

IAMAI Submission on the Haryana State Employment of Local Candidates Act 2020

The Internet and Mobile Association of India (“IAMAI”) is a not-for-profit industry body and we play a key role in ensuring the growth and sustainability of the digital industry.

Haryana has emerged as one of the most prominent states in India in the fields of engineering, automobiles, information technology (IT) - ITES (Information Technology Enabled Services). IT-ITES sector has witnessed phenomenal growth in last the two decades. It has created lakhs of direct and indirect jobs in the state. The growth of IT-ITES has also resulted in boom in the local property market and created opportunities for small businesses. Revenue of the state has also increased because of growth in service industry, it has helped the government in improving infrastructure and launch of welfare schemes.

Successive governments in Haryana have focused on growth enabling policies and infrastructure to attract businesses. The cosmopolitan culture of cities like Gurugram also played an important role in attracting a talented workforce in the state. Several of IAMAI’s member companies are proud corporate citizens of Gurgaon and Haryana, and have contributed immensely to the State GDP, as well as to Gurgaon and Haryana’s reputation as a business-friendly State. However, ‘Haryana State Employment of Local Candidates Act 2020’ has created unease in the corporate sector operating from the state and has become a major cause of concern for the digital industry. IAMAI on behalf of its members would like to share feedback on the Act and highlight key concerns for the digital industry.

IAMAI Submission

Law will adversely impact the investment climate in the state: A large number of MNCs operate in Gurgaon and Haryana. This Law is sending across serious negative messages to the global business community that Haryana is not a business-friendly state. Such a perception will be against the interests of Haryana State. States are competing and vying for investments and wooing companies, businesses and industries to set up shop and invest in their States, this Law could result in companies relocating to other States. Such a relocation could be detrimental for Haryana in the post COVID-19 scenario, since this will severely impact its Ease of Doing Business perception and also the investments in the State economy, as well as loss of direct and indirect revenue to the State exchequer.

Recommendation: We recommend that government conduct a cost-benefit analysis of the law. An increase in employment opportunities for locals in short term should be carefully weighed against the long-term adverse impact on investment, growth, and job creation in the state.

Law goes against Prime Minister’s vision: This Law also goes against the PM’s vision of ‘Ek Bharat Shreshtha Bharat’ and “One Nation One Market’. In recent years central government has made

passed several legislations like Goods and Services Tax (GST), Farm Bills etc to achieve the “One Nation One Market’ vision. Haryana’s local reservation Act could create fragmentation in the labour market and is against the vision of having an integrated and mobile labour market in the country. Companies operating in one state generate revenue from other states as well. Imposition of rules to shore up local employment could prompt other states to implement similar measures.

Recommendation: Labour mobility plays an important role in creating a vibrant economy. We recommend that the Haryana government should follow the ‘One Nation One Market’ principle to achieve an integrated and mobile labour market in the country.

Companies struggling because of Covid pandemic and economic slowdown: The covid pandemic has severely impacted the Indian economy. Estimates show that in 2020-21, GDP is likely to contract by around 8 percent. Sharp decline in economic activity has dented the profitability of companies. It was expected that the Indian economy will recover strongly in 2021-22. However, the second wave of covid has created uncertainty. Companies are currently in survival mode. At this juncture, implementation of ‘Haryana State Employment of Local Candidates Act’ will compound the challenges faced by the companies.

Recommendation: We recommend that the implementation of the ‘Haryana State Employment of Local Candidates Act 2020’ should be deferred till the Covid-19 pandemic is contained and the economy regains its full strength.

Law will adversely impact the competitive advantage of companies operating in Haryana: Companies in IT-ITES sector in India have a competitive advantage in the global market because of their highly skilled workforce. There is a war for talent at all levels and the IT and ITES sectors in particular are highly focused on recruiting candidates with the right skill sets. This law will force companies operating in Haryana to recruit from a selective candidate pool. It will adversely impact the quality of the workforce. As a result, companies will struggle to maintain a competitive advantage. Disruptions in the back-office operations of MNCs in Haryana on account of the new law, would be damaging to Haryana’s reputation as a stable, trustworthy investment destination with a talented workforce. Moreover, companies prefer to be objective and unbiased in their hiring and staffing and tend to follow equal opportunity and diversity and inclusion (D&I) friendly hiring policies. This Law is likely to impact both these hiring initiatives.

Recommendation: We recommend that government should significantly reduce the threshold of salary mentioned in the law, to a figure in the range of Rupees Twenty Thousand (instead of the present Fifty thousand). High salary threshold will impact the skilled workforce. We further recommend that before implementing this act, the Haryana government should study its impact on competitiveness of companies operating in the state. Government should factor-in the competitiveness and ensure that the quality of the workforce of companies operating doesn’t get affected by the new legislation.

Law will increase compliance cost and create space for corruption: The act says that ‘the employer may claim exemption, where adequate number of local candidates of the desired skill, qualification or proficiency are not available by applying to the Designated Officer’. Based on the enquiry, Designated Officer can accept or reject the exemption sought by the employers. Officer may also ‘direct the employer to train local candidates to achieve the desired skill, qualification or proficiency’. This clause will give discretionary power to authorities and open space for corruption. Under the new law companies operating in Haryana will have to file quarterly reports on the local candidates employed and appointed during that quarter. These provisions will increase the compliance burden and usher in the yesteryear license raj.

Recommendation: We recommend that before implementing this Act, government should study its likely impact on compliance cost and corruption. The government should remove the provisions which give discretionary power to officials.

Conclusion:

Before implementing this legislation, Haryana government should carefully evaluate the long-term consequences on competitiveness, investment, and job creation. This legislation might force companies to provide some opportunities for locals in the short term, however, the legislation will surely impact the reputation of the state in the global market, and the long-term consequences could be detrimental.

A better approach would be to increase the employability of the local youth. Government should collaborate with the industry to skill local youth/candidates. The Industrial Training Institutes and other Skill Development or Vocational Training Institutes in Haryana should align their curriculum to industry requirements and a more sustainable approach to employment creation should be worked upon.

Companies are facing multiple challenges because of the Covid pandemic and economic slowdown. Government should to keep the ‘Haryana State Employment of Local Candidates Act 2020’ in abeyance for a period of 18-24 months, and certainly till such time that the Covid-19 pandemic is contained and economy regains its full strength. The intervening period should be used as an opportunity for wider consultations with industry on sustainable employment generation in Haryana State.