



## The Big Picture - Jobs: Locals First Policy

Fulfilling one of its biggest election promises, Jagan Mohan Reddy government passed a Bill in the Assembly to impose 75% quota for local Andhra Pradesh youths in private industrial jobs. **With this Andhra Pradesh has become the first state in the country to introduce such a provision in the private sector. The Andhra Pradesh Employment of Local Candidates in Industries/Factories Act, 2019** was approved by the Assembly on 22<sup>nd</sup> July, 2019.

The Bill states that if an industrial unit fails to find enough skilled local workers, then it will have to train them in association with the state government. The company is also required to act in accordance with the new law and submit a quarterly compliance report.

Similar demands have come up in different states like Karnataka, Madhya Pradesh, Maharashtra, and Gujarat. The Congress party government led by Chief Minister Kamal Nath in Madhya Pradesh has vowed 70% reservation for native candidates.

### What is 'Locals First' Policy?

- It implies that **jobs that will be created in a state will be first offered to only people who belong to that state.**
- This policy is populist in nature. Unemployment or employment creation has been a major issue in recent times.
- This policy is also the result of the **fear of some locals** who believe that their jobs are being taken away from them and provided to the people not belonging to the state.
- Besides Andhra Pradesh, there is **a law in Maharashtra** that if any industry that gets an incentive from the State Government, then **70% of people** at a particular level (basically **unskilled workers** of that industry) have to be **locals**.
- The states in support of such a policy provides an argument that it is the **state's responsibility to fulfill aspirations of its people**, also since the state is providing incentives, the industries should not have any problem in following its directions.
- It has been seen that such laws remain in the statute books and are not enforced.

### Implications of 'Locals First' Policy

- **Reservation for locals:** [Reservation](#) always sells very well. The original reservation was contemplated for 20 years and it is still going strong. The whole basis of reservation is an affirmative action i.e. to treat people who are fundamentally unequals as equals. Such an action is necessary for SCs, STs, OBCs, on the basis of thousands of years of discrimination they faced, but it should become a way to fulfill employment assurances of the local people.
- **Prerequisite:** Skilled workforce is prerequisite to an area of employment.
- **Violates constitutional provisions:** Equality is very deeply enshrined in the Constitution all across but **Article 16** specifically states that no citizen shall, on grounds only of religion, race, caste, sex, descent, place of birth, residence or any of them, be ineligible for, or discriminated against in respect or, any employment or office under the State.
- **Impacts 'Unity in Diversity':** This policy can lead to a situation of **locals vs non-locals** in area, thus posing a threat to the integration of the country. Such a law goes against the spirit of One Nation One Tax, One Nation One Ration Card etc. The law somehow requires one to start

## preparing the State Register of Citizens (SRCs) as against the [National Register of Citizens \(NRCs\)](#).

- **Also**, on the issue of domicile reservation in educational institutions, the Supreme Court had observed that since it is the state that is investing money into educational institutions and it is in the state's interest to promote education in its own state, some amount of domicile reservation can be permitted.
- However, it also cautioned that **promotion of such a policy can result in fragmentation of the country.**
- **Impact on investments:** It might discourage capital investment in the region. It can result in a **flight of capital from India to Africa** where Indian entrepreneurs are being encouraged to invest by countries like Gabon.
- **A short term move:** After the short term benefits of the policy are exhausted, the State Government might need to find other ways to generate more jobs for the locals.
- For the time being voters of the state will be pleased but after a year or two, they will find out that there are no more jobs, what the State Government then would do?
- **Localised protectionism:** Through this policy, India is going back to a stage when the country was ruled by 500 Princes and each one of them used to take care of his/her fiefdom.
- **Impacts freedom of a business:** Curbs of any kind ultimately affect business freedom and for a business to flourish, it must function within well defined parameters with very clear set of policies including lesser sensitivities.
- **Economic loss:** India as an economy has a comparative advantage over other countries because of its large pool of labour. Labour from densely populated northern and eastern regions of the country, migrate to other places for work and keep the wages down, however, providing the jobs only to the locals might lead to economic loss due to high wages.
- **International impact:** The policy might get reflected at an international level, where every country starts giving preference to its citizens for a job. India has protested such moves by countries like the US.
- **Against the spirit of competition:** Such a policy is against the spirit of competition as a local person who is not fully skilled may get the job over the non-local who is fully skilled.

## Way Forward

- **The law passed by the Andhra Pradesh Assembly needs to be properly vetted.** Intensive study of the Bill is required on the part of Governor before giving his assent.
- Fulfilling the aspirations of one's electorate is an important responsibility of a politician, once s/he is in a position of authority. For this, **the politician in authority needs to act within the parameters of the Constitution.**
- **The government can come up with certain incentives to companies which are investing a certain amount of money for training the local youths.** Such incentives could be in the form of capital for better skill development, lower electricity charges, better infrastructure facilities etc.
- For providing employment to the local youth, a state government can learn from the following examples.
  - In an experiment done in Maharashtra, a lot of dalit entrepreneurs were encouraged to set up units which in turn provided jobs to others.
  - Even in Madhya Pradesh, the government encouraged people belonging to vulnerable sections to set up industry so that they are in a position to provide jobs to others.