CASE ANALYSIS: STATE OF BOMBAY V. THE HOSPITAL MAZDOOR SABHA

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Citations : (1960) AIR 610, 1960 SCR (2) 866

Bench: P.B. Gajendragadkar, J; K. Subbarao, J; KC Das Gupta, J

INTRODUCTION

To prevent industrial unrest, enable the peaceful settlement of labour disputes, and safeguard workers from being exploited and mistreatment by their employers, the Industrial Disputes Act 19471 was established. This act deals with industrial disputes, compensation, retrenchment, notice requirements, etc. The aforementioned act also describes words such as “Industry” and widens the scope to include a vast range of operations. The term "industry" under the amended act refers to any systematic activity carried out by an employer and his employees for the production, supply, or distribution of goods or services with a view to fulfill human wants or wishes.[1]

Prior to the amendment the term “industry” meant any business, trade, undertaking, manufacture or calling of employers and includes any calling, service, employment, handicraft, or industrial occupation or avocation of workmen. This definition is broad and wide in its ambit. Moreover, this definition is ambiguous and vague. [2]

According to Section 2(j) of the Act, the term "industry" has a very broad and detailed definition. It also encompasses a variety of governmental tasks, but excludes the primary duties of the

[1] The Industrial Disputes Act, 1947.
[2] *Ibid.* .

government, i.e., the sovereign duties, because these duties are necessary for the socioeconomic development of the State.[3]

BACKGROUND

Sir Robert Grant, the then Governor of Bombay, appears to have sought to establish an institution for the purpose of providing training in medicine in the Presidency of Bombay in 1835. His plan was approved by the East India Company's Board of Directors, and funding totaling Rs. 44,000 was gathered for the purpose, with the Directors contributing an equivalent amount to cover the expenses of building of the College complex.

Similarly, the remaining four hospitals in the group of hospitals were developed by donations over time. Except for a minor sum of Rs. 10,000, the rest of the expense, which is in the vicinity of Rs. 27 lakhs, is totally funded by the appellant from the financial aid allocated in the budget within the category " 38-Medical ".

The appellant's Surgeon-General has administrative supervision over the group, and the Supervisor, who is a permanent staff member of the appellant, directs and controls its day-to-day operations. Their salaries are taken from the foundation to fulfill monthly expenses and are granted wholly by the body that appointed them. This group serves as a clinical training ground for Grant Medical College students. Grant Medical College is a government-run and-controlled medical school.

FACTS OF THE CASE

The defendants, Ms. Vatsala Narayan and Mrs. Ruth Isaac, worked as ward workers at JJ. Hospitals. This was one of the five hospitals owned and managed by the Appellant. Their services were discontinued in 1954. Both petitioners were provided with a notice of termination. The basis for the firing, as stated, was that numerous personnel were being retrenched from the Civil Supplies Department, therefore they had to be terminated in order to make room for them. The defendants' posts were filled by two retrenched employees from the Department of Civil Supplies.

[3] The Industrial Disputes Act, 1947 s 2(j).

As a result, the defendants moved a petition for writ of mandamus before the HC of Bombay in 1956, claiming that the notice of termination was unlawful and so their termination would be void. The High Court of Bombay, found that the operation of a hospital did not fall under the definition of 'Industry' as authorized under the Act, and hence the notice would be considered legitimate. According to this court, even if the hospital fell under the definition of "industry", there was nothing to show that impugned orders would thereby be invalidated. Therefore, the notice of termination was valid regardless.

Thereafter, an appeal was made to the appellate court, which reversed this order and held that the hospital falls within the purview of the term industry under the said act. The Court of Appeal also decided that the challenged orders were illegal and inoperative because they did not comply with the obligatory provisions of Section 25F. The appellant then asked for and received a certificate of fitness from the Bombay High Court, and it is using that certificate that the appellant brought this matter to the Supreme court of India.

ISSUES

The issues identified by the supreme court in this case are as follows:

a) Whether the court of appeals was justified in concluding that the impugned orders were rendered unlawful due to a violation of the pertinent provisions of Section 25F of the Act?

b) Whether hospitals fall under the ambit of the term "Industry" under section 2(j) of the act?

RULES

Section 2(j), 2(m), 25F, 25F(b), 25FH of the Industrial Disputes Act 1947.

ARGUMENTS BY APPELLANT

The appellant argued that hospitals do not fall under the ambit of the term "industry" under the said act. It is therefore, argued by the appellant that the provisions of the act do not apply to them and therefore the notice issued of retrenchment is valid and well within the law.

They further contended for the purpose of interpreting the phrases in Section 2(j) of the Industrial Disputes Act, the *doctrine of noscuntur a sociis*, that states that in case 2 or more than 2 words with equivalent meanings are paired, one must intercept them in their analogous sense. It suggests that words that are closely related should be construed in a general to less general manner. The Appellant also contends that an endeavor should be comparable to commerce or business. The Appellant also claims that the individual engaging in such behavior must be compensated in some way (quid pro quo).

ARGUMENTS BY DEFENDANT

The defendant claimed that the hospital falls under the purview of industry under the said act. Moreover, they weren't compensated while retrenchment was done as is required by Section 25F(b). They argue that an inability of fulfilling the aforementioned requirement renders the retrenchment null and void.

RATIO

The court held that under Section 2(j) of the act, the definition of industry is wide enough to include hospitals within its ambit. While stating this, it also held that whether the hospital is run privately or by the government is immaterial while dealing with the issue at hand.

JUDGMENT

Cases relied on by the court:

It has been observed in *Baroda Borough Municipality v. Its Workmen*[4] where the court held that, " a municipal performing is an industry within the definition of that word "industry" under Section 2(j) of the Act."

In *Sri Vishuddhananda Saraswathi Marwari Hospital v. Their Workmen,*[5] the Labour Appellate Tribunal considered the aim and scope of the Act, as well as several judgments cited before it, and

[4] (1957) SC 110.
[5] (1952) II LLJ 327.

concluded that, “the scope of the meaning of the term "industry" in section 2(j) was broad enough & there had been no reasonable explanation to limit its operation to profit-making enterprises only.”

In *D.N. Banerjee v. P.R. Mukherjee and Ors*,[6] the court held that, “ the absence of a profit motive is immaterial to deciding the nature or essence of the undertaking. The true test is determining pertinent issues, such as the true essence of the undertaking.”

Court ruling:

The court ruled that the government hospital in the present case falls under the ambit of an “undertaking” under section 2(j) of the act. The question relating to the making of profit is immaterial to the present case. It observed that where any activity through various employees is being conducted for the welfare of the public at large by providing medical assistance and education, it will be held to be an undertaking under this section.

In order to determine the position of the hospital in the definition of industry, the court looked at various words and their broader interpretations of section 2(j) of the Industrial Dispute Act 1947, such as; 'undertaking' according to Halsbury dictionary, the primary definition of the same is "exchange of goods for goods or goods for money" then 'business' means "anything which is an occupation different from pleasure",'service' and 'calling' were also taken into consideration. As a result, the court specifically said that under the Industrial Disputes Act of 1947, "Hospitals cannot be excluded from industry."

The court further ruled that any employee who has been working for the employer for a year or more continuously should not be retrenched without being paid compensation equal to 14 days of average pay for each full year of work or any part of it in excess of six months, as described in section 25.

The Court excluded sovereign actions from the ambit of section 2(j), stating that because India is a welfare nation as opposed to a capitalist economy, therefore the scope of section 2(j) must be

[6] (1953) 58 AIR 302.

limited.

The Supreme Court thereby reinforced the decision of the court of appeal and ruled in favor of the respondent's writ petition, dismissing the appeal with costs.

RULES OF INTERPRETATION APPLIED

a) The *rule of literal interpretation* refers to the method of interpreting a legal text, such as a statute, contract, or other written document, according to its plain and usual meaning. This signifies that the terms are understood in their regular and widely accepted sense, with no additional meanings added or inferred.

It is evident from the study of the judgement that in order to answer whether hospitals fall under the ambit of the word industry under the concerned section, the courts used the principle of literal interpretation. The court relied on the dictionary meaning of various words in order to interpret the word industry.

b) The court ruled that *noscitur a sociis* is just a drafting rule that can be applied whenever the meaning of words with larger connotations must be evaluated or the legislative intent is in question. This is also known as the *purposive rule*. It aims at interpreting the word as per the intent of the legislature and the purpose it aims to solve. The court examined the Legislature's intent and objective to determine whether 'Governmental Activities' are beyond the purview of 'undertaking' pursuant to 2(j).

CONCLUSION

This was a historic case in which it was held that the hospital group fell under the jurisdiction of section 2(j) of the Industrial Disputes Act of 1947. The state's stance was incorrect and illegal.

However, the court interpreted that the sovereign functions of the state are outside the purview of the term ‘Industry’ and that so are the government activities since India is a welfare state. Still, the hospital being a non-profit governmental organisation working for the welfare of the public at large was ruled to be under the ambit of section 2(j). This creates confusion as well as ambiguity as to which all activities or organisations of the government fall within the ambit of this section

and those that don't. It has been proven time and time that definitions that are too wide in their scope are often misused and there's always doubts pertaining to what all is included under it.

Various statutes and judicial precedents have greatly expanded and modified the definition of "industry." Since labour is on the concurrent list, both the centre and states have misused it. Due to ambiguous legal definitions created in the 1947 Act and contradictory judicial decisions, there has been substantial disagreement and doubt over the scope.

Moreover, since it is settled that the dispute in question relates to the Industrial Disputes Act, 1947, the court should have sent the matter to the concerned tribunal for hearing. This has been mentioned under section 10 of the said act.

The present case still stands as a landmark judgement in the respect of this act. It has further extended the scope of an already broad definition of the term 'Industry'. At the same time it secured the rights of employees in a society where employees are often ill-treated.