



**Circular No – 050/2024**

Date: 18.07.2024

To

All Members of the Association

**KEA WRITES TO THE CHIEF MINISTER NOT TO ENACT EMPLOYMENT TO  
LOCAL CANDIDATES IN INDUSTRY, FACTORIES AND OTHER  
ESTABLISHMENTS ACT**

The Association has addressed a letter dated 18.07.2024 to the Hon'ble Chief Minister, Government of Karnataka requesting him no to enact the proposed Law relating to Employment of Local Candidates in Industry, Factories and other establishments. Copy of the letter is attached for information of the members.

**For KARNATAKA EMPLOYERS' ASSOCIATION  
Sd/  
[B C Prabhakar]  
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## **KARNATAKA EMPLOYERS' ASSOCIATION**

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Reg. No. TU 507 / 20-3-1962

Date:18.07.2024

Sri. Siddaramaiah  
Hon'ble Chief Minister  
Government of Karnataka  
Vidhana Soudha  
Bengaluru - 560001

Sir,

### **Sub- Bill Relating to Karnataka State Employment of Local Candidates in the Industries, Factories and Other Establishments Bill, 2024**

1. Our Association is one of the oldest Association of employers in Karnataka. The membership of the Association consists of Industrial and Commercial Establishment in Public Sector, Private Sector, Multi-National Companies and the New Economy Industries including IT and ITES Establishments. The Association has been taking up the cause of industry with both Central and State Government and at the International Level also. The Association notes that the Government with a laudable objective to ensure that the Kannadigas should be given opportunity to lead a comfortable life in the mother land and avoid being deprived of job in the land of Kannada. However, the reaction from the Industrial and Commercial including IT and ITES companies is very sharp:
  - The step is hugely regressive.
  - The Bill is discriminatory, regressive and against the constitution.
  - The Bill will not stand legal scrutiny.
  - The Bill is potentially dangerous and it would create artificial walls within India and undermines the federal structure of the constitution, creating a hierarchy of citizens based on their place of residence.
2. The press reports state that the Hon'ble Chief minister has allied all concerns and stated that the bill is still in the preparation stage, a final decision will taken after comprehensive decision in the next cabinet meeting. An editorial in one of the leading financial newspapers has welcomed the above statement of yours.

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3. We at the Association welcomes the move of the Government to relook into the Bill. The Industries and Commercial Establishment have serious apprehension that the Bill may affect investments in Karnataka and may also lead to shifting of the Industries particularly in IT & ITES Industries to whom the neighbouring states are already offering incentive to set up the industries in the respective states.
4. Your good-self after ascending to the High Office have been initiating several measures which are investment friendly. Karnataka requires further measures to augment growth of industries and thus generate employments which would enhance the opportunities available to the local persons.
5. The Association, therefore, requests the Government to not to proceed with the Bill as such move has several implications and some of which are listed below:
  - Bengaluru is popularly known internationally as a hub of IT Industries. Any measures as envisaged in the bill would lead to retard further growth of Industries in general and IT industries in particular having regard to the certain provisions in the Bill. The Software Industry contributes substantially to the national exchequer by way of foreign exchange and also to the State revenue.
  - Some of the States had enacted similar law but, such acts have been challenged before the respective High Courts. The law in this behalf enacted by the Government of Haryana has been struck down by the Punjab and Haryana High Court, the matter is pending before the Supreme Court. The States which have enacted the law have not taken steps for implementing such provision as the industries and establishments are reluctant to follow such provisions due to productivity, hiring standards and industrial relations issues. The Act passed by the Andhra Pradesh Government is also before the High Court and the High Court has asked the Government that it may be unconstitutional and asked the Government to show why it should not be stuck down.
  - Article 14 of the Constitutions which provides equality before law mandates that the State shall not deny any person equality before law or equal protection of laws within the territory of India, prohibition of discrimination on the grounds of age, cast, sex and place of birth.

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- There are catena of decisions of the Supreme Court under which the laws which are discriminatory in nature among the citizens have been struck down.
  - The Bill provides that if sufficient number of local candidates are not available, an industry or factory or other establishments may apply for relaxation from the provisions of the Act to the Government and after due enquiry the Government may pass appropriate order and such orders passed by the Government shall be final. This provision has a tendency to promote bureaucratic Red-Tapism for taking exemption under section 3 of the Bill. There are other multiple implications also.
  - Section 3 also provides that where qualified or suitable local candidates are not available, industry or factory or other establishment within 3 years with the active collaboration of the Government or its agencies shall take steps to train and engage local candidates. The business cannot wait for 3 years to have the required manpower in this competitive world. Technology may also become obsolete by the time people are trained. The provision is utopian and not practicable. The proposed Bill may affect the business itself and thus, counter productive.
  - There is need for debate with all the stake holders before deciding such legislation should be enacted or otherwise.
6. The Association is of the view, Government may avoid legislating any law which has the potential of discriminating the citizen, is regressive in its implication and against the constitutional guarantees to the citizens.
7. The Government may consider instead of imposing mandatory quotas alternative solution which could strike balance between the local interest and constitutional freedom:
- **Pro-market Policies** - may frame policies which are pro-market and create a conducive environment for growth of Industries both in Public Sector and Private Sector including reducing regulatory hurdles, providing incentives, ensuring fair competition and transparency.
  - **Focus on Human Development** - Government should take steps to invest in human development for enhancing their skills, education of employability for local candidates to initiate such as quality education, vocational training and skill development and entrepreneurship.
  - **Incentives for Private Sector** - Government may consider offering incentives by way of subsidies and their growth of industry in two tier

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and three tier cities so that there is enhanced opportunities for the local candidates for employment.

8. The Association, therefore, requests the Government not to enact any law which does not stand legal scrutiny and may ultimately affect growth of Industries in Karnataka.

Yours faithfully

*B. C. Prabhakar*  
**(B.C.Prabhakar)**  
**President**

