

Himangsu Chakraborty Vs Life Insurance Corporation of India

Court: Calcutta High Court

Date of Decision: Jan. 13, 1977

Acts Referred: Civil Procedure Code, 1908 (CPC) â€” Order 1 Rule 8

Constitution of India, 1950 â€” Article 14, 16

Life Insurance Corporation Act, 1956 â€” Section 11, 11(1), 11(2), 49

Citation: (1977) 2 ILR (Cal) 499

Hon'ble Judges: T.K. Basu, J

Bench: Single Bench

Advocate: Arun Prokash Chatterjee, for the Appellant;Noni Coomar Chakraborty and P.N. Chunder and D.N. Das and Sanar Banerjee, for Union of India, for the Respondent

Final Decision: Allowed

Judgement

T.K. Basu, J.

This is an application by Himangsu Chakraborty and ten others challenging certain notifications issued by the Respondents.

The application is in a representative capacity and it may be mentioned that, at the time of the issue of the Rule nisi, leave was granted by me under

Order 1, Rule 8 of the Code of Civil Procedure, 1908.

2. Before I come to the impugned notifications it would be useful to deal with the background of this case.

3. As is well-known life insurance business in India was nationalised by virtue of the enactment of the Life Insurance Corporation Act, 1956

(hereinafter referred to as the Act). Prior to the commencement of the Act, life insurance business was in the hands of private institutions whose

volume of business varied to a considerable extent.

4. It is in this background that Section 11 of the Act and Sub-section (2) thereof in particular was enacted. Section 11 of the Act, in so far as is

material for our purpose, may be usefully set out hereinbelow:

11(1). Every whole-time employee of an insurer whose controlled business has been transferred to and vested in the Corporation and who was

employed by the insurer wholly or mainly in connection with his controlled business immediately before the appointed day shall, on and from the

appointed day, become an employee of the Corporation and shall hold his office therein by the same tenure at the same remuneration and upon the

same terms and conditions and with the same rights and privileges as to pension and gratuity and other matters as lie would have held the same on

the appointed day if this Act had not been passed and shall continue to do so unless and until his employment in the Corporation is terminated or

until his remuneration, terms and conditions are duly altered by the Corporation:

Provided that nothing contained in this sub-section shall apply to any such employee who has, by notice in writing given to the Central Government

prior to the appointed day, intimated his intention of not becoming an employee of the Corporation.

(2) Where the Central Government is satisfied that for the purpose of securing uniformity in the scales of remuneration and the other terms and

conditions of service applicable to employees of insurers whose controlled business has been transferred to and vested in, the Corporation, it is

necessary so to do, or that, in the interests of the Corporation and its policyholders, a reduction in the remuneration payable, or a revision of the

other terms and conditions of service applicable, to employees or any class of them is called for, the Central Government may, notwithstanding

anything contained in Sub-section (1), or in the Industrial Disputes Act, 1947, or in any other law for the time being in force, or in any award,

settlement or agreement for the time being in force, alter (whether by way of reduction or otherwise) the remuneration and the other terms and

conditions of service to such extent and in such manner as it thinks fit; and if the alteration is not acceptable to any employee, the Corporation may

terminate his employment by giving him compensation equivalent to three months' remuneration unless the contract of service with such employee

provides for a shorter notice of termination.

5. The nature and content of the power conferred by Section 11 of the Act will have to be analysed in some detail but I refrain from doing so at

this stage.

6. Pursuant to the power conferred on the Central Government by Section 11(2) of the Act an Order was promulgated on December 30, 1957,

known as the Life Insurance Corporation Field Officers (Alteration of Remuneration and Other Terms and Conditions of Service) Order, 1957

(commonly known as the Blue Order). It is not necessary to discuss the contents of the Order in detail. Suffice it to say, that it provided for the

duties, scale of pay and allowances, leave, retirement, increments, promotion, penalties etc. of the Field Officers of the Corporation. It may also be

noted that this category of Field Officers of the Corporation was subsequently redesignated as Development Officers. It is with this category of the

Development Officers that we are concerned in this application.

7. I may also mention that Section 49 of the Act empowers the Corporation, with the previous approval of the Central Government, to make

regulations, inter alia, with regard to the method of recruitment of employees of the Corporation the terms and conditions of their service etc. It

exercise of this power the Corporation with the previous approval of the Central Government promulgated the Life Insurance Corporation of India

(Staff) Regulations, 1960. We are not concerned with the details of these Regulations except to note that Schedule II of these Regulations laid

down the Scales of Pay Dearness Allowances and other allowances applicable to all the employees of the Corporation from the Managing

Director to the chaprasi.

8. The first Order that is the subject-matter of challenge is dated April 8, 1976 and is known as the Life Insurance Corporation Development

Officers (Alteration or Remuneration and Other Terms of Service) Order, 1976 (hereinafter referred to as the Order).

9. The preamble to this Order is as follows:

Whereas the Central Government is satisfied that in the interest of the Corporation and its policy-holders a reduction in the other terms and

conditions of service applicable to certain classes of employees of insurers whose controlled business has been transferred to and vested in, the

Corporation, are called for.

Hence, the aforesaid Order was passed.

10. Clause 2(e) of the definition Clause defines the Development Officer" as "'an employee of the Corporation in Class 11 whose services were

transferred to it u/s 11 of the Act.

11. The other two Clauses with which we are concerned in this application are Clause 4 and 5 which may be set out below:

(4) Fixation of basic pay in new scales.

(a) The basic pay admissible to a Development Officer on 1st April, 1976, in the new scale of pay shall be fixed in accordance with the provisions

of the Staff Regulations.

(b) Notwithstanding anything contained in sub-paragraph (a) or in paragraph 3 where the amount of basic pay, personal pay, dearness allowances,

all other allowances and non-profit sharing or ex gratia bonus, paid to a Development Officer for the period of 12 months for which his

performance was appraised under the rules of the Corporation immediately prior to the 1st April, 1976, as also the expenses payable or

reimbursed to him or incurred by the Corporation on him in respect of travelling, residential telephone, insurance premium and taxes on motor

vehicles for the said period, was not more than 35 per cent of the eligible premium in that period, he may be given the benefit of the appropriate

new scale with effect from the 1st April, 1973.

(5) Re-fixation of basic pay and allowances of a Development Officer on appraisal of his performance.

(a) The Corporation shall re-fix the basic pay of each Development Officer on an appraisal of his business performance during such period of 12

months as may be specified in the Staff Regulations in that behalf so that the basic pay, dearness allowances, all other allowances and non-profit

sharing or ex gratia bonus which may become payable to him in the succeeding period of 12 months as also the expenses payable or reimbursable

to him or may be incurred by the Corporation on him in respect of travelling, residential telephone, insurance premium and taxes on motor vehicles

for such succeeding period of 12 months, shall not exceed 20 per cent of the eligible premium in the period of 12 months for which his business

performance is so appraised; and if, notwithstanding such re-fixation, his continuance in service is likely to be uneconomical to the Corporation,

terminate his service; and such re-fixation and termination shall be regulated by the appropriate provision of the Staff Regulations.

12. Pursuant to the Order mentioned above the Staff Regulations to which I have made a reference, was amended by a Notification dated April

21, 1976, called the Life Insurance Corporation of India (Staff) Amendment Regulations, 1976 (hereinafter referred to as the Regulations). In

these Regulations the definition of Development Officer which will be a significant item in the controversy before me is as follows:

"Development Officer" means an employee belonging to Class II and includes existing Development Officer; In Clause 1(g) "existing Development

Officer" means a Development Officer in the service of the Corporation on 31st March, 1976;

13. Thereafter, Clause 1(i) lays down a table of "maximum permissible remuneration" in relation to a Development Officer. The details of the table

are unnecessary. Suffice it to say that they are substantially based on the guidelines indicated in the Order of April 8, 1976. The Regulations as

amended also provide for termination of service in certain cases as indicated in the Order of April 8, 1976.

14. It is this Order of April 8, 1976 and the Notification dated April 21, 1976, which are the subject-matter of challenge before me in the present

application.

15. Mr. Arun Prokash Chatterjee, learned Advocate for the Petitioners, submitted that the impugned Order and Notification violated the

constitutional guarantee under Article 16 of the Constitution. Before we proceed further, it will be useful to set out the provisions of Article 16 of

the Constitution in so far as they are material for our purpose.

16(1) There shall be equality of opportunity for all citizens in matters relating to employment or appointment to any officer under the State.

(2) No citizen shall, on grounds only of religion, race, caste, sex, descent, place of birth, residence of any of them, be ineligible for, or discriminated

against in respect of, any employment or office under the State.

16. As is clear from the material portion of Article 16 of the Constitution, it contains a guarantee of equality similar to that of Article 14 in the

matter of employment under the State.

17. The first breach of Mr. Chatterjee's argument was that the impugned Order and Notification discriminate between the Development Officers

of the Corporation on the one hand and the other employees of the Corporation on the other. Broadly speaking^ Mr. Chatterjee's argument

amounted to this that at a time when the Corporation was enjoying an era of prosperity and other groups of employees of the Corporation were

enjoying the benefits thereof, the Development Officers have been singled out for comparatively harsh terms in the matter of pay and other

allowances. In support of this contention Mr. Chatterjee referred to a letter of Sri H.K. Sen, a well known actuary of this city which is annexed to

the petition. Reference was also made to various other materials which are on record to show that this category of the Development Officers are

being treated more harshly than other groups of employees.

18. It is not necessary for me to examine this contention in greater detail. This because as contended by Mr. Noni Coomar Chakraborty appearing

on behalf of the Corporation and as it seems to me the Development Officers form a clearly defined class. It is to be noted that in the Staff

Regulations of 1960 the Development Officers have been placed in class II of Schedule II of the Regulations. It is further to be noted that apart

from the Development Officers there are no category of employees in that class II. This, by itself, would not be conclusive of the question as to

whether the Development Officers can reasonably be said to belong to a separate class. I am, however, satisfied on the basis of the various

differences there has been pointed out by Mr. Chakraborty in respect of pay, allowances and other emoluments of the different categories of

employees of the Corporation that the Development Officers form a clearly defined class. Consequently, this branch of Mr. Chatterjee's argument

fails.

19. The next branch of Mr. Chatterjee's argument was that the impugned Order discriminated between the Development Officers inter se. In

order to appreciate this contention it is necessary to go back to Section 11(2) of the Act and analyse it a little more closely. According to Mr.

Chatterjee, Section 11(2) of the Act contains two limbs. The first limb confers power on the Central Government to revise the terms and

conditions of service of the employees of the Corporation. Its power is, however, confined only to those employees whose services have been

transferred to and vested in the Corporation by reason of the commencement of the Act. The second limb confers power on the Central

Government to alter the terms and conditions of the service applicable to all employees of the Corporation irrespective of whether they are

transferred employees and are directly recruited after the inception of the Corporation. Strong emphasis is placed on the expression ""terms of

condition of service applicable to employees of insurers whose controlled business has been transferred to (sic) vested in the Corporation"" and

terms and conditions of service applicable to employees or any class of them"". Mr. Chatterjee submits that the latter clause does not contain the

expression "such employees" and therefore, should be construed to confer a power of the Central Government to alter the conditions of service of

all employees. Mr. Chatterjee relies on the well-known principle of statutory construction that when the Legislature uses different terms in the same

Section it intends to mean different things.

20. In my view, this contention of Mr. Chatterjee is sound and should be accepted. On a plain reading of Section 11(2) of the Act it seems to

contain two distinct and separate powers. The first part relates to the power of the Central Government in relation to "transferred employees"

whereas the second part appears to apply to all employees of the Corporation irrespective of whether they are transferred or directly recruited. On

the above analysis of Section 11(2) of the Act, Mr. Chatterjee submitted that the impugned Order dated April 8, 1976, was applicable only to the

transferred employees. Strong reliance was placed on the definition of "Development Officers" contained in the impugned Order. As I have

already set out, the Development Officer in the impugned Order means an employee of the Corporation in class II whose services were transferred

to it u/s 11 of the Act. Strong reliance was placed on the affidavit of Harish Chandra Paul on behalf of the Corporation. In para. 6 of that affidavit

the following statement occurs.

The said order is applicable only to transferred Development Officers, that is to say, those officers whose services stood transferred to the L.I.C.

u/s 11 of the said Act. The number of such Development Officers now in service is about 1390 whereas the total number of Development Officers

in the L.I.C. is 1698.

21. Mr. D.N. Das, learned Advocate appearing on behalf of the Union of India, did not seriously dispute the contention that the impugned Order

applies only to the transferred employees. Indeed, in my view, no other contention apart from that advanced by Mr. Chatterjee can possibly be

correct in view of the definition of "Development Officers" given in the impugned Order. To put it differently, the impugned Order by virtue of the

own definition must be held to be applicable only to the transferred Development Officers.

22. That being the position the only other question that remains for determination is whether these transferred Development Officers, at the date

when the impugned Order came into force, can be said to form a distinct and separate class. Mr. Das contended that these transferred employees

formed a distinct and separate class and as such the question of any discrimination between them and the other Development Officers who had

been directly recruited does not arise. Mr. Noni Coomar Chakraborty, appearing for the Corporation, also advanced similar contentions.

23. In my view, the contention of Mr. Chatterjee is sound and should be accepted. No doubt, it can be said that at the time when the Act came

into force and the existing employees of the private insurers became the employees of the Corporation by virtue of Section 11 of the Act that they

formed a different class. This is because there must have been wide discrepancies in the salaries and other emoluments which they were drawing

prior to their becoming the employees of the Corporation. It may also legitimately be said that the direct recruits of the Corporation in this category

must have had a uniform scale of salary and emoluments and therefore, formed a different class. But I am of the view that after the passing of the

Blue Order of 1957 to which I have already alluded, the wage structure and the other emoluments of the Development Officers (who were then

known as Field Officers) became fully rationalised. In other words, there ceased to be any discrepancy in their wages and other benefits. This was

done, as I have already indicated, in exercise of powers conferred on the Central Government under the first limb of Section 11(2) of the Act. That

being so, it must be held that any difference which might have existed prior to the passing of the Blue Order between the salaries and other

emoluments of the different categories of Field Officers as they were then called, depending on whether they were transferred or directly recruited,

totally disappeared. In other words, there was no differentia far less an intelligible differentia between the one category of Field Officers and the

other mentioned above. To put it differently, all the Field Officers after the passing of the Blue Order formed one class without the possibility of any

sub-classification inter se.

24. That being the correct legal position, in my view, it is to be decided whether this impugned Order which clearly applies to one class of

Development Officers and not to the other can be said to be within the vice of discrimination as contemplated by Article 16 of the Constitution of

India. It was not seriously disputed that although the pay scale in the impugned Order is somewhat more beneficial to these Officers than the

previous scales the provisions with regard to revisions of their pay scales in the light of their performance in the previous period of appraisal

together with the possibility of the termination of their services in certain contingencies are distinctly more drastic and onerous than those provided

for in the Blue Order and the existing Staff Regulations. Prior to their amendment by the impugned Notification, that being so, it must be held that

the impugned Order operates more drastically against the transferred Development Officers. In that view of the matter, I hold that the impugned

Order contravenes the guarantee of equality in the matter of an employment under the State guaranteed by Article 16 of the Constitution of India.

The impugned Order dated April 8, 1976, must therefore be held to be discriminatory and struck down.

25. The same cannot however be said, in my view, to be true of the impugned Notification dated April 21, 1976. As I have already indicated

above, this Notification applies to all employees belonging to class II and includes an existing Development Officer. A controversy was raised

whether, since the impugned Notification is consequent upon and in implementation of the impugned Order, it could cure the vice of unreasonable

classification which I have already held is contained in the impugned Order. The impugned Notification on its own terms does not differentiate

between the transferred Development Officers and the direct recruits. Consequently, it cannot be said to be in contravention of Article 16 of the

Constitution of India. The challenge to the impugned Notification by Mr. Chatterjee on the ground of violation of Article 16 of the Constitution of

India, therefore, fails.

26. The next argument of Mr. Chatterjee was that the impugned Order and Notification were passed by the Central Government and the

Corporation were violative of principles of natural justice. It is submitted that before they were passed there was no consultation with the persons

who were sought to be affected by the said Order and the Notification. Mr. Chatterjee placed strong reliance on the observations of Wanchoo J.

(as he then was) in the case of *State of Assam and Another Vs. Bharat Kala Bhandar Ltd. and Others*, .

27. In reply to this contention both Mr. D.N. Das and Mr. Noni Coomar Chakraborty cited several decisions including a recent judgment of the

Allahabad High Court. My attention was drawn also to the one of the affidavits on behalf of the Respondents where it had been stated that the

impugned Order and Notification were issued in partial acceptance of the recommendations of a committee known as Morarka Committee. This

committee had submitted a report after consultation with all the interests involved including the Corporation and the various unions of its

employees.

28. It seems to me that there is a controversy on the factual aspect of this argument, viz. whether the Development Officers were at any stage

consulted through their Union or otherwise before the impugned Order and the impugned Notification were published. That being the position, I do

not feel inclined to go into the various authorities cited in detail. In view of my finding on the question of the constitutional invalidity of the impugned

Order I do not feel inclined to express any final opinion on this aspect of the argument on natural justice.

29. I, therefore, hold that the impugned Order dated April 8, 1976, must be held to be contravention of Article 16 of the Constitution of India and

must, therefore, be struck down. I, further, hold that the impugned Notification dated April 21, 1976, is inter vires and valid.

30. In the result this application succeeds in part and is allowed. The Rule is made absolute to the extent indicated above. There will be a writ in

the nature of mandamus directing the Respondents to withdraw cancel and forbear from giving effect to the impugned Order G.S.R. 290(E) dated

April 8, 1976 in any manner whatsoever.

31. There will be no order as to costs. The operation of this order is stayed for a period of three weeks from date.