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## KARNATAKA HIGH COURT ON FIXING MINIMUM WAGES

The Karnataka High Court (**HC**), in *Karnataka Employers' Association* case,<sup>1</sup> on December 13, 2024, mandated employer participation in the minimum wage (under the Minimum Wages Act, 1948 (**MWA**)) revision process. It reinforced the principles of fairness and reasonability in administrative and legislative functions impacting the rights and obligations of all stakeholders.

### Brief Facts

The case originated from a writ petition filed by two employee trade unions (**Unions**) seeking to overturn the July 28, 2022 notification of the Government of Karnataka revising minimum wages for foundry workers (**Notification**).

The Unions argued that the government, when issuing the notification, did not adhere to the guidelines set by the Supreme Court in the *Raptakos Brett* case<sup>2</sup> (**RB Case**) when revising minimum wages. They challenged before a Single Bench of the HC (**SB**) as they believed the revised wages did not adequately reflect a 'need-based minimum wage'.

The SB, after hearing the arguments of the Unions, decided in their favor. It set aside the Notification and instructed the government to issue a revised notification that strictly followed the RB Case guidelines. The new notification was to take effect retrospectively from July 28, 2022.

52 appeals brought before the Division Bench of HC (**DB**) on December 13, 2024 were filed by employers and employer associations who were not parties to the original writ petition. They highlighted that they were not included as parties in the original writ petition despite actively participating in the Advisory Board meetings leading up to the Notification. They asserted their status as vital stakeholders, emphasizing their contributions and highlighting concerns regarding the impact of minimum wages on small industries. They also contended that the RB Case primarily dealt with the dearness allowance linked to minimum wages and not the broader concept of a 'living wage' as contended by the Unions.

### DB's Judgement and Reasoning

DB set aside the SB order, remanded the case back to the SB, directing the inclusion of the appellants as parties and affording them the opportunity to present their case.<sup>3</sup> It also:<sup>4</sup>

- Examined the provisions of the MWA particularly Section 5, which outlines the procedure for fixing and revising minimum wages.
- Acknowledged that the notification process, while culminating in a legislative act, entails a series of statutory steps requiring adherence to the principles of natural justice.
- Recognized the employers' significant role in the minimum wage fixation process, highlighting their participation in the advisory board proceedings. It deemed their exclusion from the writ petition as a critical flaw, rendering the SB's decision potentially unjust and arbitrary.

<sup>1</sup>*Karnataka Employers Association & Others AND All India Trade Union Congress & Others*, 2024 LiveLaw (Kar) 523.

<sup>2</sup>*Workmen vs. Raptakos Brett & Co. Ltd.*, (1992) 1 SCC 290.

<sup>3</sup> Paragraph 6 of the Judgement.

<sup>4</sup> Paragraphs 4 and 5 of the Judgement.

- Held that denying them a voice in a matter directly impacting their interests violated principles of natural justice.
- Emphasized the need for a fresh decision, adhering to the principles of natural justice.
- Clarified that its current order did not reflect any opinion on the merits of either side's arguments, leaving the matter open for comprehensive re-evaluation by the SB.

### **Observations**

The DB decision underscores the importance of fair representation and procedural integrity in labour law matters. It sets a precedent for ensuring balanced decision-making processes in similar situations.

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