

NASSCOM®

Haryana Reservation: Impact on Start-ups

Survey Analysis

March 2021

Research Methodology

- NASSCOM rolled out an e-survey from 16th March till 24th March 2021 to understand the following:
 - i. **Demography of workforce of start-ups operating in the State of Haryana**
 - ii. **Impact of the new Haryana State Reservation Law on start-ups operating in Haryana**

- 11 questions were asked from the industry participants ranging from employment numbers, % of people earning less than 50K per month, residence status, skill gaps, etc.

- **50 start-ups** participated in the survey

Dear team,

Haryana Government has recently passed a law "Haryana State Employment of Local Candidates Act, 2020" that mandates private establishments in Haryana to reserve 75% of the jobs with salary up to INR 50,000 per month for local candidates domiciled in Haryana. In order to showcase the impact of this law on start-ups, NASSCOM is rolling out a survey to understand the current demography of the people employed in start-ups operating in Haryana, and how the new law will impact the future of investment and growth opportunities including recruitment strategies for the companies that are present in the State.

Disclaimer: Information collated in this survey will be used as an aggregate figure representing the industry position and will not be attributable to individual organisation.

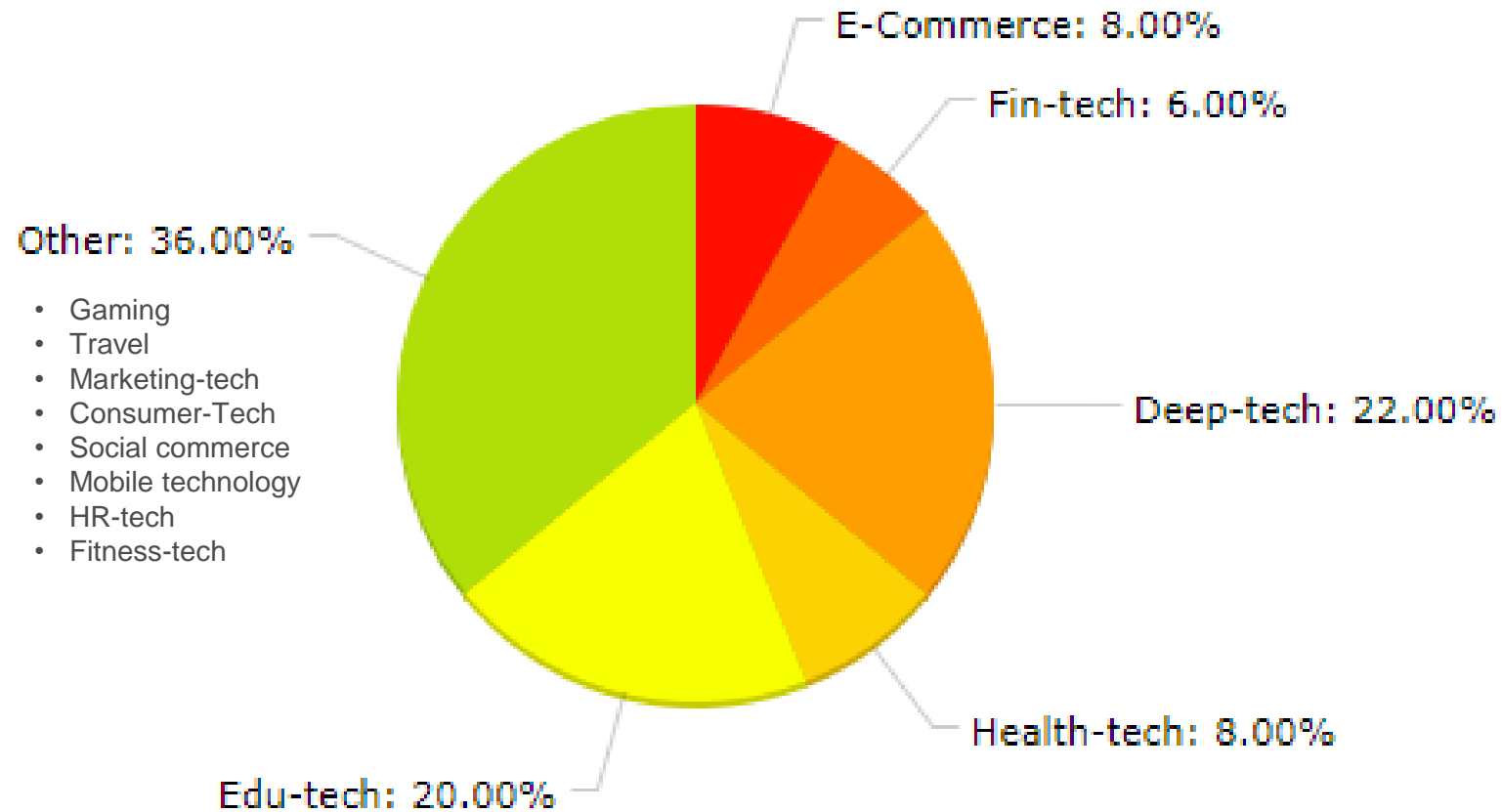
Please note that the survey will close at 2pm on 19th March.

1. Participant Details *

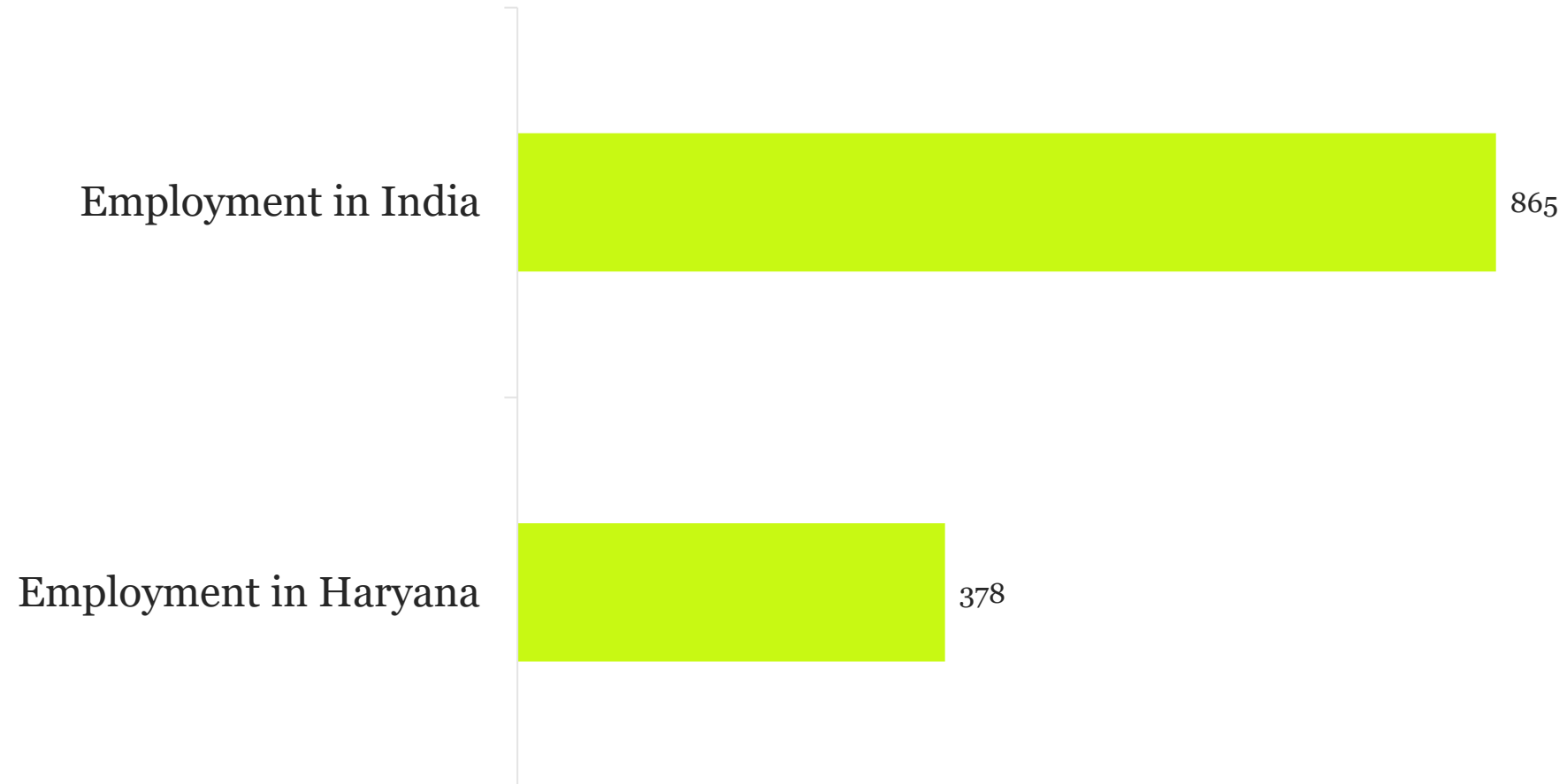
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2. Nature of business of your start-up *

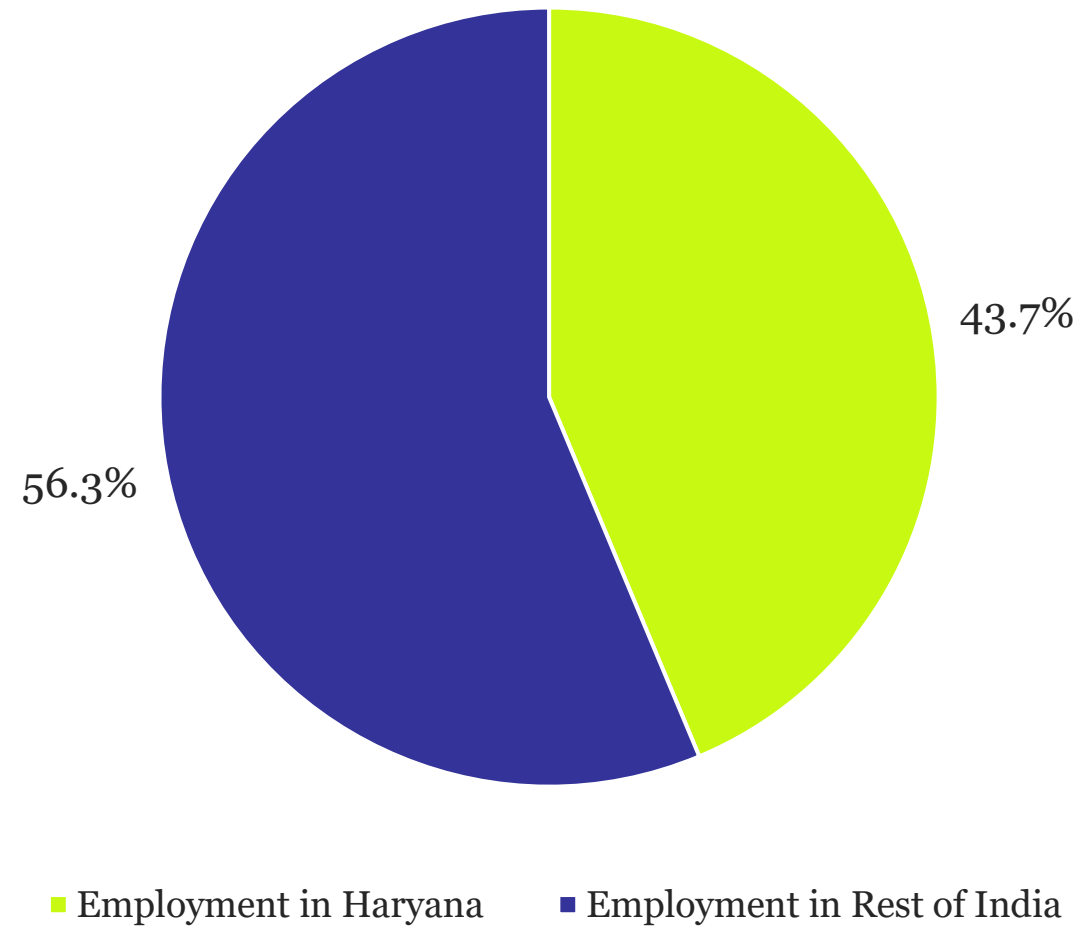
Industry Segments



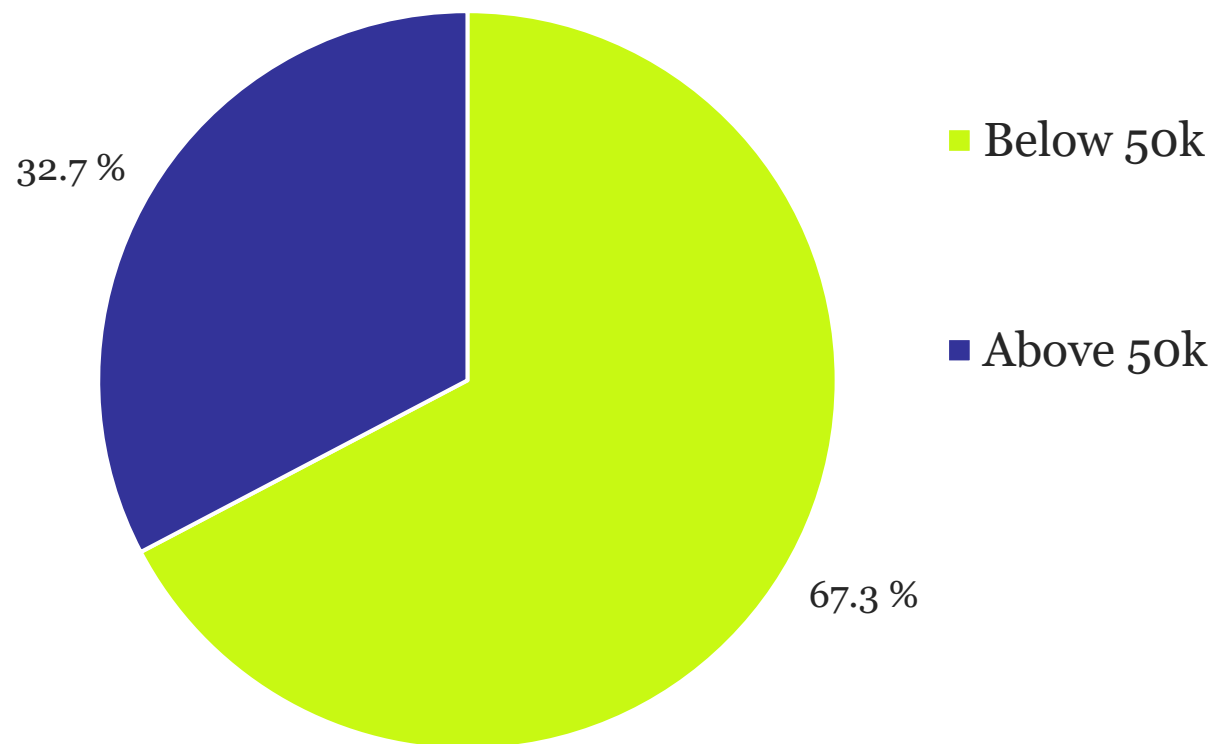
Employment Numbers



Total Employment in India versus Haryana

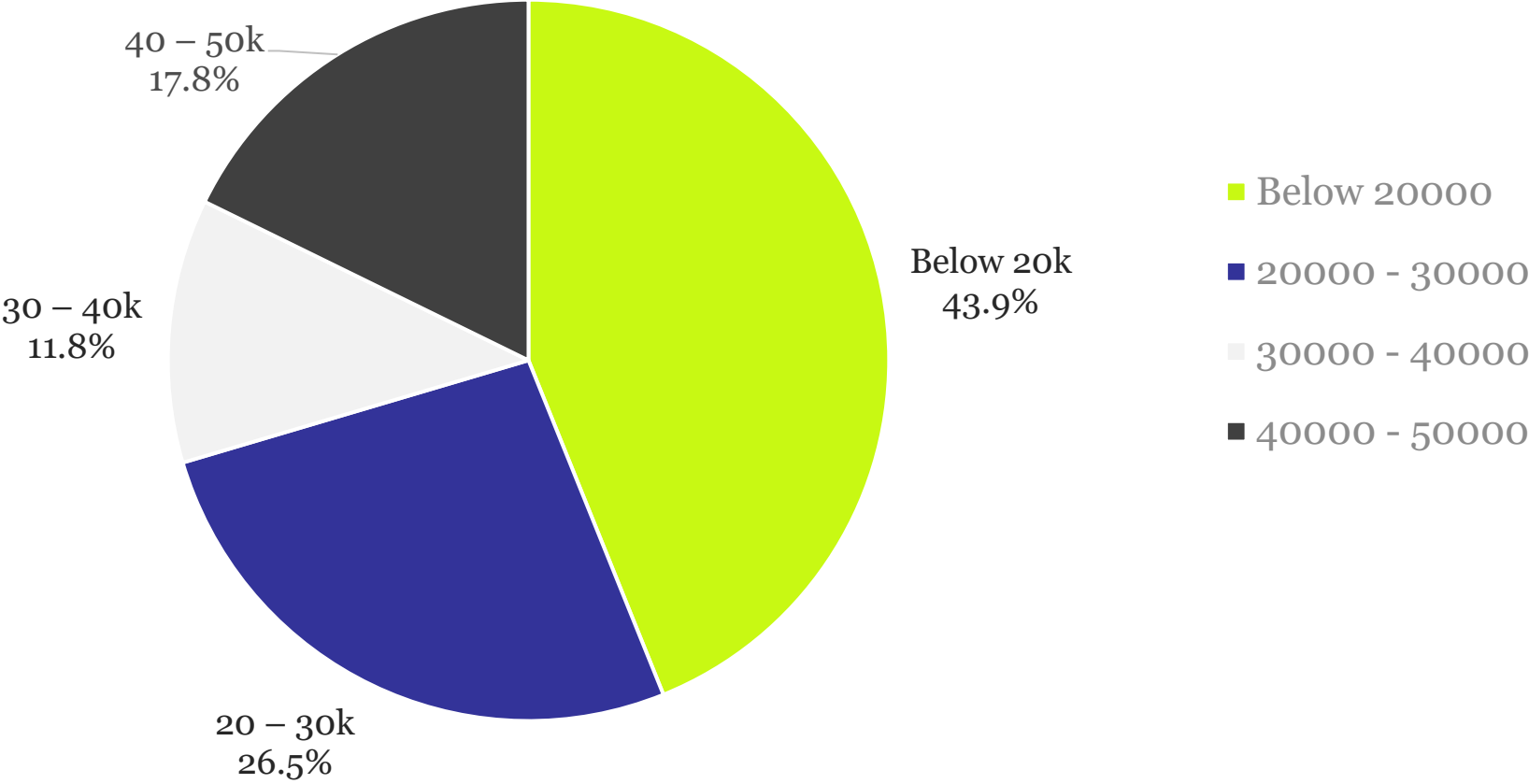


Percentage of Employees in Haryana Earning below 50k versus above 50k per month (n=29)

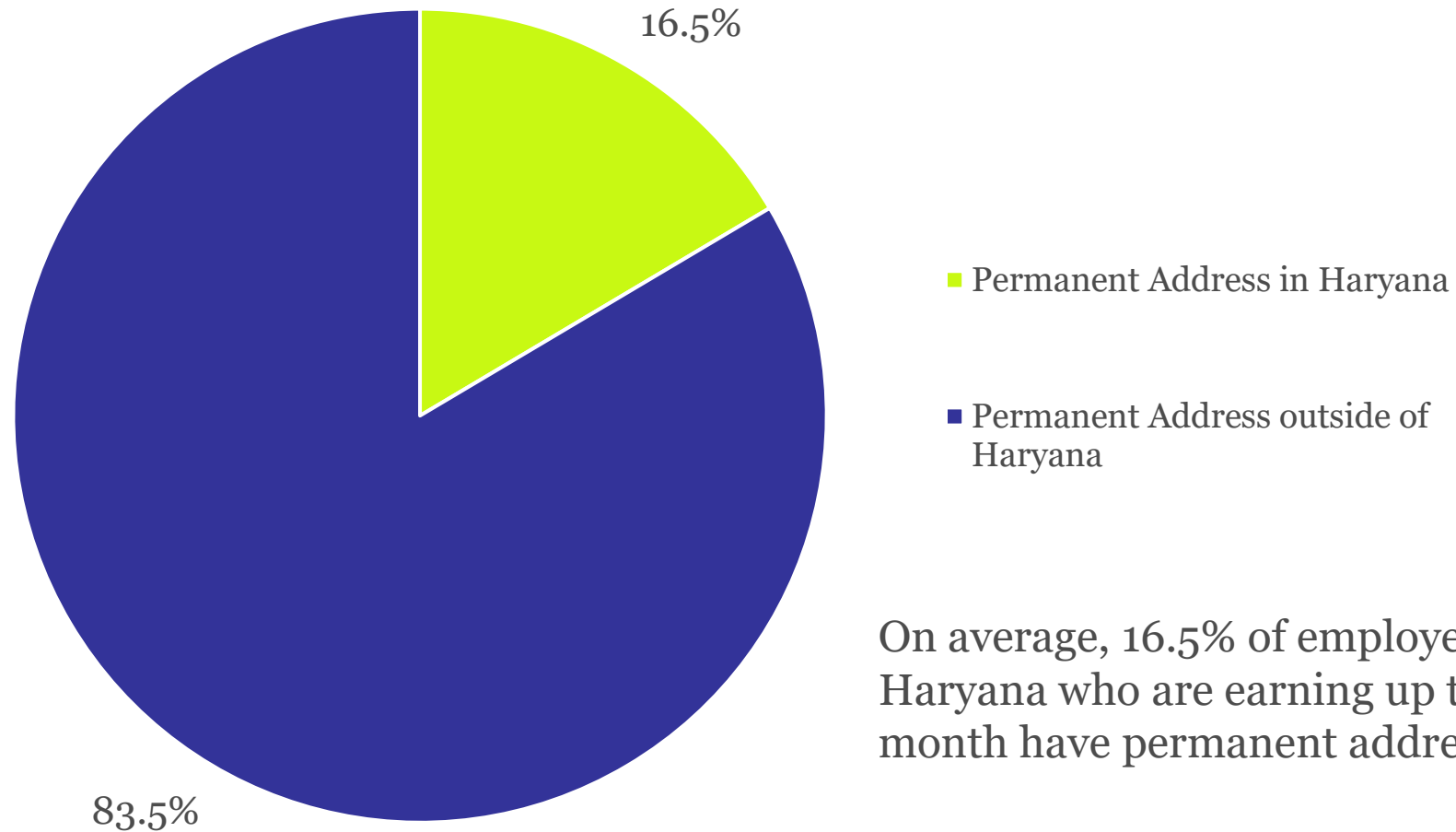


On average, 67.3% of employees in start-ups in Haryana are earning below Rs. 50000 per month

Percentage of Employees in Haryana falling under the following salary brackets



Percentage of employees earning up to 50k per month with permanent address in Haryana versus outside of Haryana



On average, 16.5% of employees in start-ups in Haryana who are earning up to Rs. 50000 per month have permanent address in Haryana

Job titles or nature of work of employees earning upto Rs. 50000

- Developer/analyst – software, hardware, product, website, SaaS, content
- Manager level – business development manager, project manager, sales manager, marketing manager, human resource manager, operations manager, finance manager, customer relationship manager
- Telecallers; technicians; graphic designers; software testers;
- Administrative jobs: database admin, peons or other office staff

Key skills missing locally for Jobs with Wages upto INR 50000

- Lack of both soft as well as technical skills was cited as major skill gap in local candidates. These include the following:
 - Communication –Spoken and written
 - Software development experience and skills – including frontend and backend
 - AI and Machine Learning Skills
 - Analytical and logical reasoning aptitude
 - Marketing skills – digital and non-digital
 - Programming skills
 - Data Science
 - Engineering and technical skills

Impact of the new law on investments : Short vis-à-vis mid & long term

- **Short Term (0-1 year)**

- Most responses have indicated negative impact of this law on their company in the short term.
- Some participants expressed this will impact their recruitments plans and employment structure, some would consider shifting their operations to other locations, some may even move out immediately.
- Some participants mentioned that this law will force them to employ undeserving candidates due to lack of availability of local resources with the required skill-set, thus impacting business
- Some didn't comment and few mentioned there will be low impact

- **Mid-long term (beyond 1 year)**

- Many participants mentioned that they would shift their operations to other States and increase hiring in other States which do not have reservation laws.
- A majority of the participants expressed that this will negatively impact their revenue, business operations, company's growth and investments plans.
- Very few participants mentioned that there will be no impact; while one mentioned that local candidates will help with the logistics in hiring.

Overall Impact on the Recruitment Strategy

- Majority of the members expressed concerns on the recruitment strategies of the organisation and expressed their views as:
 - Will consider shifting operations to other locations to source talent; refrain from scaling up operations in Haryana or work remotely
 - The law will significantly limit the industry's ability to hire deserving people, due to lack of local talent and people with the required skills
 - It will impact diversity and inclusiveness in the companies
 - It will increase the compliance burden on start-up founders who are already burdened with multiple compliances
- Some participants emphasised that hiring should be based on skill requirements, irrespective of the domicile of the applicants
- A few of the participants mentioned that this will have no overall impact on their recruitment strategy

Law: Key amendments suggested

- Majority of the members expressed their suggestions on repealing the law or providing exemption to start-ups altogether, or at least for directors of the company and skilled workforce.
- Hiring cannot be on the basis of location but talent
- Others mentioned that Govt should introduce the following amendments in the law:
 - Lowering the percentage quota from existing 75% to anywhere between 10-30%
 - Redefining the quota to include every person with a temporary residence in Haryana, instead of permanent residence only.
 - Making local hiring a preference, but not mandatory; or waiving off the local hiring condition in cases of unavailability of local talent
 - Introduce provisions for support by State government for:
 - identifying talent, for example, via career fairs
 - Upskilling local talent to make them suitable for the required job
 - Lowering the salary thresholds from existing 50000 to below 20000
 - Should be made applicable to unskilled jobs