



## 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)**