



Reservation for Locals in Private Sector

For Prelims: [Article 16\(4\)](#), [Art 16\(2\)](#), [Art 19\(1\)\(g\)](#), [Article 19\(1\)\(d\) and \(e\)](#), [Constitutional morality](#), Reservation Policy

For Mains: Reservation based on Domicile: Validity, Arguments for and against, Way forward

[Source: IE](#)

Why in News?

Recently, the Karnataka government has put on hold the “**Karnataka State Employment of Local Candidates in the Industries, Factories and Other Establishments Bill, 2024**,” mandating **reservations for locals in the private sector** after a huge backlash from the industry.

- The government has now decided to review the bill comprehensively before its reintroduction in the state assembly.

10% Agniveer Quota in Haryana

- Recently, the Haryana government has announced to provide employment opportunities for Agniveers, the recruits under the [Agnipath scheme](#) introduced by the central government in 2022. It provided for-
 - 10% reservation in constable, mining guard, forest guard, jail warder, and SPO recruitments.
 - Age relaxations for Group-B and Group-C posts.
 - 5% reservation in Group-C and 1% in Group-B direct recruitments.
 - Subsidies for private firms hiring Agniveers.
 - Loan interest benefits for business startups.
 - Priority in arms licenses and government jobs for Agniveers.

What is Karnataka’s Reservation for Locals in the Private Sector Bill?

- **Reservation Policy:** The Bill mandates a substantial reservation of 75% for 'local candidates' in non-management positions and 50% in management positions within private sector companies, industries, and enterprises in Karnataka.
- **Definition of 'Local Candidate':** It defines “**local candidates**” as individuals born in the state or living in Karnataka for at least 15 years, and are capable of speaking, reading, and writing Kannada.

- **Job Categorisation:** It categorises jobs **into management and non-management** roles.
 - **Management roles** would include supervisory, managerial, technical, operational, and administrative positions.
 - **Non-management roles** will include clerical, unskilled, semi-skilled, and skilled positions in the [IT-ITES sector](#).
- **Skill Development Provision:** Industries are required to provide training programs for local candidates **to address skill gaps, with a 3-year timeframe** for implementation in the absence of qualified local candidates.
- **Flexibility Clause:** It introduces a provision for reducing the reservation quota to **50%** in non-management and **25%** in management positions under **specific circumstances**.

Note:

- **Job reservation Bills or laws for domiciles** have also been announced **in other States including** Andhra Pradesh, Madhya Pradesh and Jharkhand.
- The **job quota Bill passed in the Andhra Pradesh** Legislative Assembly in 2019, also **reserved three-fourths of private jobs for locals**.

What are the Legal Challenges with Domicile-Based Reservations?

- **Balancing Equality and Affirmative Action:** Domicile-based reservations present a legal challenge under India's Constitution.
 - [Article 14](#) guarantees equality before the law, while [Articles 15 \(Prohibition of Discrimination based on religion, race, caste, sex or place of birth\)](#) and [Article 16 \(Equality of Opportunity in Public Employment\)](#) allow for special provisions benefiting backward classes, **without prejudice to non-domicile candidates**.
- **Supreme Court (SC) and High Court Judgments:**
 - In *Dr. Pradeep Jain v. Union of India (1984)*, the Supreme Court (SC) held that while some preference could be given to domicile candidates, it should not be absolute and should not exclude non-domicile candidates altogether.
 - Supreme Court asks MP Govt to review its 75% domicile quota in B.Ed seats.
 - In November 2023, the **Punjab & Haryana High Court** deemed Haryana's law [mandating 75% reservation for locals in the private](#) sector **unconstitutional**. The court criticised the law for creating artificial divisions among citizens and disrupting laissez-faire principles. Subsequently, the Haryana government appealed the decision to the Supreme Court.
- **Limit on the Quota:** The Supreme Court ruling in the [Indra Sawhney case \(1992\)](#) established that total reservations, including domicile reservations, **should not surpass 50% of available seats or posts**. This limit applies to all categories of reservations, as emphasised in the judgement primarily addressing reservations for Other Backward Classes (OBCs).

What are the Arguments in Favour of the Private Sector Reservation Bill?

- **Local Employment Generation:** The policy aims to **increase job opportunities for local residents, reducing unemployment** and ensuring economic benefits are retained within the state.
- **Economic Equity and Balanced Regional Development:** The policy aims to **promote economic equity** by addressing disparities in resource distribution within the state.
 - Additionally, it **supports balanced regional development** by spreading economic opportunities across various areas, rather than concentrating them solely in a few urban centres.
- **Skill Development:** Mandatory training programs can **enhance the skills of the local workforce, making them more competitive** and better equipped to meet industry demands.
- **Social Stability:** Providing more job **opportunities to locals can foster a stronger sense of belonging** and reduce social tensions, promoting community harmony.
- **Talent Retention:** The policy can help **retain skilled individuals within the**

- state, preventing brain drain and ensuring their expertise contributes to the local economy.
- **Cultural Preservation:** The language proficiency requirement helps preserve and promote the local language and culture, fostering a stronger cultural identity.

What are the Arguments Against the Private Sector Reservation Bill?

- **Impact on Business Competitiveness:** The policy may limit companies' ability to hire the best talent, adversely affecting their efficiency and competitiveness.
- **Skill Shortages:** The local workforce may lack the necessary skills for specialised roles, leading to operational inefficiencies and increased training costs.
- **Investment Deterrence:** The local hiring restrictions could deter domestic and international investors, negatively impacting the state's economic development and job creation.
- **Legal and Administrative Burden:** Ensuring compliance with the policy could impose additional legal and administrative costs on companies.
- **Discrimination Concerns:** The policy has been criticised for potentially discriminating against non-local candidates, violating the principle of equal opportunity.
- **Economic Impact:** Domicile-based reservations may adversely affect a state's economic growth by deterring businesses and limiting job opportunities.
 - Moreover, in regions experiencing significant inward migration, such policies could hinder national integration and economic mobility.
- **Social Tensions:** The policy could exacerbate social tensions between local and non-local residents, creating a divisive environment and undermining social cohesion.

Way Forward

- The reservation policy could be implemented in a way that does not hamper the free movement of manpower resources in the Country.
- The reservation policy could be revisited periodically to assess its impact on the economy and industries in the state.
- Need to ensure that any policy decision taken is in compliance with the Constitution of India and does not violate the fundamental rights of citizens.

Drishti Mains Question:

Assess the arguments for and against state-imposed domicile reservations in private employment in India.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Q. Whether the National Commission for Scheduled Castes (NCSC) can enforce the implementation of constitutional reservation for the Scheduled Castes in the religious minority institutions? Examine. **(2018)**