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Karnataka Introduces Bill for Reservation for Locals in the Private Sector

Recently, the Karnataka Government introduced the Karnataka State Government Employment of Local Candidates in Industries, Factories and Other Establishments Bill, 2024. This bill seeks to revolutionise employment opportunities in the private sector by introducing a domicile reservation system in Karnataka. Pursuantly, the bill proposes 50% reservation in managerial jobs and 70% reservation in non-managerial jobs for local candidates in private firms and establishments.

The bill sets specific parameters to identify these "local candidates". To qualify, a person must be born and domiciled in the state for at least 15 years. They must also possess proficiency in reading, writing, and speaking Kannada. Additionally, this proficiency has to be demonstrated through a secondary school certificate with Kannada as a language subject. For those who do not possess the requisite documentation, the bill requires the candidate to pass a Kannada language proficiency test.

In cases where qualified local candidates are unavailable, the bill requires the industries and factories to collaborate with government agencies to train the candidates within three years. The bill provides some flexibility to companies that are unable to meet the full quota of eligible candidates even after training by enabling the reduction of the reservation threshold to a minimum of 25% for managerial positions and 50% for non-managerial positions. However, failure in complying with these relaxations can result in penalties ranging from Rs 10,000-25,000 with an additional penalty of Rs 100 per day until compliance is achieved for continued violations.

This bill emerges from longstanding demands for job reservations, as echoed by the Sarojini Mahishi report of 1984. This report recommended 100% reservation for local candidates in Group C and Group D jobs in central government departments and public sector undertakings in Karnataka. It also addressed concerns about major IT companies in Karnataka hiring candidates from other parts of the country, potentially limiting employment opportunities for the locals,. These prominent suggestions sparked apprehension among the locals, who ultimately pressed for the implementation of this policy in the state.

However, the proposed bill has faced severe backlash from industrial bodies and companies. The bill is being called extremely short-sighted, discriminatory and detrimental to the diversity in the state. Additionally, the bill is argued to deviate from the mandate of Article 19(1)(g) by restricting the scope of employment for outsiders who migrated to the state with hopes of better opportunities. There are concerns that the induction of candidates on grounds of domicile might impact jobs and foreign investments. This move could force national and international tech giants to relocate to other states in search of a more meritocratic set-up.

Similar bills had been previously passed in other states, including Andhra Pradesh, Haryana and Jharkhand, where they proved to be ineffective and were not received well, even though the sole criterion for reservation had been residency and not language proficiency.

Notably, the Haryana Act had been quashed by the court for being violative of Article 14 and Article 19 of the Constitution, with the court ruling that the state had overstepped its legislative authority and imposed undue restrictions on private employers. The Andhra Pradesh Act is still being heard, and the bill is yet to be implemented in Jharkhand. Therefore, even if enforced, the Karnataka reservation bill is not likely to be free from legal scrutiny.

Given these precedents, the Karnataka reservation bill, if enforced, may face significant legal challenges. The bill is currently on hold due to its severe backlash. However, the government should mindfully review the long-run impact of the present bill and its effect on Karnataka's technological leadership. Moving forward, the government needs to concentrate on educational and skill development initiatives as a more viable approach to improving job opportunities for local people in its pursuit of addressing the employment issue faced by the local candidates.

Karnataka introduces Platform-based Gig Workers (Social Security and Welfare) Bill, 2024

The Karnataka Government recently introduced a draft version of the Karnataka Platform-based Gig Workers (Social Security and Welfare) Bill, 2024 ("Bill"). The Bill aims to *inter-alia* preserve the rights of platform-based gig workers, by laying out several obligations to be fulfilled by "aggregators" pertaining to social security, working conditions and occupational safety of such gig workers in Karnataka. Aggregators are digital intermediaries which help connect the buyer of goods and services to the seller/service provider. Examples of aggregators include Zomato, Ola etc. It is pertinent to note that Rajasthan was the first state to introduce such a Bill, in the form of the Rajasthan Platform-Based Gig Workers (Registration and Welfare) Act, 2023.

The Code on Social Security, 2020 ("Code") defines a "*gig worker*" to be "*a person who performs work or participates in a work arrangement and earns from such activities outside of traditional employer-employee relationship*". However, according to the proposed Bill, the definition reads *"a person who performs work or participates in a work arrangement that results in a given rate of payment, based on terms and conditions laid down in such contract and includes all piece-rate work, and whose work is sourced through a platform, in the services specified in the Schedule -I"*. The broad difference between the definition of gig-workers in the Code and the Bill is that while the Code deals with gig-workers and platform-workers separately, the Bill restricts itself solely to platform-based gig-workers.

The idea behind introducing such a Bill is that up until now, there were no such obligations imposed on such aggregators of gig workers. The Bill aims to overcome the hurdle of not having enough social protection schemes for gig workers, and lays down the following broad measures to that effect:

1. The Bill proposes the creation of a Welfare Board and a Welfare Fund. The composition of the Board has also been specified to include the Karnataka Labour Minister, two aggregator officials, two gig workers and one civil society member. The Fund has been set up to aid gig workers who have been registered with the Board.
2. The Bill provides that fair contracts be issued to gig workers, which shall be written in a language they can understand. Further, if there is any change in the terms of the contract, or in case of termination of the gig worker, a 14-day advance notice is now required to be provided.
3. The Bill has also laid down a grievance redressal mechanism in place (applicable to aggregators having more than 50 gig-workers). It specifies that now, gig workers can raise their grievances before an Internal Dispute Resolution Committee created by the aggregators themselves. They can also resolve their disputes as per the mechanism laid down in the Industrial Disputes Act, 1947.
4. Directives have been issued to aggregators to disclose the details of work allocation and denial parameters, rating systems, personal data processing, monitoring and decision-making systems that they employ upon the request of gig-workers.

This has been done to ensure transparency and more accountability towards gig-workers, which was absent in the previous law.

The Bill is certainly a positive step towards recognising gig workers in Karnataka and allowing them to preserve and exercise their rights as workmen, especially as they are not in an employer-employee relationship, unlike the traditional labour workforce. Measures such as creation of the Welfare Fund and fair contracts certainly are a step forward in improving autonomy of the gig-workers, who were not granted such autonomy and protection under the earlier laws. The Bill also acts as a check on aggregators, who have been known in the past for several failings such as erratic work hours, no fixed wages and inadequate social protection schemes for gig-workers.

However, the proposed dispute resolution mechanism and its interplay with the Industrial Disputes Act, 1947, which is distinctly different in its treatment of "employers" and "employees" appears to be inconsistent and vague, considering the fact that gig workers are not employees. Additionally, there are concerns pertaining to ease of doing business in India in three ways - *first*, it would increase the burden of compliance for the aggregators; *second*, as a consequence, it would increase the burden and powers of the government in regulating these issues; *third*, it has given wide powers of inspection to the Government - of algorithms, data etc.

Therefore, there is a need to have a relook at the deficiencies pointed out in the Bill and balance the needs of workers with the role and responsibilities of the aggregators and the Government, so that the positive intent with which the Bill has been created, is satisfied and there is a just and equitable platform-based economy in India soon.

Government introduces Bharatiya Vayuyan Vidheyak, 2024 Bill in the Lok Sabha

On July 31st 2024, the Union Government introduced the Bharatiya Vayuyan Vidheyak 2024 (“**BVV**”) in the Lok Sabha. This bill seeks to replace the Aircrafts Act 1934 (“**AA**”) to overhaul the high-tech aviation sector. The decision to replace the existing law stems from two key factors: Firstly, this legislative move aligns with the broader scheme of the Union government to modernize all legislation having colonial remnants. Secondly, a strong sense of urgency was felt to introduce a more robust and stable framework suited to contemporary aviation needs, given that the Aircraft Act has undergone 21 amendments over the past 90 years.

The AA governs various aspects of aviation, including the manufacturing, possession, usage, operation, sale, and import/export of aircraft. It further stipulates parameters for aircraft maintenance, general flying and safety conditions, aircraft registration, and the conduct of investigations. Moreover, the Act envisages guidelines for assessing the airworthiness of the aircraft, which entails both physical and regulatory conditions. This assessment ensures that an aircraft, its engine, propeller, or part conforms to approved designs and are in a condition for safe operation.

The proposed bill has been introduced with the purpose of simplifying processes and improving ease of doing business in the sector. While many aspects of the bill remain similar to the previous Act, several major changes have been incorporated.

Firstly, the BVV modifies the definition of an aircraft, which now excludes air gliders and balloons from its scope, marking a shift in the framework of how an aircraft has been conceived. Secondly, the BVV further incorporates definitions of manufacturing and maintenance, effectively narrowing the scope of these activities.

Additionally, Clause 10 of the Bill deviates from its previous counterpart, which, despite seeming trivial on a surface reading, might have profound implications on the aircraft sector. The AA empowered the Central Government to make rules regulating the manufacture, maintenance, possession, use, operation, sale, export, or import of any aircraft or class of aircraft and for securing the safety of aircraft operations. The new clause includes the term design into the definition and incorporates the 'State of Design' status. This change empowers India to approve and certify aircraft designs, promoting the Make in India initiative and the Aatmanirbhar Bharat initiative for self-reliance.

Another key element of the BVV addresses the issuance of Radio Telephone Operator (Restricted) Certificate and Licences. These exams, currently conducted by the Department of Telecommunications (DoT), will now fall within the purview of the Directorate General of Civil Aviation. This shift is viewed positively by aspiring pilots who have faced challenges with these exams in the past. They hope things will improve under the new system, as now the power has shifted to the concerned authority.

Under the aegis of BVV, the Minister of Civil Aviation has announced plans to establish an efficient online grievance redressal mechanism to manage passenger complaints and ensure timely resolutions. The BVV also aims to resolve existing anomalies in the aviation regulatory net by adhering to international conventions and best practices. Reforms include incorporating audit recommendations from the International Civil Aviation Organization (ICAO) and the Federal Aviation Administration (FAA). In addition, the government has extended the powers related to certification and licensing for radio, telephone, and telegraph equipment operators, aligning with the mandate of the International Telecommunication Convention.

While BVV has drawn appreciation from multiple quarters for the reforms it seeks to bring, it has also been subjected to backlash on multiple fronts. Apprehensions have been raised over the expanded powers granted to the Central government to prohibit or regulate certain construction activities, issue directives, detain aircraft, and enact emergency orders when necessary. It is averred that these powers might act as an enabling net for potential overreach as the circumstances necessitating the exercise of these powers remain ambiguous. Secondly, the Hindi nomenclature of the bill draws concerns from the non-Hindi-speaking regions, who view it as alienating and bereft of India's linguistic diversity.

Lastly, while BVV seeks to shed colonial legacy, the continued use of 'VT' as the aircraft registration code for India raises concerns. It was alleged that VT stands for Viceroy's Territory, however, the Ministry of Civil Aviation has clarified that it does not carry the same meaning and has been granted as a matter of administrative convenience because other initials resonate with India or Bharat such as BH or IN were already allocated to other countries.

India's Economic Roadmap: Highlights of the 2024 Union Budget

On July 23, 2024, Finance Minister Nirmala Sitharaman presented her seventh consecutive union budget. The minister said that “this model shall showcase, *Vikas bhi, Virasat bhi* in a growth trajectory”. As we focus on this year’s budget, it is essential to understand the major themes as well as the government’s vision for the future. This year's budget revolves around four key themes: employment and skilling, support for micro, small and medium enterprises (MSMEs), farmers and rural development, and the middle class. In this piece, we will cover each theme briefly to provide a context into the government's priority list.

Starting with employment, the government aims to facilitate employment, skilling and other opportunities for 4.1 crore youths over a five-year period with a central outlay of Rs. 2 lakh crore. The government has made two major announcements in this regard. First, it will launch a skilling program in collaboration with the state governments and industry to upskill 20 lakh youth over the next five years. Under this program, 1000 training institutes will be upgraded for outcome orientation and eventually, new courses will be introduced as per the skills needed in the industry. Second, loans will be made available for educational purposes. Loans up to Rs. 7.5 lakh will be provided to 25,000 students each year with a guarantee from a government-promoted fund. Additionally, loans up to Rs.10 lakh will be available for higher education in domestic institutes, issued in the form of an e-voucher to 1 lakh students, with an annual interest subvention of 3%.

In recognition of the vital role of MSMEs in India's economic landscape, the government has proposed several targeted measures to bolster this sector. There are 6 crore MSME units in India employing over 11 crore people, MSMEs single-handedly account for 30% of our GDP and 50 % of our exports. The first initiative introduced for MSMEs is the Credit guarantee scheme, where the MSMEs in the manufacturing sector will get term loans for the purchase of machinery and equipment without the requirement of collateral or third-party guarantee.

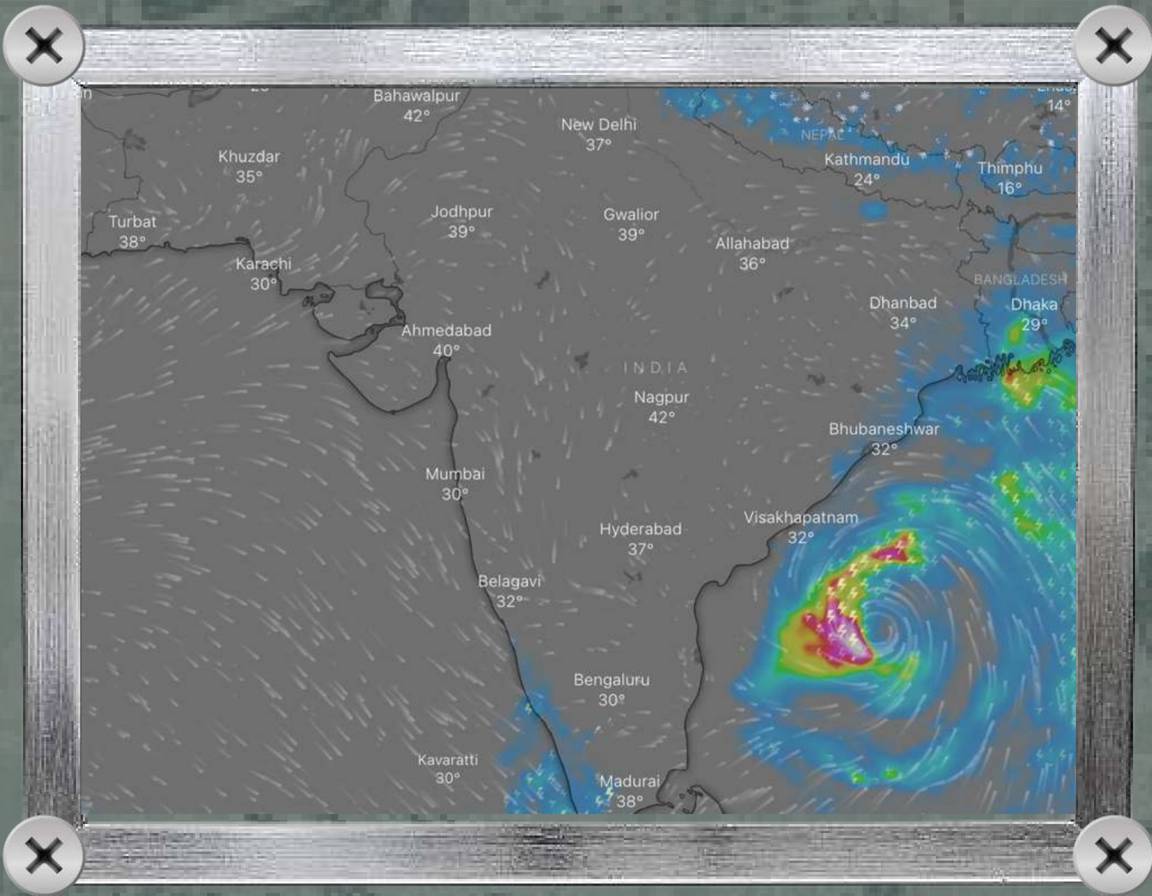
Additionally, the Mudra loan scheme for MSMEs has been expanded. Businesses that repay their initial loans will now be eligible for increased borrowing limits, ranging from Rs.10 lakh rupees to Rs.20 lakh rupees, thus, supporting the growth of creditworthy enterprises. To streamline the credit assessment process, the Finance Minister has announced a new assessment model for public sector banks. This is aimed at increasing the credit accessibility for more MSMEs. Moreover, MSMEs at the risk of default, will get continued funding from the banks even during their stress period. This is done to support the vision that the MSMEs sector of India should not struggle during market shocks. Lastly, to enable MSMEs and traditional artisans to sell their products in international markets, E-Commerce Export Hubs will be established through public-private partnerships (PPP). These hubs will offer a seamless regulatory and logistic framework, facilitating trade and export-related services under one roof.

This brings us to the next theme of rural economy and farmers. The budget reveals a notable increase in allocation for agriculture, rising from 1.41 trillion in FY24 to 1.52 trillion in FY25, an increase of 8%, further, rural spending has been hiked by over 10%. The vision of the government here is to increase agricultural productivity and to develop a climate-resilient variety of crops. To this end, the budget announces that new 109 high-yielding and climate-resilient varieties of 32 field and horticulture crops will be released for cultivation by farmers. The budget also supports natural farming. Under this initiative 1 crore farmers will be taught natural farming and will be supported by certification and branding over the next two years. Additionally, 10,000 research centers will be established to provide necessary inputs for natural farming. In terms of infrastructure, under the Pradhan Mantri Gram Sadak Yojna, around 25000 villages will be provided connectivity. Overall, rural development and agriculture have received the 2nd and the 3rd highest funding just after the defence sector, showing the government's intention to go bullish on rural development. These initiatives are projected to boost per capita income, potentially increasing the number of taxpayers.

The final theme of our analysis focuses on income tax reforms, a topic of perennial interest to India's middle class. In this year's budget, the government has introduced a revised tax slab under the new tax regime, intended to benefit the middle-class population. According to statistics, these changes are expected to boast <u>savings of up to Rs.17,500/- in income tax.</u>

However, it's important to note that while the new tax slabs offer reductions, the tax on capital gains has been increased. This is said to affect the overall income output of the middle class negatively. While the revised tax slabs under the new regime aim to benefit the middle class, the increased capital gains tax may offset some advantages. Therefore, As these measures are implemented, the overall effect of the budget on India's economic trajectory will become clearer.

If you wish to know more, please find the Union Budget PDF link here.



Centre introduces Disaster Management (Amendment) Bill, 2024

Recently, Union Minister of State for Home Affairs, Nityanand Rai, on 1st August introduced the Disaster Management (Amendment) Bill 2024 in the Lok Sabha. It seeks to make certain modifications to the Disaster Management Act of 2005.

The 2005 Act was introduced in light of the necessity of efficient disaster management mechanisms at the national and state levels after experiencing some very devastating natural calamities countrywide. Under the Act, the National Disaster Management Authority (NDMA), and State Disaster Management Authority (SDMA) were established to create a synergy between the Centre and the states in tackling natural disasters. The NDMA is the apex body for disaster management in India, which is headed by the Prime Minister. Some of its functions include laying down plans and policies for managing disasters, ensuring their efficient implementation, and providing guidelines to Sate Authorities to draw up their own plans.

The 2024 Bill seeks to empower both the NDMA and the SDMA to prepare the disaster plan at the national and state level respectively. The plan-making function has been taken away from the National Executive Committee and the State Executive Committees. The Bill also plans to make two new additions: an Urban Disaster Management Authority for state capitals and large cities with municipal corporations, and a Disaster Database at the national and State levels.

The reasoning behind the amendment of the 2005 Disaster Management Act, as per the central government, is that the disaster management processes must be more streamlined and follow the recommendations of the Fifteenth Finance Commission. According to them, the working of the 2005 Act along with the experiences of the country with natural calamities in the past had created a pressing need for amendments to the previous legislation. However, instead of bringing clarity and streamlining the disaster management processes, the Bill can potentially create an additional level in the multi-faceted setting which can cause confusion and promote bureaucratic red-tapism. On a wider scale, the Bill is also said to tamper with the federal structure of the country in terms of disaster management by resting more power in the Centre's hands, thus shrinking the opportunity of the states to customize their disaster management plans which are more suited to their social, economic, and geographical fabric. Thus, the Centre must take a minimalistic and balanced approach to disaster management in India in order to smoothen and simplify the existing framework, all the while taking into account the needs and aspirations of the various stakeholder states.

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