



Jharkhand HC Stays on Private Sector Job Quota Law

For Prelims: [Article 14](#), [Article 19](#), [Article 16](#), [Article 371D](#), [Article 15](#), [Supreme Court of India](#)

For Mains: Domicile Reservation in India, Socio-economic and Legal Implications of Reservation Policies, Unemployment

Source: TH

Why in News?

The **Jharkhand High Court** has stayed the implementation of the **Jharkhand State Employment of Local Candidates in Private Sector Company Act, 2021**, which mandated a **75% reservation for local candidates in private-sector jobs** with salaries up to Rs 40,000.

- This law, introduced to boost [employment for locals](#) but faced criticism for violating constitutional principles.

What is the Jharkhand HC Ruling on Private Sector Job Quota Law?

- **Petition by Small-Scale Industries:** The Jharkhand Small Scale Industries Association (JSSIA) filed a petition challenging the 75% local quota law, arguing that it violates the principle of equality, and the freedom to conduct business.
 - The advocates representing JSSIA contended that the Act unfairly creates a division between local and non-local candidates, restricting employers' ability to hire freely.
 - The petition referenced the [Punjab and Haryana High Court quashed the Haryana State Employment of Local Candidates Act, 2020](#), which was struck down by the Punjab and Haryana High Court for **violating constitutional rights**.
- **Jharkhand HC Ruling:** The Jharkhand HC stayed the Jharkhand State Employment of Local Candidates in Private Sector Company Act, 2021 implementation.
 - The court found merit in the JSSIA's argument that the law violates [Article 14 Right to Equality](#), by discriminating against non-local candidates. And the [Article 19\(1\)\(g\) freedom to conduct business](#), by restricting private companies' hiring choices.

Similar Domicile Based Reservation Laws in Other States

- **Andhra Pradesh:** Passed the Andhra Pradesh Employment of Local Candidates in Industries/Factories Act, 2019 (reserves 75% of jobs in private industries for local residents).
 - The Andhra Pradesh High Court noted the law **"may be unconstitutional"** but has yet to deliver a final judgment.
- **Karnataka:** Approved the [Karnataka State Employment of Local Candidates in Industries, Factories and Other Establishments Bill, 2024](#), which proposes 50% reservation for locals in management roles and 75% in non-management positions across various sectors.
 - The bill has sparked uproar, with concerns raised about its impact on labor mobility and

business operations.

Why Do States Introduce Domicile Based Reservations in Private Employment?

- **High Unemployment Among Locals:** In many states, locals face significant job shortages, especially for low and semi-skilled positions.
 - Local quota laws are seen as a way to ensure residents have better access to employment opportunities.
- **Migrant Workers Taking Jobs:** There is a growing perception that [migrant workers](#) from other states are taking away jobs meant for locals.
 - This often **fuels resentment**, especially in more industrialized and economically advanced regions.
- **State Employment Prioritisation:** The private sector, as a **major job creator**, can support **social justice by prioritizing locals for jobs**, especially since it benefits from government incentives like **tax concessions and cheaper loans**, justifying affirmative policies.
- **Political Pressure and Vote Banks:** State governments face pressure from local populations to prioritise their interests. Introducing reservation laws can be a way to appease voter sentiment and secure political support.
- **Skill Mismatch and Education Levels:** Locals may lack the skills for high-paying jobs, limiting their opportunities.
 - Quotas for lower-paying roles are introduced to address this [skill mismatch](#) and provide more employment for less-educated populations.
- **Retention of Talent:** By ensuring that local residents have access to jobs, states can **retain talent within the region**. This is particularly important in areas experiencing [brain drain](#), where skilled workers leave for better opportunities elsewhere.

What is Domicile Reservation?

- **Domicile Reservation:** This system reserves benefits based on where a person resides. States may allocate certain seats for residents, prioritizing locals in areas like education and public jobs.
 - **"Place of birth" and "domicile" are distinct concepts**, with domicile referring to a person's residence rather than their birthplace.
- **Constitutional Provisions:** [Article 16\(3\)](#), allows residence-based criteria for government appointments within a state or union territory, as determined by Parliament.
 - [Article 371D](#) creates **local cadres in Andhra Pradesh and Telangana**, ensuring local representation and opportunities in government jobs.
 - [Article 15](#) only prohibits discrimination based on birthplace, not residence.
- **Landmark Judgments:**
 - **DP Joshi vs Madhya Bharat, 1955:** [Supreme Court \(SC\) of India](#) upheld the validity of domicile-based reservations, stating that it is a legitimate state interest to benefit its own residents.
 - **Dr. Pradeep Jain v. Union of India, 1984:** The SC again upheld domicile-based reservation, emphasizing that it falls within the scope of reasonable classification under Article 14, as long as it does not violate the principles of equality or hamper the rights of others.
- **Problems with Domicile Reservation:** Domicile-based quotas can **compromise merit-based selection**, potentially leading to **underperformance in critical sectors**.
 - Emphasis on regional identity may **foster division and exacerbate local tensions**, undermining national integration.
 - Migrants who may have contributed significantly to the economy and society **may be unfairly denied opportunities**.
 - The criteria for domicile may be manipulated, **leading to exploitation and favoritism** in the allocation of reserved seats or positions.
 - Continuous reliance on reservations may **weaken efforts to improve the quality of education and skill development**, which are more sustainable solutions for empowerment.

- Domicile reservations may fail to **address intra-regional disparities**, where **wealthier or more educated local residents benefit over poorer**, marginalized groups within the same region.

Way Forward

- **Balance of Employment:** Establish a **fair mechanism where both local and non-local candidates can compete for jobs**, promoting merit-based hiring while addressing regional unemployment issues.
 - Policies should focus on workforce integration, ensuring equal access to economic opportunities for all citizens, regardless of state boundaries.
- **Focus on Skill Development:** **Invest in education and skill development programs for locals to make them more competitive in the job market, reducing the need for restrictive quotas.**
- **Incentivise Local Businesses:** Encourage private-sector companies to **prioritize local hiring through incentives like tax breaks or subsidies**, rather than imposing rigid reservation quotas, fostering an environment where **employers choose based on merit and local talent.**
- **Ensuring Labor Rights:** States should enforce basic labor rights for all workers, including migrants, to ensure fair wages and social protections, creating a level playing field for both local and migrant workers.

Drishti Mains Question:

Q. Analyze the impact of domicile-based reservation laws in India. Do these laws address regional unemployment, or do they create new challenges?"

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims

Q. Disguised unemployment generally means (2013)

- (a) large number of people remain unemployed
- (b) alternative employment is not available
- (c) marginal productivity of labour is zero
- (d) productivity of workers is low

Ans: (c)

Mains

Q. Most of the unemployment in India is structural in nature. Examine the methodology adopted to compute unemployment in the country and suggest improvements. **(2023)**