Labour & Employment - Recent Judicial Developments

When can an employer's own records determine an employee's continuous service?

A recent decision of the Delhi High Court in *Sanjay Verma v. Aithent Technologies Pvt. Ltd*[1] provides an interesting perspective on the distinction between contractual employment claims and statutory employment rights.

The employee sought recovery of deferred salary, compensation bonus, transfer allowance and gratuity. The Court rejected the claims relating to deferred salary, compensation bonus and transfer allowance, holding that the employee had failed to establish any legally enforceable contractual obligation requiring the employer to make those payments. The Court also noted the absence of any written agreement, policy or contemporaneous record supporting the alleged promise to pay the deferred salary or bonus.

The gratuity claim, however, was treated differently.

The Trial Court had rejected the claim on the ground that the employee had not completed the requisite period of continuous service. On appeal, the Delhi High Court relied on the employer's own experience certificate and the admissions made by its witness to hold that the material on record prima facie established continuous service from 1992 to 2005, including the employee's overseas assignment. Consequently, the High Court held that the Trial Court's finding on continuous service could not be sustained.

At the same time, the Court declined to adjudicate the gratuity claim itself. It observed that the Payment of Gratuity Act, 1972 provides a complete statutory mechanism for determining entitlement, computation and all incidental issues relating to gratuity. The employee was therefore granted liberty to approach the competent authority under the Act, with all questions on merits left open.

Key takeaway: *The decision reinforces that while contractual employment claims will succeed only if supported by enforceable contractual obligations, gratuity stands on a different footing as a statutory right. It also serves as a reminder that an employer's own records and admissions can play a crucial role in establishing continuous service before the statutory authority.*

Can an employer refuse to deduct cooperative society loan repayments from an employee's salary?

A recent Full Bench decision of the Madras High Court in *Central Warehousing Corporation Employees Cooperative Society Ltd. v. Joint Secretary to the Government of India*[2] examines the interaction between Section 60 of the Multi-State Co-operative Societies Act, 2002 (**MSCS Act**), which governs salary deductions authorised by members of multi-state cooperative societies, and the Code on Wages, 2019 **(Wage Code)**, India's principal legislation governing the payment of wages and permissible deductions.

The dispute arose after the Central Warehousing Corporation discontinued its longstanding practice of deducting loan repayments and subscriptions payable by employees to their cooperative society directly from their salaries. The Corporation maintained that repayment of such dues was the responsibility of individual employees. The society challenged this decision, contending that Section 60 of the MSCS Act imposed a statutory obligation on the employer to make the deductions.

The Full Bench held that Section 60 requires only a bilateral agreement between the employee and the cooperative society. Neither a tripartite agreement nor the employer's consent is required under the MSCS Act. Once such an agreement is executed and the prescribed written requisition is made, the employer is required to make the deduction in accordance with the agreement. However, the employee's contract of employment may independently require the

[1] 2026 SCC OnLine Del 4742
[2] 2026 SCC OnLine Mad 5110

employer's consent. The agreement must also specify the amount to be deducted, and the Court held that a copy should be furnished to the employer.

The Court further held that deductions under Section 60 must comply with Section 18 of the Wage Code, which permits deductions towards payments to cooperative societies but limits aggregate deductions in a wage period to 50% of wages.

Key takeaway: *An employer's consent is not a statutory prerequisite under Section 60 of the MSCS Act. However, deductions must comply with the employee's contract of employment (where applicable), specify the amount to be deducted, and remain within the 50% ceiling prescribed under the Wage Code.*

J&K High Court reaffirms that maternity benefits cannot be denied to contractual employees

The Jammu & Kashmir High Court, in *Dr. Sonakshi Gupta & Ors. v. UT of J&K and others*[3] delivered a significant ruling reaffirming that maternity benefits are a constitutional right and not merely a discretionary employment benefit.

The case concerned Senior Residents/Tutors engaged under the Jammu & Kashmir Medical and Dental Education (Appointment on Academic Arrangement Basis) Rules, 2020, whose salaries were withheld during maternity leave on the ground that they were "out of assignment." Rejecting this reasoning, the Court held that denying pay during maternity leave solely because an employee is engaged on a tenure-based or contractual basis cannot withstand constitutional scrutiny.

The Court observed that the Government Order extending maternity leave to Senior Residents/Tutors incorporated the existing Government rules governing maternity leave. Accordingly, the respondents could not grant maternity leave on the one hand while withholding salary and allowances on the other. The impugned communication denying pay during maternity leave was therefore quashed, and the Court directed the authorities to grant the petitioners full pay and allowances during maternity leave as well as the corresponding extended period of residency.

In reaching its decision, the Court relied upon Articles 14, 15, 15(3), 21 and 42 of the Constitution of India, while reaffirming the principles laid down by the Supreme Court in *Municipal Corporation of Delhi v. Female Workers (Muster Roll)*[4], *Deepika Singh v. PGIMER*[5], and *Kavita Yadav v. State (NCT of Delhi)*[6].

Key takeaways:

- *Maternity benefits are an extension of a woman's right to live with dignity.*
- *Tenure-based or contractual employment cannot be used as a basis to deny maternity-related benefits.*
- *Any ambiguity or silence in the rules governing maternity benefits must be resolved through a beneficial interpretation that advances the cause of the female employee rather than depriving her of her entitlement.*

We hope you have found this information useful. For any queries/clarifications, please write to us at insights@elp-in.com or write to our authors:

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[3] (10 July 2026) WP(C) No. 3509/2025 (O&M)
[4] *(2000)* 3 SCC 224
[5] *Chandigarh (2023)* 13 SCC 681
[6] (2024) 1 SCC 421