



**GOVERNMENT OF KERALA**

**Planning & Economic Affairs (BPE) Dept.**

**No.9894/BPE2/05/Plg.**

**Thiruvananthapuram,**

**Dated, 02/3/2005**

**CIRCULAR**

Sub: Public Sector Undertakings - Revision of Wages in loss-making  
Public Sector Enterprises - Further Instructions - Issued.

Ref: 1. G.O.(MS.) No.18/93/Plg., dated 14/10/1993

2. G.O.(MS.) No.17/94/Plg., dated 24/10/1994.

3. G.O.(MS.) No.12/95/Plg., dated 15/7/1995.

4. Judgment dated 25/04/2003 of the Hon'ble Supreme Court  
of India in Transfer Petition No.8 of 2000 in A.K.Bindal and others  
Vs: Union of India and others.

5. Office Memorandum, F.No.2(37)/2000-DPE(WC) dated  
9/7/2003, from the Ministry of Heavy Industries & Public  
Enterprises, Government of India.

In the Government Orders cited, Government have clarified that loss-making Public Sector Undertakings are not eligible for wage/pay revision.

2. The Hon'ble Supreme Court of India, in their Judgment dated 25/04/2003, in A.K.Bindal and others Vs. Union of India and others, cited 4<sup>th</sup> above, has made observations on the following lines while considering the issue concerning revision of pay/wages in loss-making Public Sector Undertakings and payment of arrears arising out of pay/wage revision: -

- (i) The employees of the Government Companies are not civil servants and so are not entitled to protection under Article 311 of the Constitution.
- (ii) Since employees of Government Companies are not Government servants, they have no legal right to claim that government should pay their salary or that the additional expenditure incurred on account of revision of their pay scale should be met by the Government.
- (iii) The economic viability or financial capacity of the employer Company should be taken into consideration in the matter of revision of the pay scales of the employees.

- (iv) There is no legal or constitutional infirmity in stipulating that for the sick Public Sector Undertakings registered with the BIFR, pay revision and grant of other benefits will be allowed only if it is decided to revive the Unit and the revival package should include the enhanced liability on this account.
- (v) The main purpose of paying enhanced amount under the V.R.S. is to bring about a complete cessation of the jural relationship between the employer and the employee. After the said amount is paid and the employee ceases to be under the employment of the company he leaves with all his rights and there is no question of his again agitating for any kind of his past rights, with his erstwhile employer including making any claim with regard to enhancement of pay scale for an earlier period.

3. As the judgment upholds the views of the Government on the issue of V.R.S. as well as pay/wage revision for the employees of loss-making Public Sector Undertakings, all the concerned Departments and authorities should follow the above observations of the Hon'ble Supreme Court of India while dealing with the issues highlighted in respect of the Public Sector Undertakings.

PALAT MOHANDAS

Chief Secretary

To

The Chief Executives of all Public Sector Undertakings

All Administrative Departments in the Secretariat.