Job Reservation for Locals - AP Legislation

Why in news?

The Andhra Pradesh Assembly recently passed legislation that reserves 75% of industrial jobs in the state for locals.

What is the decision?

- The Bill aims to provide for 75% job reservation for locals in industrial units, factories, joint ventures, and projects set up under the public-private partnership model.
- Companies will be given 3 years to comply with this law.
- Only certain factories in sectors such as pharmaceuticals and petroleum will be exempt and that too only on a case-by-case basis.
- The state government has also argued that a shortage of skilled labour could not be an excuse for not hiring locals.
- In other words, if skilled personnel are not available, the industrial units cannot 'import' labourers from elsewhere.
- Instead, the burden of imparting the requisite skills to, and of employing, locals will fall on the units.
- This passes on the responsibility to build a skilled workforce from the government to the private sector.
- The move is a new development in a long-running conflict in many other states too that witness substantial migration. E.g. Maharashtra
- It comes in response to a perceived need to "protect" industrial jobs for so-called 'sons of the soil'.

What are the likely consequences?

- **Doing business** - Politicians who operate in states are often tempted to keep their promises of jobs by forcing private companies to hire locally.
- But the consequences of such legislation are unlikely to satisfy job-seekers.
- This is because companies will now think twice about locating in Andhra Pradesh.
- In fact, companies in the state will see their labour costs rise and the pool of hireable labour shrink.
- Consequently, they would, in many cases, choose to leave for a more satisfactory business climate - another state or country.

- Notably, Andhra Pradesh has long had a reputation for being business-friendly, but this legislation will dampen that sentiment considerably.
- **Other states** - It is highly likely that other states with large pools of migrant labour imitate this legislation. E.g. Maharashtra, Karnataka
- [Indeed, a less expansive variation exists in the industrial policy of Madhya Pradesh.
- It requires that 70% of jobs in any factory set up with financial or other assistance from the government be reserved for locals.]
- Restrictions on labour mobility go against the principle in growth theory that unskilled labour must move to the cities, where it can then feed into the modern economy.
- In India, with its regional disparities, this process will naturally have to work among states and not merely within them.
- Large countries such as China have done better, partly because of this internal migration effect.
- Clearly, the restrictions might severely hamper Indian growth prospects.
- **Capital flight** (when assets or money rapidly flow out of a country) will become a reality.
- **Employment** - The Indian employment landscape is in a shifting phase at this juncture.
- Notably, India is among the top 4 economies (along with China, Japan and the US) where some 1.1 billion jobs are on the line.
- Given this, the local reservation is less likely to be a tool for job creation and growth, and more likely to result in stagnation and urban distress.
- Given these, it is wise to reconsider the legislation.

Source: Business Standard, Business Line

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