



2026 INSC 607

REPORTABLE

IN THE SUPREME COURT OF INDIA

CIVIL ORIGINAL JURISDICTION

WRIT PETITION (C) No.932 OF 2022

**BIHAR STATE ARDH SARKARI
ARAJPATI KARAMCHARI MAHA
SANGH AND ORS.**

....PETITIONER(S)

VERSUS

STATE OF BIHAR AND ORS.

....RESPONDENT(S)

ORDER

Mehta, J.

1. Heard in part.

BACKGROUND

2. The present proceedings arise out of a prolonged and distressing humanitarian as well as legal controversy concerning the continued non-payment of salaries, retiral dues and other consequential emoluments payable to thousands of employees of five State-owned Corporations, namely, Bihar State

Construction Corporation Ltd.; Bihar State Industrial Development Corporation Ltd.; Bihar State Electronic Development Corporation Ltd.; Bihar State Forest Development Corporation Ltd.; and Bihar State Panchayati Raj Financial Corporation Ltd.; following the bifurcation of the erstwhile State of Bihar under the provisions of the Bihar Reorganisation Act, 2000. Upon the creation of the successor State of Jharkhand, the assets and liabilities of the concerned Corporations, were required to be apportioned between the successor States of Bihar and Jharkhand in accordance with the statutory scheme contemplated under the Act. However, the process of bifurcation and settlement of liabilities remained unresolved for nearly two and a half decades, leaving the employees/workmen and their families in a state of acute financial distress and prolonged uncertainty.

3. The material placed before this Court revealed that the prolonged non-payment of lawful dues resulted in grave humanitarian consequences affecting a large section of the workforce and their dependants. The proceedings disclosed allegations of severe deprivation, destitution and reported instances of suicides and starvation deaths amongst

the affected employees and their family members owing to prolonged denial of salaries and retiral benefits. The dispute, therefore, ceased to remain a mere matter of financial adjustment between two successor States and assumed the character of a significant human rights and constitutional concern directly implicating the right to livelihood and dignity guaranteed under Article 21 of the Constitution of India.

4. The issue first engaged the attention of this Court in the proceedings arising out of ***Kapila Hingorani v. State of Bihar***¹, wherein this Court, while dealing with the plight of the employees of the State Corporations between the years 2003 and 2005, emphatically observed that States could not absolve itself of responsibility in the face of a humanitarian crisis of such magnitude. During the course of the said proceedings, this Court directed the respondent States to deposit an aggregate amount of Rs. 125 crores as an interim arrangement for disbursal of dues through a Committee headed by Justice Uday Sinha (Retd.). However, despite the

¹ (2003) 6 SCC 1.

aforesaid intervention, the amount so made available proved insufficient and the payments effected therefrom could clear salary arrears only up to February, 1997, leaving the claims for the subsequent years substantially unresolved.

5. The present phase of litigation commenced with the institution of Writ Petition (Civil) No. 932 of 2022 by the petitioner-association seeking issuance of an appropriate writ, order or direction commanding the States concerned and the Union of India to complete the process of bifurcation and to ensure release of the outstanding salaries, retiral dues and other admissible benefits payable to the employees concerned. Although the State of Bihar had issued certain resolutions in the year 2018 contemplating adjustment and payment of employees of defunct Corporations, implementation thereof insofar as the inter-State entities were concerned remained deferred pending final settlement of the apportionment of assets and liabilities between the States of Bihar and Jharkhand. The result was that, notwithstanding repeated assurances and policy measures, the employees continued to remain deprived of their lawful entitlements.

6. In an endeavour to resolve the continuing stalemate, this Court, by order dated 9th October, 2023, directed the Union of India and the States of Bihar and Jharkhand to jointly deliberate and arrive at a settlement with regard to the division of assets and liabilities of the concerned Corporations. Pursuant thereto, an administrative committee comprising senior officers was constituted and a report came to be submitted in December, 2023 indicating the extent of liabilities. However, substantial disagreements continued to persist between the parties with regard to issues such as the geographical allocation of employees, apportionment of liabilities arising out of salary dues and interest thereon, and the absence or non-availability of original service records pertaining to several defunct entities. By the beginning of the year 2025, the compliance asserted by the States continued to be seriously disputed by the petitioner-association, which alleged that only a negligible portion of the overall liability had actually been discharged.

FINDINGS, OBSERVATIONS AND RECOMMENDATIONS OF THE COMMITTEE

7. It was in the aforesaid backdrop, and having regard to the extraordinary complex factual situation prevailing in the present case, that this Court considered it necessary to constitute a Committee under the Chairmanship of Hon'ble Mr. Justice Dinesh Maheshwari, Judge (Retd.), Supreme Court of India, for the purpose of undertaking a comprehensive enquiry into the entire factual matrix pertaining to the prolonged non-payment of salaries, retiral dues, pensionary benefits and other consequential emoluments payable to the erstwhile employees of five State Corporations. The Committee was further entrusted with the responsibility of examining the underlying administrative, financial and legal issues giving rise to such non-payment and to place before this Court appropriate suggestions and recommendations for an effective, equitable and time-bound resolution of the grievances of the affected employees.

8. While constituting the Committee, this Court carved out the following points of reference for consideration and enquiry by the Committee:-

- I. Fixation of the proportional liabilities of both the States i.e., State of Bihar and State of Jharkhand, towards the salaries and other emoluments including retiral benefits of the employees of the erstwhile corporations, whether dissolved or existing.
 - II. Identification of the employees/family members of the deceased employees including a finding on the service tenure(s) of the employee(s) concerned and the duration for which they have been deprived of their lawful dues.
 - III. The entitlement of the erstwhile employees to receive salary and/or retiral benefits as per the extant statutes or rules.
 - IV. Any other matter relevant to the controversy.
- 9.** This Court, thereafter, received two interim reports submitted by the Committee, the first dated 6th August, 2025 and the second, which was taken on record and perused by this Court on 25th November, 2025. Upon a consideration of the said interim reports, this Court observed that substantial compliance had been achieved in respect of the issues forming part of the reference entrusted to the

Committee and that significant progress had been made towards redressal of the grievances of the affected employees.

10. However, bearing in mind that certain residual and ancillary issues still required deliberation and resolution, and with a view to ensuring that the entire exercise achieved a comprehensive, effective and equitable solution, this Court extended the tenure of the Committee.

11. The Committee has now submitted an exhaustive final report dated 30th April, 2026. The said report has been placed before this Court and was perused minutely. The final report encapsulates the proceedings undertaken by the Committee, the measures adopted towards resolution of the outstanding issues, the extent of compliance achieved by the concerned authorities, and the recommendations considered necessary for ensuring a complete and effective settlement of the claims relating to unpaid salaries, retiral dues, pensionary benefits and other consequential emoluments payable to the erstwhile employees of the five State Corporations.

12. The Committee, in discharge of the mandate entrusted to it by this Court, undertook an extensive exercise spanning 25 meetings in all, commencing with its first sitting held on 7th April, 2025 and culminating in its final meeting convened on 31st January, 2026. During the course of the said proceedings, the Committee took into consideration oral as well as written submissions advanced on behalf of the respective parties, examined the status reports and progress reports periodically filed by the concerned State authorities and other stakeholders, and issued such directions, advisories and procedural orders from time to time as were considered necessary in the facts and circumstances of the case for effectuating compliance and facilitating resolution of the outstanding issues.

I. FIXATION OF THE PROPORTIONAL LIABILITIES OF BOTH THE STATES TOWARDS THE SALARIES AND OTHER EMOLUMENTS

13. The Committee recorded that the first issue pertaining to the fixation and apportionment of the proportional liabilities of the respective States towards payment of salaries, retiral dues and other consequential emoluments payable to the employees

of the erstwhile State Corporations, whether dissolved or continuing in existence, substantially stands resolved. In this regard, the Committee has taken note of the Affidavit dated 22nd December, 2023 filed on behalf of the Union of India and observed that the said affidavit delineates, in a tabulated form, the total financial liability apportioned to the respective States in relation to the five erstwhile Corporations concerned. The relevant paragraphs of the Report are extracted hereinbelow for ready reference:-

“8. The grievances of the employees having remained unredressed, the petitioners, being the associations and some of the employees, preferred the present writ petition [WP (C) No. 932/2022] wherein, the Hon'ble Supreme Court has constituted this Committee. This petition has been filed by the Union/Association(s) representing the employees (petitioner Nos. 1 to 9) and other individuals (petitioner Nos. 10 to 17) against the State of Bihar (respondent No. 2) and its various departments through their Principal Secretaries (respondent Nos. 4 and 16 to 20); the State of Jharkhand (respondent No. 3); the five PSUs with their subsidiaries (respondent Nos. 5 to 15); and Government of India through the Ministry of Home Affairs (respondent No. 21).

8.1. While dealing with this writ petition on 09.10.2023, the Hon'ble Supreme Court observed that considering the nature of issue involved, the appropriate course would be to make Union of India, State of Jharkhand and State of Bihar to sit together and sort out the issues with regard to payment of salaries to employees of various corporations as also the division of assets and liabilities of these PSUs, located in the two states. For this purpose, the Hon'ble Court constituted a Committee comprising senior officers from the Union of

India (UOI), State of Bihar and State of Jharkhand, and expected their report within three weeks.

8.2. Thereafter, an affidavit dated 22.12.2023 was filed on behalf of UOI placing on record the minutes of meetings of the Committee and its report stating the total liability of the respective states in a tabulated form in relation to the five PSUs, while also indicating that the share between the two states in relation to the Bihar State Construction Corporation Limited shall be decided on the basis of location of the employees. It was also stated that the necessary details of compensation to the families of 316 employees who had passed away were to be provided by both the State Governments. However, it did not specify the number of employees component of dues, or the period for computation of liabilities.”

II. IDENTIFICATION OF THE EMPLOYEES/FAMILY MEMBERS OF THE DECEASED EMPLOYEES

14. Insofar as the second issue relating to the identification and verification of the concerned employees, including the legal heirs of deceased employees, as well as the determination of their respective tenure of service and the period during which they remained deprived of their lawful salaries, retiral dues and other admissible emoluments is concerned, the Committee has recorded that the said issue substantially stands resolved.

15. The Final Report furnishes a comprehensive corporation-wise data depicting the status of identification, verification and disbursal of dues in

respect of the employees concerned, which, in the considered view of the Committee, demonstrates the substantial progress achieved during the course of the enquiry proceedings. For a proper appreciation of the extent of compliance achieved and the status of settlement arrived at during the course of the proceedings before the Committee, the tabulated data contained in the Final Report is reproduced hereinbelow for ready reference:-

Respondent Corporations	Payment Status	Remarks for unpaid
1. Bihar State Construction Corporation Ltd. (BSCCL) (R.5); Water Resource Department (R.16)	Total employees – 1256 Total Paid – 1038	208- untraceable 10- documents awaited for verification and payment
2. Bihar State Industrial Development Corporation Ltd. (BSIDC) (R. 6); Bihar Spun Milk Mill (R, 7); Scooter Project Fatuha (R. 8); Industry Department (R. 17)		
Bihar Spun Silk Mill	Total employees – 351 Total Paid – 341	06 – untraceable 04 – documents awaited for

		verification and payment
Bihar Scooters Ltd., Fatuha	Total employees – 65 Total Paid – 62	01 – untraceable 02 – documents awaited for verification and payment
Other units of Corporation (Jharkhand)	Total employees – 163 Total Paid – 161 (136 paid + no liability found for 25)	25 – No Salary dues found 02 – documents awaited for verification and payment
3. Bihar State Electronics Development Corporation (BSEDC) (R. 9); IT Department (R.18); Beltron Video System Ltd. (BVSL) (R. 10); Beltron Mining System Ltd. (BMSL) (R. 11)		
BVSL Hajipur	Total employees – 70 Total Paid – 65 (as of 24.12.2025)	02 – payment in process 03 – documents awaited for verification and payment

BVSL Ranchi	Total employees – 25 Total Paid – 23 (as of 24.12.2025)	01 – untraceable 02 - documents awaited for verification and payment
BMSL Dhanbad	Total employees – 38 Total Paid – 27 (as of 24.12.2025)	01 – untraceable
4. Bihar State Forest Development Corporation (BSFDC) (R.12); Environment and Forest Department (R.19); Bihar Solvent and Chemical Ltd. (R.13); Bihar State Tannin Extract Ltd. (R. 14)	Total employees – 203 Total Paid – 201	01- untraceable 01 - documents awaited for verification and payment
5. Bihar Panchayati Raj Financial Corporation Ltd. (BPRFC) (R. 15); Panchayati Raj Department (R. 20)	Total employees – 103 Total Paid – 89 (as of 24.12.2025)	13 – untraceable 01 - documents awaited for verification and payment

Total Paid – 2,017

Untraceable employees – 231

Documents awaited for verification and payment – 24

Payment in process - 02

16. As reflected from the tabulated data, out of a total of 2,274 verified employees/workmen, lawful dues and consequential emoluments admissible in accordance with their respective entitlements have already been disbursed to as many as 2,017 employees/workmen, whereas the process of document verification and consequential determination of entitlement is still underway in respect of 24 employees/workmen.

17. In relation to the remaining fraction of 231 employees who presently continue to be categorized as “untraceable”, the Committee has specifically recorded that repeated and exhaustive efforts, to the extent reasonably feasible, were undertaken by the concerned administrative authorities for tracing and verification of the said individuals and/or their legal heirs. The Committee has noted that such efforts included issuance of public notices through newspaper publications, local-level enquiries and

field verifications conducted through the departmental machinery and district-level authorities.

18. Upon consideration of the material placed before it, the Committee has concluded that the aforesaid residual cases do not involve any substantive dispute concerning either the identity of the employees or the existence of their legal entitlement to receive the admissible dues and emoluments. According to the Committee, the pendency of such cases is attributable solely to the inability of the authorities to secure the presence of the concerned individuals or their legal heirs for completion of the requisite formalities and verification procedures.

19. The Committee has accordingly observed that any further resolution in respect of the said residual cases would depend upon the concerned claimants or their legal representatives coming forward and producing the requisite documents before the designated departmental nodal officers for verification and processing of their claims. In view of the aforesaid position, the Committee has opined that no further adjudicatory determination or issuance of

any continuing writ of mandamus on this aspect is presently warranted by this Court.

III. THE ENTITLEMENT OF THE ERSTWHILE EMPLOYEES TO RECEIVE SALARY AND/OR RETIRAL BENEFITS

20. The Committee has reported that the third issue, namely, the entitlement of the erstwhile employees/workmen to receive salaries/wages and retiral benefits in terms of the extant statutory framework, applicable rules and governing service conditions, still remains unresolved owing to the conflicting and divergent stands adopted by the respective parties. The Committee has observed that the aforesaid issue constitutes the principal surviving controversy arising out of the reference made by this Court and has accordingly identified the following five sub-issues as forming the core components of the residual dispute requiring consideration and determination by this Court:-

- i. Issue 3A: The applicable pay structure for each corporation, specifically regarding Pay Revision Commissions (PRCs), annual increments, gratuity, and leave encashment.

- ii. Issue 3B: The applicable wage rates for daily-wage employees and resolving any discrepancies.
- iii. Issue 3C: Determination of dues regarding the Employees Provident Fund (EPF) and the methodology for satisfying those entitlements.
- iv. Issue 3D: Entitlement of the families of deceased employees to compensation or other support.
- v. Issue 3E: The payment of interest on delayed dues

21. The Committee has undertaken an elaborate and comprehensive examination of the aforesaid five sub-issues and has rendered its considered findings, opinion and recommendations thereon for the consideration of this Court in the final adjudication of the disputes arising in the present proceedings.

i. Issue 3A: Applicable Pay Revision Commission

22. The Committee has opined that the petitioners' claim seeking extension of benefits arising from subsequent Pay Revision Commissions is not legally sustainable. The Committee has observed that prior

to the Corporations becoming defunct, the respective Boards had consciously adopted only the recommendations of the 4th Pay Revision Commission and, in the case of Bihar State Forest Development Corporation, the 5th Pay Revision Commission. It has been noted that no resolution, decision or statutory adoption of any subsequent Pay Revision Commission was ever undertaken by the competent authorities prior to cessation of the corporations' functioning.

23. The Committee has, therefore, concluded that in the absence of a subsisting employer-employee framework and in the absence of any statutory or contractual mandate extending such revisions, no enforceable legal right can accrue in favour of the employees for grant of benefits under subsequent Pay Revision Commissions.

ii. Issue 3B: Applicable Wage Rates for Daily-Wage Employees

24. With regard to the claim of daily-wage employees for payment at revised minimum wage rates during the period in which no work was actually rendered, the Committee has found the said claim to

be untenable both on legal principles and on the factual matrix of the present case.

25. The Committee has observed that the doctrine underlying payment of wages necessarily presupposes rendering of service and that, in the peculiar circumstances prevailing after closure and virtual non-functioning of the Corporations, the States nevertheless extended notional continuity by providing the minimum wage rates prevailing in the year 1992 i.e., Rs. 42.50 per day, till the respective dates of retirement or cessation of service of the concerned workmen. The Committee has regarded the said measure as a reasonable, equitable and humanitarian arrangement intended to mitigate hardship, and has opined that no further enhancement by application of subsequently revised minimum wage rates can be claimed as a matter of vested legal entitlement.

26. Nonetheless, the Committee has observed that appropriate directions are required to be issued to the respective States to ensure that the computation and determination of dues payable to each daily-wage employee are undertaken strictly in accordance with the applicable wage rates and governing norms. The

Committee has further emphasized that the concerned authorities must ensure complete and accurate disbursement of all admissible amounts to every eligible daily-wage employee, or, where applicable, to their legal heirs, without any discrepancy, deficiency or computational error, so as to secure full and effective compliance with the entitlement determined in their favour.

iii. Issue 3C: Determination of dues regarding the Employees Provident Fund

27. The Committee has emphatically observed that provident fund accumulations constitute a vested statutory right of the employees and partake the character of protected retiral benefits incapable of being defeated by administrative lapses, financial incapacity or procedural impediments. Thus, the Committee has noted that the obligation to ensure disbursement of provident fund dues survives notwithstanding the dissolution or functional collapse of the Corporations concerned.

28. Accordingly, the Committee has recommended formulation of a structured and time-bound mechanism whereby, in cases where reconciliation, tracing or reactivation of Employees Provident Fund

accounts is no longer feasible, the concerned States shall directly disburse to the beneficiaries both the employer's and employee's contributions together with the accrued statutory interest, so as to secure complete restitution of the employees' lawful entitlements.

29. The Committee has recommended a structured mechanism for resolution of the captioned issue in the following terms:-

- i. For the Corporations where employer and employee contributions have already been paid directly to employee or heirs, the settlement should be treated as final, though subject to any outstanding dues or discrepancies and payment of interest.
- ii. For the Corporations where the EPF amount is yet to be paid, the State shall pay the sum of employer contribution, employee contribution, and interest under Section 7Q of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 directly to the employees or their heirs.

iv. Issue 3D: Entitlement to Compensation

30. As regards the claim relating to compensation payable to the legal heirs of employees/workmen who expired during the prolonged period of deprivation and financial distress, the Committee has observed that no specific statutory provision or service rule presently exists providing for an independent compensatory framework of such nature.

31. At the same time, the Committee has taken note of the grave humanitarian consequences resulting from prolonged denial of salaries and retiral dues and the severe hardship suffered by several families on account thereof.

32. In view of the extraordinary facts and circumstances of the case, the Committee has suggested that this Court, in exercise of its equitable and constitutional jurisdiction, may consider grant of an appropriate quantified compensation to the legal heirs of those employees whose deaths are demonstrably attributable to the extreme deprivation and destitution occasioned by non-payment of legitimate dues.

v. Issue 3E: Payment of interest on delayed dues

33. Lastly, with respect to claim concerning payment of interest on delayed disbursement of salary arrears and provident fund dues, the Committee has observed that prolonged withholding of lawful emoluments and retirement benefits has resulted in continuing financial prejudice to the affected employees and their families.

34. The Committee has accordingly recommended that interest at the rate of 7.5% per annum be awarded on delayed payment of salary arrears and interest at the rate of 12% per annum on delayed provident fund dues, the latter being in consonance with the statutory and compensatory character of provident fund entitlements.

35. The Committee has opined that award of such interest would constitute a measure of restitution and fair recompense for the inordinate delay and deprivation suffered by the employees over an extended period of time. The report shall form an integral part of this order.

DISCUSSION AND CONCLUSION

36. We have carefully perused the Final Report submitted by the Committee and have duly considered the findings, observations,

recommendations and suggestions contained therein. Upon an overall consideration of the report, we find ourselves in agreement with a substantial part of the recommendations and proposals made by the Committee, particularly those which facilitate effective resolution of the outstanding claims and ensure equitable disbursement of the lawful dues payable to the affected employees/workmen and their legal heirs.

37. The issues in respect whereof we find ourselves in agreement with the findings, recommendations and suggestions made by the Committee, together with the consequential directions required to be issued for effective implementation thereof, are enumerated hereunder:-

- i. The apportionment and fixation of the *inter se* liability of the respective States towards payment of salaries, retiral dues and other consequential emoluments payable to the employees of the erstwhile corporations shall stand resolved in terms of the allocation and computation determined by the Committee in paragraph No. 8.2 of the Final Report, namely, on the basis of the Affidavit dated 22nd

December, 2023 furnished on behalf of the Union of India, which shall govern the respective liabilities of both the States.² The concerned States shall remain bound to discharge their respective liabilities accordingly, if already not discharged.

ii. The determination of the applicable Pay Revision Commission shall stand confined to the Pay Revision Commission(s) duly adopted by the concerned Corporations prior to their becoming defunct, and consequently, no entitlement shall accrue in favour of the employees towards benefits arising from any subsequent Pay Revision Commissions which were never formally adopted by the competent authorities of the respective Corporations.³

iii. The determination, computation and disbursal of dues payable towards Employees' Provident Fund contributions and allied statutory benefits shall be undertaken in accordance with the structured mechanism recommended by the Committee and noted

² *Supra*, para No. 13.

³ *Supra*, para Nos. 22-23.

hereinabove⁴, and the concerned authorities shall ensure expeditious and effective disbursement of the admissible amounts to the eligible employees and/or their legal heirs in accordance therewith.

38. Notwithstanding the substantial resolution of the disputes in terms of the findings and recommendations accepted hereinabove, following residual issues still survive which, in our considered view, require independent judicial consideration and adjudication by this Court having regard to the nature of the claims involved and the legal consequences flowing therefrom:-

- i. The identification and verification of the remaining employees/workmen and/or the legal heirs of deceased employees/workmen in cases where claims are yet to attain finality;
- ii. The entitlement of the daily-wage workmen, as also the legal heirs of deceased employees/workmen, to lump-sum compensation and/or any other form of monetary, rehabilitative or welfare support

⁴ *Supra*, para Nos. 28-29.

including payment of due wages and other consequential admissible benefits; and

- iii. The entitlement to, and determination of, appropriate interest on delayed payment of salaries/wages, retiral dues, provident fund amounts and other consequential emoluments.

39. We deem it appropriate to place on record our sincere appreciation to the Committee headed by Hon'ble Mr. Justice Dinesh Maheshwari, Judge (Retd.), Supreme Court of India as well as the other members of the Committee, and the learned counsel representing the parties and so also the concerned officials and the State Governments, whose cooperation and coordinated efforts have substantially facilitated the equitable resolution of this long-pending complex dispute.

40. Further, we direct that an additional honorarium of Rs. 35,00,000/- (Thirty-Five Lakhs only) shall be paid to Hon'ble Mr. Justice Dinesh Maheshwari, Judge (Retd.), Supreme Court of India. The said amount shall be borne equally by the States of Bihar and Jharkhand and disbursed within a period of four weeks from today.

41. Accordingly, in view of the aforesaid surviving issues requiring judicial consideration and determination, we direct that the matter be listed in the part-heard category for further hearing and adjudication of the issues enumerated hereinabove. In the intervening period, the parties shall place on record their written submissions as may be considered necessary for effective adjudication of the said issues. The States of Bihar and Jharkhand shall file their respective compliance affidavits placing on record the steps taken towards implementation of the directions issued hereinabove and the extent of compliance effected pursuant thereto.

42. List again on 1st September, 2026 as a part heard case.

.....**J.**
(VIKRAM NATH)

.....**J.**
(SANDEEP MEHTA)

NEW DELHI;
DATE 29th MAY 2026