

SUPREME COURT ALLOWS LAW ENFORCING 75% RESERVATION IN HARYANA**1. INTRODUCTION**

On January 15, 2022, the Government of Haryana had formally notified the Haryana State Employment of Local Candidates Act, 2020 (the “**Act**”) and the Haryana State Employment of Local Candidates Rules, 2021 (the “**Rules**”), which enforced a 75% reservation requirement in employment for local candidates (i.e., candidates domiciled in the State of Haryana) earning INR 30,000 or less. We have discussed the key provisions of the Act earlier which can be accessed at <https://bit.ly/3nq7Uog> and <https://bit.ly/3goD9Mp>.

Given the statutory development, several industrial associations and other related entities had filed petitions challenging the constitutional validity of the Act before the Punjab and Haryana High Court (“**High Court**”). The matter was heard by the High Court on February 2, 2022, wherein an interim stay on the applicability of the Act was enforced. Our analysis of the High Court interim stay order can be accessed at <https://bit.ly/3gIPM4R>.

In response to the interim stay order, the Government of Haryana filed an appeal before the Supreme Court. On February 17, 2022, the Supreme Court overturned the interim stay order issued by the High Court, thereby lifting the ban on the 75% reservation requirement under the Act. Our evaluation of the Supreme Court order has been set out below.

2. HIGHLIGHTS

While the Supreme Court declined to delve into the merits of the matter, it observed that the High Court had not assigned sufficient reasons for issuing the interim stay order against the applicability of the Act. The High Court was hence asked to hear the matter in its entirety and issue an appropriate ruling within 4 (four) weeks. However, in an interesting development, the Supreme Court also stated that the Government of Haryana would not be entitled to take coercive action against employers that refuse to comply with the requirements of the Act.

3. INDUSLAW VIEW

The order of the Supreme Court certainly strikes a balance between the competing sentiments on this highly contentious issue. While directing that any restriction on a legislation that has been duly enacted by the government must only be imposed after holding a proper hearing, the Supreme Court also prohibited the Government of Haryana from enforcing any coercive action against private employers that choose to not comply with the Act, thereby allowing private employers a certain amount of flexibility. It would be interesting to observe how this relaxation against coercive action plays out in practice and the duration for which this relaxation will continue to apply. It also remains unclear as to whether the relaxation will remain valid in case the High Court does not deliver a ruling within the designated time period of 4 (four) weeks. Nevertheless, a final pronouncement on the applicability of the Act remains pending, since the High Court has been directed to review the matter once again.

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