

“Industry” Definition under Labour Law

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Why in News?

A 9-judge Constitution Bench of the Supreme Court recently examined the meaning of “industry” under labour law.

- **Background** - The issue arose from the landmark **Bangalore Water Supply and Sewerage Board v. R. Rajappa (1978)** judgment.
- **SC Observation** - The 1978 interpretation under the Industrial Disputes Act, 1947 cannot automatically be applied to the new Industrial Relations Code (IRC), 2020.

Background of Bangalore Water Supply Case, 1978

- The judgment gave a broad and inclusive meaning to the term “industry”. It introduced the famous *Triple Test* -
 - Activity should be **systematic and organised**.
 - It should involve **employer-employee cooperation**.
 - It should produce **goods or services** to satisfy human wants and needs.
- **Included in definition** - several institutions such as hospitals, educational institutions and municipalities within the ambit of “industry”.
- **Excluded in definition** - Core sovereign functions such as defence, judiciary and law-and-order functions were generally excluded.
- **Introduced Dominant Nature Test** Where an organisation performs multiple or integrated activities, the dominant nature of its activities can be considered to determine whether it qualifies as an industry.

Recent Supreme Court Verdict

- Under Section 2(p) of the **Industrial Relations Code, 2020**, “industry” will be interpreted afresh.
- The 1978 judgment will not serve as the foundation for interpreting the term under the new Code.
- The ruling creates a distinction between
 - Old disputes where 1978 interpretation applies
 - Future disputes under IRC where fresh interpretation applies.
- A Judge stressed that an inclusive definition is important for protecting workers’ rights, particularly after privatisation and liberalisation.

Reference

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