pertinent in this behalf :-

"The test here is, whether the defendant retained the power of controlling the work. No distinction can be drawn from the circumstances of the man being employed at so much a day or by the job. I think that here the relation was that of master and servant, not of contractor and contractee."

(See also *Black v. Thirst* [(1863) 32 L.J. (Exchequer) 188.] and Halsbury's "Laws of England", Hailsham edition, Vol. 22, page 119, para. 194, wherein it is stated that if a person is a worker and not a contractor, "it makes no difference that his work is piece-work".)

As regards the second feature relied on for the appellants it is contended that the agarias are entitled to engage other persons to do the work, that these persons are engaged by the agarias and are paid by them, that the appellants have no control over them and that these facts can be reconciled only with the position that the agarias are independent contractors. This argument, however, proceeds on a misapprehension of the true legal position. The broad distinction between a workman and an independent contractor lies in this that while the former agrees himself to work, the latter agrees to get other persons to work. Now a person who agrees himself to work and does so work and is, therefore, a workman does not cease to be such by reason merely of the fact that he gets other persons to work along with him and that those persons are controlled and paid by him. What determines whether a person is a workman or an independent contractor is whether he has agreed to work personally or not. If he has, then he is a workman and the fact that he takes assistance from other persons would not affect his status. The position is thus summarised in Halsbury's 'Laws of England', Vol. 14, pages 651-652 :-

"The workman must have consented to give his personal services and not merely to get the work done, but if he is bound under his contract to work personally, he is not excluded from the definition, simply because he has assistance from others, who work under him."

(See also *Grainger v. Aynsley* : *Bromley v. Tams* [(1881) 6 Q.B.D. 182.]; *Weaver v. Lloyd* [(1852) 21 L.J., Q.B. 151.] and *Whitely v. Armitage* [(1864) 16 W.R. 144.])

In the instant case the agarias are professional labourers. They themselves personally work along with the members of their families in the production of salt and would, therefore, be workmen. The fact that they are free to engage others to assist them and pay for them would not, in view of the above authorities, affect their status as workmen.

There are no doubt considerable difficulties that may arise if the agarias were held to be workmen within the meaning of s. 2(s) of the Act. Rules regarding hours of work etc., applicable to other workmen may not be conveniently applied to them and the nature as well as the manner and method of their work would be such as cannot be regulated by any directions given by the Industrial Tribunal. These difficulties, however, are no deterrent against holding the agarias to be workmen within the meaning of the definition if they fulfil its requirements. The Industrial Tribunal would have to very well consider what relief, if any, may possibly be granted to them having regard to all the circumstances of the case and may not be able to regulate the work to be done by the agarias and the remuneration to be paid to them by the employer in the manner it is used to do in the case of other industries where the conditions of employment and the work to be done by the employees is of a different character. These considerations would necessarily have to be borne in mind while the Industrial Tribunal is adjudicating upon the disputes which have been referred to it for adjudication. They do not, however, militate against the conclusion which we have come to above that the decision of the Industrial Tribunal to the effect that the agarias are workmen within the definition of the term contained in s. 2(s) of the Act was justified on the materials on the record.

We accordingly see no ground for interfering with that decision and dismiss this appeal with costs.

Appeal dismissed.

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