

GRC BULLETIN

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CASE LAW

“Pathological laboratory covered under employees’ state insurance act from 2007 in Kerala” - Supreme court

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JUDICIAL INSIGHT

Case Name

E.S.I. Corporation V.
M/S. Endocrinology
and Immunology Lab,
Civil Appeal No.3368
Of 2012

“PATHOLOGICAL LABORATORY COVERED UNDER EMPLOYEES’ STATE INSURANCE ACT FROM 2007 IN KERALA” – SUPREME COURT

The Supreme Court of India has resolved a long-standing controversy concerning the coverage of pathological laboratories under the Employees' State Insurance Act of 1948 in a landmark decision. On August 2, 2023, Justices Rajesh Bindal and Hima Kohli issued a decision clarifying that such institutions are covered by the Act as of September 6, 2007, rather than November 22, 2002, as previously stated.

FACTS

Employees' State Insurance Corporation (ESI) and M/s. Endocrinology and Immunology Lab were both parties in Civil Appeal No. 3368 of 2012. The Corporation had appealed a Kerala High Court judgement that permitted the respondent's appeal, claiming that the Act's requirements would apply to the laboratory beginning in 2007.

ISSUE

Whether the respondent establishment qualified as a 'shop' under the 1976 notification issued by the Government of Kerala, which encompassed establishments with 10 or more employees. The Corporation also relied on a circular dated November 22, 2002, which updated an earlier memo and tried to include pathological laboratories under the definition of "shop."

HELD

In its Judgement, the Supreme Court extensively analysed the relevant Act sections and notices. The Court determined that the establishment in question did not meet the definition of a "factory" under Section 1(4) of the Act since it did not include a manufacturing process. The Court further determined that the term "shop" was not specifically defined in the Act and dismissed the Corporation's assertion based on the 1976 notification.

Bench clarified, "The respondent establishment will not be covered under the provisions of Section 1(4) of the Act as it will not fall within the definition of a 'factory'." The Court further stated, "The argument raised by the appellant that the respondent establishment should be



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deemed to be covered in terms of the Notification issued on 27.05.1976 read with the Circular dated 22.11.2002 issued by the Corporation, is merely to be noticed and rejected.”

The deciding element was the Notification dated 06.09.2007 issued by the Government of Kerala, which expressly covered medical facilities, including pathological labs, inside the jurisdiction of the Act where 20 or more people were engaged. The Court accepted that this letter explained the respondent establishment's coverage beginning on September 6, 2007. The Supreme Court has resolved the issue concerning the coverage of pathological labs under the Employees' State Insurance Act of 1948. The verdict will have far-reaching repercussions for comparable enterprises across the country, providing clarity on their compliance with the Act.

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