Reserving Jobs for Locals - Implications

What is the issue?

- Many states in India are bringing in laws similar to the Andhra Pradesh Employment of Local Candidates in the Industries/Factories Act 2019.
- This signals a threat of parochialism (narrow outlook), affecting the larger economic interests of the country.

Why is diversity in recruitment essential?

- If the workforce from a particular region is identified with a particular set of skills, it is because of social, economic and geographical factors specific to that region.
- Labour contractors in infrastructure projects are aware of these aspects as they seek to maximise efficiency and quality.
- Organisations that pursue social diversity as a matter of policy ('equal opportunity' employers) too have experienced commercial success.
- This is because they are able to be responsive to the needs of an equally diverse marketplace.
- This is particularly true for sectors with a direct customer interface (such as Fast-Moving Consumer Goods, aviation and media).
- Nevertheless, it extends to other areas as well.

What is the threat in local employment?

- For the Indian economy, its diverse labour pool is a key strength.
- Given this, a few states seeking to disregard this advantage is an unhealthy sign.
- The states are likely to lose their productive edge in the process.
- The trend might -
    i. increase the risks of labour shortages
    ii. trigger a rise in unemployment
    iii. aggravate wage inflation
    iv. render labour markets rigid and incompetent
    v. exacerbate regional inequalities
- It is also odd that States should erect labour market barriers at a time when the country is moving the other way.
- India is increasingly removing barriers to inter-State trade and to the

movement of capital across entities, by implementing the bankruptcy law.

What is the way forward?

- Cosmopolitanism has been one of the driving forces in India's early industrial success.
- Be it Mumbai, Kolkata, Ahmedabad or other industrial townships created in the hinterland, the above has been true.
- When 'outstation' workers merge into the host populations, they initiate a social process that make societies more egalitarian, secular and tolerant.
- India's Constitution too guarantees labour mobility under Article 19 which says that every individual could freely move in and around the country and work anywhere s/he wishes to.
- In all, the free movement of labour and capital must move hand in hand for the evolution of capitalism under a democratic framework.

Source: Business Line

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