

**GENERAL LABOUR UNION (RED FLAG) BOMBAY**

**B. V. CHAVAN AND ORS.**

*November 16, 1984*

**[D. A. DESAI, V. BALAKRISHNA ERADI AND V. KHALID, JJ.]**

*Industrial Disputes Act, 1947—'Lock-out'—Definition of—Explained. Closure—Meaning of—To find out whether it is lock-out or closure court must find out intention of employer at the time when it resorts to lock-out or closure.*

The appellant trade union filed two complaints against the employees. The complaints were that the employers were guilty of imposing and continuing a lock-out and had thus committed unfair labour practice. The employers contended that they had finally and irrevocably closed the industrial undertaking and were not guilty of any unfair labour practice. The Industrial Court dismissed the complaints. The union's appeals were dismissed by the High Court. Hence these appeals by special leave.

Disposing of the appeals,

**HELD :** Lock-out has been defined in Sec. 2(L) of the Industrial Disputes Act, 1947 to mean the closing of a place of business, or the suspension of work or the refusal by an employer to continue to employ any number of persons employed by him. In lock-out the employer refuses to continue to employ the workmen employed by him even though the business activity was not closed down nor intended to be closed down. The essence of lock-out is the refusal of the employer to continue to employ workmen. There is no intention to close the industrial activity. Even if the suspension of work is ordered it would constitute lock-out. On the other hand closure implies closing of industrial activity as a consequence of which workmen are rendered jobless.[67 G-H; 68 A]

The true test to find out whether the employer has imposed a lock-out or has closed the industrial establishment, is that when it is claimed that the employer has resorted to closure of industrial activity, the Industrial Court in order to determine whether the employer is guilty of unfair labour practice must ascertain on evidence produced before it whether the closure was a device or pretence to terminate services of workmen or whether it is bonafide and for reasons beyond the control of the employer. The duration of the closure may be a significant fact to determine the intention and bonafides of the employer at the time of the closure but is not decisive of the matter. When it is claimed that the employer is not guilty of imposing a lock-out but has closed the industrial activity, the Industrial Court before which the action of the employer

is questioned must keeping in view all the relevant circumstances at the time of closure decide and determine whether the closure was a bonafide one or was a device or a pretence to determine the services of the workmen. Answer to this question would permit the Industrial Court to come to the conclusion one way or the other. [68 F-H; 69A]

CIVIL APPEALATE JURISDICTION : Civil Appeal Nos. 6092 & 6093 of 1983

Appeals by Special leave from the Judgment and Order dated the 4th February, 1983 of the Bombay High Court in W.P. No. 173 of 1983.

*M.K. Ramamurthi and Urmila Sirur* for the Appellant.

*Gobind Das, P.H. Parekh and Indu Malhotra* for the Respondent

The Judgment of the Court was delivered by

DESAI, J. General Labour Union (Red Flag) Bombay filed two complaints, one against M/s. Delta Wires Pvt. Ltd. and second against M/s. Delta Spokes Manufacturing Company, two sisters concerns ('employers' for short) under Sec. 28 read with Items 1(a), 1(b), 2, 4(a), 4(f) and 6 of Schedule II of the Maharashtra Recognition of Trade Unions and Prevention of Unfair Labour Practices Act, 1971 ('Act' for short). Broadly stated the complaints were that the employers were guilty of imposing and continuing a lock-out and had thus committed unfair labour practice. The employers contended that they had finally and irrevocably closed the industrial undertaking and were not guilty of any unfair labour practice. The complaints were filed in the Industrial Court, Maharashtra, Bombay.

The learned Judge framed an issue whether the employers had committed an unfair labour practice by imposing and continuing a lock-out as provided in Item 6 of Schedule II of the Act.

After hearing the parties, the learned Judge answered the issue in negative and dismissed the complaints.

The appellant-Union filed two special civil applications in Bombay High Court under Art. 226 of the Constitution questioning the correctness of the decision of the Industrial Court. Both the applications were dismissed *in limine*. The Union thereupon filed these two appeals by special leave.

A At the hearing of the appeals, Mr. Govind Dass, learned  
counsel for the employers stated that the employers have re-opened  
the industrial units and there is partial resumption of manufacturing  
process. He further stated that the employers are willing to take  
back all the old workmen and in order to satisfy the court about the  
bonafides of the employers he pointed out that nearly 16 old work-  
men, who responded to the advertisement in a local newspaper, have  
already been re-employed. Mr. Govind Dass stated that the employer  
will put on record an unconditional undertaking as affidavit in these  
appeals that no new workman will be recruited in afore-mentioned  
two industrial undertakings who had not been in previous employ-  
ment with them without giving first preference to the workmen who  
were in employment of the two concerns on April 8, 1980 when they  
were closed down. Mr. M. K. Ramamurthy learned counsel for the  
appellant union, on the other hand, contended that the industrial  
undertakings of the employers had never been closed or at any rate  
have resumed working in full and that the old workmen are not being  
re-employed and new hands are being recruited.

D We record the unequivocal undertaking given on behalf of the  
employers by the learned counsel Shri Govind Dass that all the old  
workmen who were in service of the employers at the time of the  
alleged closure, that is upto and inclusive of April 8, 1980, will be  
re-inducted in service as resumption of work is gradually expanding  
and that till all the old workmen are re-inducted in service no new  
hand will be recruited. An undertaking to that effect by Dr. P. D.  
Meghani s/o Dharam Chand Meghani has been placed on record and  
is treated as an integral part of this judgment. In order to be assured  
that the undertaking is carried out in letter and spirit we direct the  
Industrial Court Maharashtra Bombay to depute its senior ministerial  
officer to visit the industrial undertakings of the employers and to  
satisfy itself that the old workmen are being re-inducted in service  
and that as resumption of production is gradually expanded, the old  
workmen will be re-inducted in service. There will be a continuous  
watch by the ministerial officer to be appointed by the Industrial  
Court till all the old workmen who are willing to be re-inducted in  
service are taken back in service.

In fact this undertaking should have concluded the matter. But  
there is a statement of law made by the Industrial Court while reject-  
ing the complaints filed by the appellant-union which does not  
commend to us and to avoid any such error being repeated in future,  
we, with a view to set right the matter proceed to examine the same

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The complaints of the union were that the employers were guilty of imposing and continuing a lock-out which under the law was illegal. On the other hand, the submission on behalf of the employers was that there was a closure of the industrial undertaking and it was not a case of lock-out. In such a situation where the parties are at variance whether the employers have imposed a lockout or have closed the establishment it is necessary to find out what was the intention of the employer at the time when it resorts to lock-out or claims to have closed down the industrial undertaking. It is to be determined with accuracy whether the closing down of the industrial activity was a consequence of imposing lock-out or the owner employer had decided to close down the industrial activity.

Lock-out is generally an employer's response to some direct action taken by the workmen. Closure may be on account of various reasons which may have necessitated closing down of the industrial undertaking. In this case the issue was whether the employer had imposed a lock-out or has closed down the business. In examining this aspect, the Industrial Court observed as under :

"It is not necessary to refer to each and every decision pointed out by Mr. Bhatt on the point of lock-out and closure, since now it is well established that in case of a lockout there is only closure of the place of business whereas in case of a closure there is a closure of the business itself permanent and irrevocable. Whether the closure is brought about mala fide and whether it could have been avoided are matters irrelevant and what is to be seen is whether in fact and in effect there is a closure or not."

We fail to appreciate both the approach and the reasons in support of the approach.

Lock-out has been defined in Sec. 2(L) of the Industrial Disputes Act, 1947 ('ID Act' for short) to mean the closing of a place of business, or the suspension of work or the refusal by an employer to continue to employ any number of persons employed by him. In lock-out the employer refuses to continue to employ the workmen employed by him even though the business activity was not closed down. The essence of lock-out is the refusal of the employer to continue to employ workman. There is no intention to close the industrial activity. Even if the suspension of work is ordered it would constitute lock-out. On the other hand closure implies closing of industrial activity as a

A consequence of which workmen are rendered jobless. Sec. 22(2) of the ID Act prohibits an employer in a public utility service from locking out any of his workmen without giving notice as provided therein. Sec. 23 prohibits an employer from declaring a lock-out in any of the eventualities mentioned therein. Lockout in contravention of Sec. 23 is declared illegal. Section 26 of the ID Act provides that any of the practices listed in Schedule II, III and IV would be an unfair labour practice. Imposing and continuing a lock-out deemed to be illegal under the Act is an unfair labour practice.

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C While examining whether the employer has imposed a lock-out or has closed the industrial establishment, it is not necessary to approach the matter from this angle that the closure has to be irrevocable, final and permanent and that lockout is necessarily temporary or for a period. The employer may close down industrial activity bonafide on such eventualities as suffering continuous loss, no possibility of revival of business or inability for various other reasons to continue the industrial activity. There may be a closure for any of these reasons though these reasons are not exhaustive but are merely illustrative. To say that the closure must always be permanent and irrevocable is to ignore the causes which may have necessitated closure. Change of circumstances may encourage an employer to revive the industrial activity which was really intended to be closed. Therefore the true test is that when it is claimed that the employer has resorted to closure of industrial activity, the industrial court in order to determine whether the employer is guilty of unfair labour practice must ascertain on evidence produced before it whether the closure was a device or pretence to terminate services of workmen or whether it is bonafide and for reasons beyond the control of the employer. The duration of the closure may be a significant fact to determine the intention and bonafides of the employer at the time of closure but is not decisive of the matter. To accept the view taken by the Industrial Court would lead to a startling result in that an employer who has resorted to closure, bonafide wants to re-open, revive and re-start the industrial activity he can not do so on the pain that the closure would be adjudged a device or pretence. Therefore the correct approach ought to be that when it is claimed that the employer is not guilty of imposing a lockout but has closed the industrial activity, the Industrial Court before which the action of the employer is questioned must keeping in view all the relevant circumstances at the time of closure decide and determine whether the closure was a bonafide one or was a device or a pretence to determine

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the services of the workmen. Answer to this question would permit the Industrial Court to come to the conclusion one way or the other.

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Having clarified the position in law, we dispose of the appeals in terms of the undertaking of Dr. P.D. Meghani as recorded in this judgment.

**B**

Both the appeals are disposed of accordingly.

H.S.K.