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Aadhaar Not Mandatory: Labour Ministry Clarifies Authentication Rules for ESIC Beneficiaries

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Introduction

On 19 August 2025, the Ministry of Labour and Employment issued Notification S.O. 3792(E) in the Gazette of India (Extraordinary) authorising the Employees' State Insurance Corporation (ESIC) to use Aadhaar authentication for establishing the identity of beneficiaries. This notification supersedes the earlier one dated 13 January 2023 and comes into force immediately upon publication.

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Legal Background

The notification draws authority from the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 ("Aadhaar Act") and the Aadhaar Authentication for Good Governance (Social Welfare, Innovation, Knowledge) Rules, 2020 ("2020 Rules").

- Section 4(4)(b)(ii) of the Aadhaar Act, 2016 permits the use of Aadhaar authentication by government bodies for purposes prescribed by law, subject to consent and safeguards.
- Rule 3(1) of the 2020 Rules empowers government ministries and agencies to seek Aadhaar authentication for ensuring good governance, delivery of social welfare benefits, and prevention of misuse.
- Rule 5 of the 2020 Rules requires such use to be formally notified in the Official Gazette.

The Ministry of Electronics and Information Technology (MeitY), in consultation with the Unique Identification Authority of India (UIDAI), had already approved Aadhaar authentication by ESIC vide letter dated 15 December 2022. This paved the way for the Labour Ministry's present notification.

Key Features of the 2025 Notification

1. Purpose of Aadhaar Authentication

The notification authorises the Employees' State Insurance Corporation (ESIC) to use Aadhaar authentication specifically for the purpose of delivering social security benefits under the ESI scheme. The objective is to improve transparency, prevent leakage of welfare entitlements, and ensure efficient governance through digital platforms. By linking beneficiaries' identity with Aadhaar, the government seeks to simplify processes and reduce duplication of records.

2. Voluntary Nature of Authentication

Importantly, Aadhaar authentication under this notification is not compulsory. ESIC must obtain the explicit consent of the Aadhaar number holder before carrying out any authentication. The framework makes it clear that Aadhaar is only one of the available options for establishing identity, thereby ensuring compliance with constitutional safeguards on privacy and choice.

3. Non-Denial of Benefits

The notification expressly prohibits the denial of ESIC benefits if a beneficiary refuses or is unable to undergo Aadhaar authentication. This ensures that employees and dependents are not excluded from accessing statutory benefits merely on account of not possessing, or not wishing to use, an Aadhaar number. This safeguard reflects the principles laid down by the Supreme Court in the Aadhaar judgment, where alternate means of identification were mandated.

4. Recognition of Alternate Identification Documents

Where Aadhaar authentication is not opted for, beneficiaries can establish their identity through other officially recognised documents. The notification specifically lists three alternatives, i.e., (i) Passport, (ii) PAN card, and (iii) Driving Licence. ESIC is under an obligation to inform beneficiaries about these options and to accept them as valid proof of identity for the purposes of availing benefits.

5. Supersession of Earlier Notification

The present notification supersedes the Ministry's earlier notification dated 13 January 2023 (S.O. 230(E)). However, it preserves the validity of acts done or actions taken under the earlier framework, thereby ensuring continuity and avoiding any legal uncertainty.

6. Effective Date

The notification comes into force immediately upon its publication in the Official Gazette on 19 August 2025. From this date onwards, Aadhaar authentication by ESIC is formally authorised within the statutory scheme, subject to the voluntary and non-exclusionary conditions prescribed.

Significance

This update is significant because:

- It integrates Aadhaar-based authentication into ESIC's governance mechanism while upholding voluntariness and ensuring beneficiaries are not excluded for lack of Aadhaar.
- It reflects the government's continuing push towards digital platforms for social security delivery.
- It also provides legal certainty by aligning ESIC processes with the Aadhaar Act, 2016 and the 2020 Rules, especially in light of judicial scrutiny on Aadhaar's mandatory use.

Judicial Context

The Supreme Court of India in **K.S. Puttaswamy v. Union of India (2018) 1 SCC 809** (Aadhaar/ Right to Privacy Judgment) upheld the Aadhaar framework but restricted its mandatory use. It clarified that:

- Aadhaar can be made mandatory only where backed by valid law.
- Voluntariness and provision of alternate means of identification are essential safeguards.

The present notification incorporates these safeguards by expressly stating voluntariness and prescribing Passport, PAN card, and Driving License as alternatives.

Compliance Takeaways for Employers

Employers covered under the Employees' State Insurance Act, 1948 should note:

- ESIC may request Aadhaar authentication for employees and their dependents, but it cannot compel employees to provide Aadhaar.
- HR/Payroll teams should be prepared to enable alternate KYC documentation (Passport/PAN/Driving License) if employees do not wish to use Aadhaar.
- Communication to employees must be clear that Aadhaar authentication is voluntary and refusal will not affect entitlement to ESI benefits.

Conclusion

The 2025 ESIC-Aadhaar notification balances digital governance objectives with individual rights. By formalising Aadhaar authentication within ESIC while retaining voluntary participation and alternate identification methods, the Ministry of Labour and Employment has ensured compliance with statutory and constitutional safeguards. For employers and beneficiaries alike, the key lies in awareness: Aadhaar can simplify processes, but it cannot be imposed as the sole identifier for access to ESI benefits.

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