

From Bangalore Water Supply to Jai Bir Singh: The Evolving Definition Of “Industry”

On August 20, 2026, a nine-judge Constitution Bench of the Supreme Court delivered its much-awaited judgment in *State of U.P. v. Jai Bir Singh*, revisiting the meaning of “industry” under the Industrial Disputes Act, 1947 (**ID Act**) and, in the process, reconsidering one of the most influential decisions in Indian labour jurisprudence, the *Bangalore Water Supply & Sewerage Board v. A. Rajappa* (1978) (**Bangalore Water Supply**).

The expression “industry” has always been central to the application of the ID Act. Whether an establishment qualified as an “industry” determined whether its eligible employees could invoke the industrial dispute resolution machinery and protections available under the legislation.

Section 2(j) of the ID Act defined “industry” broadly to include any “business, trade, undertaking, manufacture or calling of employers” and the corresponding calling, service, employment, handicraft or industrial occupation or avocation of workmen. However, the breadth of this definition gave rise to considerable judicial debate over whether the ID Act was intended to apply only to conventional commercial and industrial establishments or could extend to organisations such as hospitals, educational institutions, charitable organisations and governmental bodies.

The Supreme Court wanted to settle this debate in 1978 through its seven-judge Bench decision in *Bangalore Water Supply*. The Court adopted an expansive and functional interpretation of “industry”, focusing primarily on the nature of the activity being undertaken rather than the identity of the organisation carrying it on or whether it operated for profit.

This resulted in the now well-known “Triple Test”. Under the test, an activity could qualify as an “industry” where there was: (i) systematic activity; (ii) organised cooperation between an employer and employees; and (iii) production and/or distribution of goods or services calculated to satisfy human wants or wishes.

The significance of the Triple Test lay in the manner in which it was applied. Profit motive and the commercial character of the organisation were not decisive. The focus was instead on the nature of the activity and the organised employer-employee relationship through which it was carried out. Consequently, the concept of “industry” was capable of extending well beyond factories and conventional commercial enterprises to hospitals, educational institutions, research organisations, clubs, charitable and welfare bodies and certain governmental activities.

For almost five decades, this expansive interpretation shaped the scope of industrial relations law in India. It was, however, also the source of persistent debate, particularly in relation to welfare activities undertaken by the State, sovereign functions, charitable bodies, liberal professions and other organisations whose principal purpose was not conventionally industrial or commercial.

Parliament sought to address some of these concerns in 1982 by enacting an amended definition of “industry” containing specific exclusions. However, the amended definition was never brought into force. The original Section 2(j), therefore, continued to operate with the interpretation placed upon it in *Bangalore Water Supply*.

The issue returned to the Supreme Court in *State of U.P. v. Jai Bir Singh*. In 2005, a five-judge Constitution Bench expressed reservations about the breadth of the 1978 interpretation and referred the matter to a larger Bench. In 2017, the reference was directed to be considered by a nine-judge Bench, culminating in the present judgment.

By a 5:4 majority, the nine-judge Bench declined to overrule *Bangalore Water Supply* in its entirety and instead refined the principles governing the interpretation of “industry” under the ID Act. The Bench was, however, divided on whether such reconsideration was warranted. Justices B.V. Nagarathna, Dipankar Datta and Ujjal Bhuyan considered it unnecessary to reopen a position that had prevailed for nearly five decades, particularly having regard to the principles of stare decisis and judicial certainty and the subsequent repeal of the ID Act. Justice P.S. Narasimha, while agreeing that the reference was maintainable, also differed from the majority on the need to formulate a new test.

The significance of *Jai Bir Singh* lies not in overruling *Bangalore Water Supply*, but in refining the test that had governed the meaning of “industry” for nearly five decades. The *Jai Bir Singh* case therefore seeks to recalibrate the manner in which

the Triple Test is applied, by requiring greater clarity on the treatment of welfare activities, sovereign functions and liberal professions, rather than treating the broad approach in Bangalore Water Supply as determinative in every case.

Importantly, the Court has limited the impact of this change. Pending disputes under the ID Act will continue to be decided under the original Bangalore Water Supply Triple Test, while the reformulated test in Jai Bir Singh will operate prospectively. Matters that have already attained finality will also remain undisturbed.

The position under the Industrial Relations Code, 2020 (**IR Code**) stands on a different footing. The Supreme Court has expressly confined its ruling to Section 2(j) of the erstwhile ID Act and has not interpreted the definition of “industry” under Section 2(p) of the IR Code.

The practical position is therefore two-fold: legacy disputes under the ID Act remain governed by Bangalore Water Supply, while the meaning and scope of “industry” under the IR Code will have to be independently determined on the basis of the new statutory definition. This distinction is particularly significant because the IR Code contains its own exclusions, and an establishment that qualified as an “industry” under the expansive Bangalore Water Supply test may not necessarily be treated in the same manner under the new regime.

ELP Comments

The judgment provides much-needed clarity on the treatment of legacy disputes while signalling that the position under the IR Code will have to develop independently. Its practical significance will be particularly relevant for educational institutions, hospitals, charitable and welfare organisations and certain public bodies, whose coverage under the earlier regime was significantly influenced by the expansive interpretation in Bangalore Water Supply.

*As **Vivek Daswaney, Partner and Head of the Employment & Labour Law practice at Economic Laws Practice (ELP)**, had highlighted in his comments to **Mint** published on March 16, 2026, the definition under the IR Code may reduce the compliance burden for certain public and non-profit institutions. At the same time, the transition may require organisations to reassess their coverage and corresponding employment-law obligations under the new framework.*

The key development to watch will now be how courts interpret Section 2(p) of the IR Code and the extent to which its specific inclusions and exclusions reshape the boundaries of “industry” under Indian labour law.

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:

Vivek Daswaney, Partner – Email - VivekDaswaney@elp-in.com

Srivaisanavi Arumugam, Associate – Email - SrivaisanaviArumugam@elp-in.com

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