

(1973) 09 SC CK 0029

In the Supreme Court Of India

Case No : Civil Appeal No. 1706 of 1969

Silver Jubilee Tailoring House and Others

APPELLANT

Vs

Chief Inspector of Shops and Establishments and Another

RESPONDENT

Date of Decision : 25-09-1973

Acts Referred:

Andhra Pradesh (Telengana Area) Shops and Establishments Act, 1951 — Section 2(14)

Citation : AIR 1974 SC 37 : (1974) 1 AnWR 95 : (1973) 2 LLJ 495 : (1974) 3 SCC 498 : (1974) 1 SCR 747

Hon'ble Judges : M. Hameedullah Beg, J;K. K. Mathew, J;A. K. Mukherjea, J

Bench : Full Bench

Advocate : S.V. Gupte and S. Markandya, for the Appellant; P. Rama Reddy, A.P. Nair, B.P. Maheshwari and Suresh Sethi, for the Respondent

Final Decision : Dismissed

Judgement

K.K. Mathew, J.—In this appeal, by special leave, the, question for consideration is whether the High Court of Andhra Pradesh was right in accepting the conclusion arrived at by the Chief Inspector of Shops and Establishments, Hyderabad that, employer and employee relationship existed between the Silver Jubilee Tailoring House and others, the appellants, and the workers represented by the second respondent, and that the provisions of Andhra Pradesh (Telengana Area) Shops and Establishments Act, 1951, hereinafter referred to as the Act, was therefore applicable to the establishments in question.

2. The second respondent representing the workers, made certain claims before 'the competent authority' u/s 37A of the Act read with Section 15 of the Payment of Wages Act 1936 against the Silver Jubilee Tailoring House and Others, the appellants. Thereafter, "the competent authority" referred for the decision of the State Government u/s 49 of the Act, the question whether the provisions of the Act are applicable to the establishments. The Government in turn referred the matter to the Commissioner of Labour to whom the power to decide the question was delegated u/s 46 of the Act. He enquired into the matter, heard the parties,

but before he could pass the order, the power to decide the question by the State Government u/s 49 was delegated to the Chief Inspector of Shops and Establishments, Hyderabad. The Chief Inspector of Shops and Establishments thereafter heard the parties and came to the conclusion that the provisions of the Act were applicable to the establishments, as employer and employee relationship existed between the appellants and the workers represented by the second respondent.

3. The appellants filed a writ petition before the High Court to quash this order. The writ petition was dismissed by a learned Single Judge on the basis of his finding that the workers represented by the second respondent union were employed in the establishment within the meaning of Section 2(14) of the Act, and, therefore, the Act was applicable.

4. The appellants filed an appeal against the decision to the Division Bench of the same Court. The Division Bench dismissed the appeal in limine.

The material part of Section 2(14) reads as follows : "person employed" means- (1) in the case of a shop, a person wholly or principally employed therein in connection with the business of the shop".

5. Two witnesses were examined to show the nature and character of the work done by the workers. One was the proprietor of one of the establishments and the other the Assistant Inspector of Labour.

6. The following facts appear from the finding of the learned Single Judge. All the workers are paid on piece-rate basis. The workers generally attend the shops every day if there is work. The rate of wages paid to the workers is not uniform. The rate depends upon the skill of the worker and the nature of the work. When cloth is given for stitching to a worker after it has been cut, the worker is told how he should stitch it. If he does not stitch it according to the instruction, the employer rejects the work and he generally asks the worker to restitch the same. When the work is not done by a worker according to the instructions generally no further work would be given to him. If a worker does not want to go for work to the shop on a day, he does not make any application for leave, nor is there any obligation on his part to inform the employer that he will not attend for work on that day. If there is no work, the employee is free to leave the shop before the shop closes. Almost all the workers work in the shop. Some workers are allowed to take cloth for stitching to their homes on certain days. But this is done always with the permission of the proprietor of shop. The machines installed in the shop belong to the proprietor of the shop and the premises and the shop in which the work is carried on also belong to him.

7. The question is whether from these circumstances, the conclusion drawn by the Chief Inspector of Shops and Establishments and the High Court that there existed employer and employee relationship between the appellants and the workers represented by the 2nd respondent was correct.

8. It was argued for the appellants that according to the decisions of this Court the test to determine whether employer and employee relationship existed between the parties is to see whether the so called employer has the right to control and supervise the manner of work done by the workers and from the facts found by the High Court it is impossible to come to the conclusion that the appellants had any right to control the manner of work or that they had actually exercised any such control. It is therefore necessary to examine the question whether the right to control the manner of work is an exclusive test to determine the nature of the relationship and even if it is found that that is the test, whether facts proved would satisfy the requirements of the test.

9. In *Dharangadhara Chemical Works Ltd. Vs. State of Saurashtra*, .. the appellants before this Court were lessee holding a licence for the manufacture of salt on the lands in question there. The salt was manufactured by a class of professional labourers known as agarias from rain water that got mixed up with saline matter in the soil. The work was seasonal in nature and commenced in October after the rains and continued till June. After the manufacture of salt the agarias were paid at the rate of 5 as. 6 pies per maund. At the end of each season the accounts were settled and the agarias paid the balance due to them. The agarias who worked themselves with the members of their families were free to engage extra labour on their own account and the appellants had no concern therewith. No hours of work were prescribed, and no muster rolls were maintained. The appellants had also no control over the working hours. There were no rules as regards leave or holidays and the agarias were free to go out of the factory after making arrangements for the manufacture of salt.

10. The question for decision was whether the agarias were workmen as defined by Section 2(s) of the Industrial Disputes Act of 1947 or whether they were independent contractOrs. The Court said that the prima facie test to determine whether there was relationship between employer and employee 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 employee is to do but also the manner in which he had to do the work. In other words, the proper test according to this Court is, whether or not the master has the right to control the manner of execution of the work. The Court further said that the nature of extent of the control might vary from business to business and is by its nature incapable of precise definition, 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 even the test of control over the manner of work is not one of universal application and that there are many contracts in which the master could not control the manner in which the work was done.

11. In *Shri Birdhichand Sharma Vs. First Civil Judge Nagpur and Others*, . the question was whether the bidi rollers in question there were "workmen" within the meaning of that term in the Factories Act, 1948. The facts found were : The workers who rolled the bidis had to work at the factory and where not at liberty

to work at their houses : their attendance was noted in the factory and they had to work within the factory hours, though they were not bound to work for the entire period and could come and go away when they liked, but if they came after midday they were not supplied with tobacco and thus not allowed to work even though the factory closed at 7 p.m. Further, they could be removed from service if absent for eight days. Payment was made on piece rates according to the amount of work done, and the bidis which did not come upto the proper standard could be rejected.

12. On these facts, it was held that the workers were workmen under the Factories Act and were not independent contractOrs. this Court pointed out that the nature and extent of control varied in different industries and could not by its very nature be precisely defined. The Court said that when the operation was of a simple nature and did not require supervision all the time, the control could be exercised at the end of the day by the method of rejecting bidis which did not come upto the proper standard : such supervision by the employer was sufficient to make the workers, employees of the employer, and not independent contractOrs.

13. In D.C. Dewan Mohideen Sahib and Sons Vs. The Industrial Tribunal, Madras, . the question was again considered by this Court. On the basis of evidence led, the Industrial Tribunal found as follows

14. The contractors took leaves and tobacco from the appellant and employed workmen for manufacturing bidis. After bidis were manufactured, the contractors took them back from the workmen and delivered them to the appellants. The workmen took the leaves home and cut them there; however the process of actual rolling by filling the leaves with tobacco took place in what was called contractors' factories. The contractors kept no attendance register for the workmen, there was no condition for their coming and going at fixed hours, nor were they bound to come for work every day; sometimes they informed the contractors if they wanted to be absent and some times they did not. The contractors said that they could take no action if the workmen absented themselves even without leave. The payment was made to the workmen at piece rates after the bidis were delivered to the appellants. The system was that the appellant paid a certain sum for the manufactured bidis, after deducting therefrom the cost of tobacco and the leaves already fixed, to the contractors, who, in their turn, and to the workmen who rolled bidis, their wages. Whatever remained after paying the workmen would be contractors' commission for the work done. There was no sale either of the raw materials or of the finished products, for, according to the agreement, if the bidis were not rolled, raw materials had to be returned to the appellants and the contractors were forbidden from selling the raw materials to anyone else. Further the manufactured bidis could only be delivered to the appellants who supplied the raw materials. Further the price of raw materials and finished products fixed by the appellants always remained the name and never fluctuated according to

market rate. The Tribunal concluded that the bidi workers were the employees of the appellants and not of the so-called contractors who were themselves nothing more than employees or branch managers of the appellants. Thereupon, the appellants filed writ petitions in the High Court, which held that neither the bidi roller nor the intermediary was an employee of the appellants, and allowed the writ petitions. On appeal by the workmen the appellate Court allowed the appeal and restored the order of the Tribunal. On appeal by certificate, this Court said that, on the facts found, the appellate Court was right in holding that the conclusion reached by the Tribunal that the intermediaries were merely branch managers appointed by the management, and that the relationship of employers and employees subsisted between the appellants and the bidi rollers, was correct. In following the test laid down in *Birdhichand's case* (supra) the Court said since the work is of such a simple nature, supervision all the time is not required, and that supervision was made through a system of rejecting the defective bidis at the end of day.

15. In *Shankar Balaji Wage v. State of Maharashtra* [1962] Supp. (1) S.C.R. 249. the question again came up for consideration in this Court. The appellant before the Court was the owner of a factory manufacturing bidis and one Pandurang alongwith other labourers used to roll bidis in the factory with tobacco and leaves supplied to him by the factory. The following facts were established in the evidence. There was no contract of service between the appellant and Pandurang. He was not bound to attend the factory for rolling bidis for any fixed hours or period; he was free to go to the factory at any time during working hours and leave the factory at any time he liked. He could be absent from the work any day he liked and for ten days without even informing the appellant. He had to take the permission of the appellant if he was to be absent for more than 10 days. He was not bound to roll the bidis at the factory. He could do so at home with the permission of the appellant for taking home the tobacco supplied to him. There was no actual supervision of the work done by him in the factory and at the close of the day, rolled bidis were delivered to the appellant. Bidis not upto the standard were rejected. He was paid at fixed rates on the quantity of bidis turned out and there was no stipulation for turning out any minimum quantity of bidis. The questions which arose for decision were whether Pandurang was a workman within the meaning of that expression under the Factories Act and whether he was entitled to any leave wages u/s 80 of that Act.

16. The majority found that Pandurang was not "workman", and distinguished the decision in *Birdhichand's case* (supra) and said that the appellant had no control or supervision over the work of Pandurang.

17. The reasoning of the majority was as follows :

The appellant could not control his (Pandurang's) hours of work. He could not control his days of work. Pandurang was free to absent himself and was free to go to the factory at any time and leave it at any time according to his will. The appellant could not insist on any particular minimum quantity of bidis to be

turned out per day. He could not control the time spent by Pandurang on the rolling of a bidi or a number of bidis. The work of rolling bidis may be a simple work and may require no particular supervision and direction during the process of manufacture. But there is nothing on record to show that any such direction could be given. The mere fact that the person rolling bidis has to roll them in a particular manner can hardly be said to give rise to such a right in the management as can be said to be a right to control the manner of work. The manner of work is to be distinguished from the type of work to be performed. In the present case, the management simply says that the labourer is to produce bidis rolled in a certain form. How the labourer carries out the work is his own concern and is not controlled by the management, which is concerned only with getting bidis rolled in a particular style with certain contents.

18. Subba Rao, J. as he then was, dissented. He said. The appellant engages the labourers; he entrusts them with work of rolling bidis in accordance with the sample; he insists upon their working in the factory, maintains registers giving the particulars of the labourers absent, amount of tobacco supplied and the number of bidis rolled by each one of them, empowers the gumasta and supervisor, who regularly attends the factory to supervise the supply of tobacco and leaves, and the receipt of the bidis rolled. The nature and patters of bidis to be rolled is obviously well understood, for, it is implicit in the requirement that the rolled in bidis shall accord with the sample. The rejection of bidis found not in accord with the sample is a clear indication of the right of the employer to dictate the manner in which the labourers shall manufacture the bidis. The fact that a labourer is not compelled to work throughout the working hours is not of much relevance, because, for all practical purposes, a labourer will not do so since his wage depend upon the bidis he rolls, and, as he cannot roll them outside the factory necessarily he will have to do so in the factory. If he absents himself, it is only at his own risk.

19. In *V. P. Gopala Rao Vs. Public Prosecutor, Andhra Pradesh*, the Court said that there in no abstract a priori test of the work control required for establishing a contract of service and after referring to *Bridhichand's case* (supra) observed that the fact that the workmen have to work in the factory imply a certain amount of supervision by the management, that the nature and extent of control varied in different industries, and that when the operation was of a simple nature, the control could be exercised at the end of the day by the method of rejecting the bidis which did not come upto the proper standard.

20. In *Cassidy v. Ministry of Health* [1951] 1 All. E.R. 574. Lord Justice Sommerwell pointed out that the test of control of the manner of work is not universally correct, that 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.

21. In many skilled employments, to apply the test of control over the manner of work for deciding the question whether the relationship of master and servant

exists would be unrealistic.

22. In *Montreal v. Montreal Locomotive Works Ltd. et-al* [1947] 1 D.L.R. 161. Lord Wright said that a single test, such as the presence or absence of control, was often relied on to determine whether the case was one of master and servant, mostly in order to decide issues of tortious liability on the part of the master or superior and that in the more complex conditions of modern industry, more complicated tests have often to be applied. He said that it would be more appropriate to apply, a complex test involving (i) control; (ii) ownership of the tools; (iii) chance of profit; (iv) risk of loss, and that control in itself is not always conclusive. He further said that in many cases the question can only be settled by examining the whole of the various elements which constitute the relationship between the parties.

23. In *Bank Voor Handel en Scheepvaart N.V. v. Slatford* [1952] 2 All E.R. 956. Denning L.J., said :

. . . the test of being a servant does not rest nowadays on submission to orders. It depends on whether the person is part and parcel of the organisation. . . .

24. In *U.S. v. Silk* 331 U.S. 704. the question was whether men working for the plaintiffs, Silk and Greyvan, were "employees" within the meaning of that word in the Social Security Act, 1935. The judges of the Supreme Court of U.S.A., agreed upon the test to be applied, though not in every instance upon its application to the facts. They said that the test was not "the common law test," viz., "power of control, whether exercised or not, over the manner of performing service to the undertaking," but whether the men were employees "as a matter of economic reality." Important factors were said to be "the degrees of control, opportunities of profit or loss, investment in facilities, permanency of relations and skill required in the claimed independent operation.

25. Silk sold coal by retail, using the services of two classes of workers, unloaders and truck drivers. The unloaders moved the coal from railway vans into bins. They came to the yard when they wished and were given a wagon to unload and a place to put the coal. They provided their own tools and were paid so much per ton for the coal they shifted. All the nine judges held that these men were employees :

Giving full consideration to the concurrence of the two lower courts in a contrary result, we cannot agree that the unloaders in the Silk case were independent contractors. They provided only picks and shovels. They had no opportunity to gain or lose except from the work of their hands and these simple tools. That the unloaders did not work regularly is not significant. They did work in the course of the employer's trade or business. This brings them under the coverage of the Act. They are of the group that the Social Security Act was intended to aid. Silk was in a position to exercise all necessary supervision over their simple tasks. Unloaders have often been held to be employees in tort cases.

26. In *Market Investigations Ltd. v. Minister of Social Security* [1968] 3 All. E.R. 732. the Court said :

I think it is fair to say that there was at one time a school of thought according to which the extent and degree of the control which B. was entitled to exercise over A. in the performance of the work would be a decisive factor. However, it has for long been apparent that an analysis of the extent and degree of such control is not in itself decisive.

27. It is in its application to skilled and particularly professional work that control test in its traditional form has really broken down. It has been said that in interpreting 'Control' as meaning the power to direct how the servant should do his work, the Court has been applying a concept suited to a past age.

This distinction (viz., between telling a servant what to do and telling him how to do it) was based upon the social conditions of an earlier age; it assumed that the employer of labour was able to direct and instruct the labourer as to the technical methods he should use in performing his work. In a mainly agricultural society and even in the earlier stages of the Industrial Revolution the master could be expected to be superior to the servant in the knowledge, skill and experience which had to be brought to bear upon the choice and handling of the tools. The control test was well suited to govern relationships like those between a farmer and an agricultural labourer (prior to agricultural mechanization) a craftsman and a journeyman, a householder and a domestic servant, and even a factory owner and an unskilled 'hand'. It reflects a state of society in which the ownership of the means of production coincided with the possession of technical knowledge and skill in which that knowledge and skill was largely acquired by being handed down from one generation to the next by oral tradition and not by being systematically imparted in institutions of learning from universities down to technical schools. The control test postulates a combination of managerial and technical functions in the person of the employer, i.e. what to modern eyes appears as an imperfect division of labour.

28. It is, therefore, not surprising that in recent years the control test as traditionally formulated has not been treated as an exclusive test.

29. It is exceedingly doubtful today whether the search for a formula in the nature of a single test to tell a contract of service from a contract for service will serve any useful purpose. The most that profitably can be done is to examine all the factors that have been referred to in the cases on the topic. Clearly, not all of these factors would be relevant in all these cases or have the same weight in all cases. It is equally clear that no magic formula can be propounded which factors should in any case be treated as determining ones. The plain fact is that in a large number of cases, the court can only perform a balancing operation weighing up the factors which point in one direction and balancing them against those pointing in the opposite direction.

30. During the last two decades the emphasis in the field has shifted and no

longer rests so strongly upon the question of control. Control is obviously an important factor and in many cases it may still be the decisive factor. But it is wrong to say that in every case it is decisive. It is now no more than a factor, although an important one See *Argent U. Minister of Social Security and Another*, [1968] 1 W.I.R. 1749.

31. The fact that generally the workers attend the shop which belongs to the employer and work there, on the machines, also belonging to him, is a relevant factor. When the services are performed generally in the employer's premises, this is some indication that the contract is a contract of service. It is possible that this is another facet of the incidental feature of employment. This is the sort of situation in which a court may well feel inclined to apply the "organisation" test suggested by Denning, L.J. in *Stevenson Jordan and Harrison v. Macdonald and Evans*. [1952] 1 T.L.R. 101 C.A.

32. The further fact that "a worker can be removed" which means nothing more than that the employer has the liberty not to give further work to an employee who has not performed his job according to the instructions of the employer, or who has been absent from the shop for a long time as spoken to by the Inspector of Labour in his evidence, would be speak of control and supervision consistent with the character of the business.

33. That the workers work on the machines supplied by the proprietor of the shop is an important consideration in determining the nature of the relationship. If the employer provides the equipment, this is some indication that the contract is a contract of service, whereas if the other party provides the equipment, this is some evidence that he is an independent contractor. It seems that this is not based on the theory that if the employer provides the equipment he retains some greater degree of control, for, as already seen, where the control arises only from the need to protect one's own property, little significance can attach to the power of control for this purpose. It seems, therefore, that the importance of the provision of equipment lies in the simple fact that, in most circumstances, where a person hires out a piece of work to an independent contractor, he expects the contractor to provide all the necessary tools and equipment, whereas if he employs a servant he expects to provide them himself. It follows from this that no sensible inference can be drawn from this factor in circumstances where it is customary for servants to provide their own equipment.

34. Section 220(2) of the American Restatement, Agency 2d. includes among the relevant factors :

(e) Whether the employer or the workman supplies the instrumentalities, tools, and the place of work for the person doing the work.

The comment on the first part of this paragraph is in these words :

Ownership of instrumentalities. The ownership of the instrumentalities and tools used in the work is of importance. The fact that a worker supplies his own tools

is some evidence that he is not a servant. On the other hand, if the worker is using his employer's tools or instrumentalities, especially if they are of substantial value, it is normally understood that he will follow the directions of the owner in their use, and this indicates that the owner is a master. This fact is, however, only of evidential value.

It might be that little weight can today be put upon the provisions of tools of minor character as opposed to plant and equipment on a large scale. But so far as tailoring is concerned, I think the fact that sewing machines on which the workers do the work generally belong to the employer is an important consideration for deciding that the relationship is that of master and servant.

35. Quite apart from all these circumstances, as the employer has the right to reject the end product if it does not conform to the instruction of the employer and direct the worker to restitch it, the element of control and supervision as formulated in the decisions of this Court is also present.

36. The reputation of a tailoring establishment depends not only on the cutter but also upon the tailors. In a many cases, stitching is a delicate operation when the cloth upon which it is to be carried on is expensive. The defect in stitching might mar the appearance not only of the garment but also of its wearer. So when the tailor returns a garment, the proprietor has got to inspect it to see that it is perfect. He has to keep his customers pleased and he has also to be punctual, which means that the stitching must be done according to the instruction of the employer and within the time specified. The degree of control and supervision would be different in different types of business. If an ultimate authority over the worker in the performance of his work resided in the employer so that he was subject to the latter's direction, that would be sufficient. In *Humberstone v. Norther Timber Mills* [1947] 79 Cri.L.R. 389, Dixon, J. said :

The question is not whether in practice the work was in fact done subject to a direction and control exercised by an actual supervision or whether an actual supervision was possible but whether ultimate authority over the man in the performance of his work resided in the employer so that he was subject to the latter's order and directions.

37. That some of the employees take up the work from other tailoring establishments and do that work also in the shop in which they generally attend for work, as spoken to by the proprietor in his evidence, would not in any way militate against their being employees of the proprietor of the shop where they attend for work. A person can be a servant of more than one employer. A servant need not be under the exclusive control of one master. He can be employed under more than one employer.

38. That the workers are not obliged to work for the whole day in the shop is not very material. There is of course no reason why a person who is only employed part time, should not be a servant and it is doubtful whether regular part time service can be considered even *prima facie* to suggest anything other than a

contract of service. According to the definition in Section 2(14) of the Act, even if a person is not wholly employed, if he is principally employed in connection with the business of the shop, he will be a "person employed" within the meaning of the sub-section. Therefore, even if he accepts some work from other tailoring establishments or does not work whole time in a particular establishment, that would not in any way derogate from his being employed in the shop where he is principally employed.

39. We think that on the facts and circumstances of the case the Chief Inspector of Shops and Establishments and the High Court came to the right conclusion that employer and employee relationship existed between the parties and that the Act was therefore applicable. We therefore dismiss the appeal, but in the circumstances, we do not make any order as to costs.