Chapter - 6
SUMMARY, CONCLUSIONS AND SUGGESTIONS

Theoretically, the developing economies are generally dual in nature comprising of an emerging modern sector and giant sized traditional sector. The traditional sector, which is largely informal in character, is assumed to be transitory in nature and diminishes in its size and importance as the economy moves above the ladder of growth. But in many developing countries, particularly India, the reverse has happened as the unorganised sector has been assuming more and more importance as the economies have grown. Early theories of migration, too, have depicted the migration of the workers from informal low productive agriculture to the organised modern sector during the process of development but the theory by Harris-Todaro has rightly pointed out that during the process of structural transformation of the economy, the unskilled labour force has fewer chances to get employed in the modern sector and so such labour force is more likely to get placed in the informal, low paid activities. Thus, as the economies grow, the migration from agriculture to non-agricultural activities is associated with increase in the size of informal sector. Recent trends have shown that the swelling size of the informal sector could also be associated with the process of liberalisation and globalisation when organised sector has been observed to be shedding a large number of workers in the wake of technological improvement and cost reduction. In such a scenario, the unorganised sector has emerged as the single largest sector to absorb these retrenched workers as well as the new entrants in the labour force.

India is also no exception in this case as about 92 per cent of its total work force is employed in the unorganised sector. Though, agriculture comprises a huge
share of this employment but outside agriculture, the role of unorganised manufacturing sector is very important. It has been providing employment to a substantial number of people and is also contributing significantly to the national output. It is also being seen as the next engine of the growth for the Indian economy. Though, its contribution to total employment is immense but its share in net domestic product of the economy is not as high. This indicates towards low level of productivity in this particular sector. Moreover, the employment in this particular sector is mainly concentrated into small sized own account enterprises. Thus, most of the workers in this sector earn very low amount. Low earnings and lack of any social security make them vulnerable to the contingencies of life. But still, this sector has to a large extent solved the problem of joblessness and so helps in mitigating the problem of poverty. But the distribution of this particular sector is not evenly spread across industries and different types of enterprises. Some of the sub-sectors (or industries) in the unorganised manufacturing sector of India, have shown dynamic growth trends in case of employment, wages as well as productivity in recent years while some of them have been contracting. In some sub-sectors growth of employment has been associated with growth of productivity as well as growth of wages while some have experienced deterioration on these grounds. In today’s competitive world, it is high time to recognise such sectors which have high growth potential (both in terms of output as well employment). So, present study is an attempt to analyse all these aspects of the unorganised manufacturing sector of India. This study has reached to following conclusions:

It has been observed that majority of the enterprises in the unorganised manufacturing sector of India are own account enterprises (OAMEs), they also
provide employment to the highest number of persons among all types of enterprises in this particular sector. But these enterprises are mainly located in the rural areas. Among the establishments (i.e. NDMEs and DMEs), the number of enterprises are more in NDMEs but the DMEs employ more of people as compared to NDMEs. Moreover, by the period 2000-01 to 2005-06, DMEs have registered the highest growth rate of both employment and enterprises. It seems that the unorganised manufacturing sector of India is gradually moving from small home based own account enterprises to relatively bigger establishments i.e. DMEs. These are positive trends, particularly in the era of rapid industrialisation. This study has also observed that the level of employment is positively correlated with size of the enterprises (measured as gross value added) and required inputs. So, the enterprises/sub-sectors/regions with adequate availability of raw materials, capital, fixed assets and higher gross value added in their units are likely to generate more employment as compared to the ones who fail in this regard.

The sector-wise distribution shows that the unorganised manufacturing sector of India is mainly concentrated in three sub-sectors, namely, manufacturing of agro-foods, textiles and wood & wood products. These sectors account for 75 per cent of the total enterprises and about 70 per cent of the total employment in the unorganised manufacturing sector of India. Out of these, the sectors of manufacturing of agro-foods and textiles have experienced an increase in their share both in employment and enterprises while the manufacturing of wood and wood products has experienced a decline in its share. Another interesting point of this distribution is that the manufacturing of agro-foods is gradually being ruralised and the manufacturing of textiles is being urbanised. However, among the various sub-sectors, the fastest
growing sectors are the manufacturing of chemicals & chemical products, machineries and transport equipments.

The distribution of the unorganised manufacturing sector across the regions shows that the bigger states (in terms of area as well as population) have bigger share in enterprises as well as employment. In the year 2005-06 above 60 per cent of enterprises and employment were concentrated in states like Uttar Pradesh, Maharashtra, Tamil Nadu, Andhra Pradesh, West Bengal and Bihar while the northern states of Haryana, Himachal Pradesh, Punjab and Rajasthan together comprise less than 7 per cent of total employment and enterprises in the unorganised manufacturing sector of India. However, it has been observed that many of the bigger states have entered the negative growth trajectory while the smaller ones registered high positive growth of employment as well as enterprises.

It has also been observed that ever since 1994-95, the enterprises in the unorganised manufacturing sector have been less employment intensive as, wherever the share of a particular state in total enterprises and employment in this sector has increased, the increase in the share of enterprises has been greater than that of the employment and wherever it has declined, the fall in the share of enterprises is lesser than that of the employment. Going by the capital-labour ratio in various enterprises, it has been found that the OAMEs and enterprises located in rural areas are more labour-intensive as compared to other types of enterprises as well as urban enterprises. Among various sectors, it has been found that manufacturing of agro-foods, textiles and wood & wood products are least capital-intensive. But going by the employment elasticity with respect to gross value added, it has been found that rural
NDMEs create largest number of new employment opportunities vis-à-vis their gross value added as compared to other types of enterprises. Among sectors, the latest trends show that the manufacturing of transport equipments and chemicals & chemical products have been creating more of employment with respect to their gross value added. It has also been observed that in most of the cases, the positive employment elasticity is mainly due to rural units and negative employment elasticity is mainly due to urban units.

The analysis of emoluments of the workers employed in the unorganised manufacturing sector shows that the absolute amount of wages (at constant prices) as well as the growth rate of wages was higher in the DMEs as compared to NDMEs. Sadly, it can be observed that the sectors of manufacturing of agro-foods, textiles and wood & wood products which employ largest number of persons are placed at the lower end of the emoluments. Thus, a majority of the workers are paid very low wages. On the other hand, the sectors of manufacturing of metal products, basic metals and machineries not only pay higher amount to their workers but have also observed the highest growth rates of wages as compared to other sub-sectors in the unorganised manufacturing sector of India. The study shows that in the rural areas, the female workers earn lesser wages as compared to males, while labour productivity has significant positive relation with wages in every type of enterprises in rural as well as urban areas.

The gender distribution of the employment in the unorganised manufacturing sector of India shows that the share of female workers has increased from about 31 per cent in 1994-95 to about 38 per cent in 2005-06, but the increase in female share
in total employment in this sector is mainly due to the increase in their share in OAMEs and in part-time jobs. So, in case of unorganised manufacturing sector of India, the ‘feminisation of jobs’ is actually the ‘feminisation of part-time jobs’. This trend is also confirmed by the fact that the sectors which have experienced a decline in female share have also observed decline in full time jobs and the sectors which have observed increase in female share have also observed an increase in the part-time jobs. Out of their own groups also, the percentage of women working as full time workers out of total women employed in the unorganised manufacturing sector of India, is lower than that of the males. This shows that more of women workers are being employed in part-time jobs. On the other hand, wherever, the female share in total employment has increased, it has been due to their increase in their share in part-time jobs. Moreover, this increase is mainly contributed by the urban areas. So, in unorganised manufacturing sector of India, ‘feminisation of part-time jobs’ can also be associated with urbanisation of female workers.

The distribution by type of workers in the unorganised manufacturing sector of India shows that the women are over-represented in total unpaid workers while among hired workers, they are under-represented. Though, among working owners, their share is nearly proportional to their overall share in total employment in this sector but this is mainly due to their higher share in OAMEs. A comparative analysis of male and female workers shows that more of women workers work as unpaid workers compared to men and more of male workers work as hired workers and working owners as compared to women and these differences are more overt in urban areas as compared to rural areas. Among three types of enterprises in the unorganised
manufacturing sector of India, the study shows that the DMEs follow the least discriminatory practices among men and women workers if we analyse the share of male and female workers in their own groups in various types of employment. Finally, the sector-wise analysis shows that the sectors of chemicals & chemical products, agro-foods and textiles have higher share of female workers as compared to their overall share in total employment in the unorganised manufacturing sector of India. On the other hand, the modern industries like manufacturing of basic metals, metal products, machineries, transport equipments etc. employ a very small number of women workers.

It is generally observed that share of the unorganised manufacturing units in total employment is much higher than their share in net domestic product during any time period. This points towards their lower productivity levels. In this study, it has been observed that whole of this particular sector should not be judged in similar way as the productivity levels and their growth differs across the type of enterprises as well as across sectors. Out of all types of enterprises, the OAMEs had turned to be least productive as their share in gross value added is much less as compared to their share in total employment in the unorganised manufacturing sector of India. During 1994-95, the OAMEs were contributing about 43 per cent of the gross value added of the unorganised manufacturing sector of India by employing 68 per cent of total workers and 38 per cent of total fixed assets but by the year 2005-06 their contribution to gross value added declined to about 32 per cent with 36 per cent of fixed assets and 65 per cent of total workers. This shows that a smaller decline in the fixed assets had taken a greater toll at the productivity and employment creation in
OAMEs. Thus, OAMEs have experienced a decline in their productivity since 1994-95 while that of the DMEs is increasing (in case of DMEs, the share in productivity has increased to a much greater extent as compared to their increase in fixed assets as well as employment). The rural units of OAMEs, which still absorb about 77 per cent of total rural employment in the unorganised manufacturing sector of India, have experienced a sharper decline in their productivity as compared to urban OAMEs. This shows that a large segment of the workers employed in this sector in rural areas works in low productive enterprises. The sector-wise analysis shows that more than 50 per cent of the gross value added in the unorganised manufacturing sector is still contributed by the traditional sectors of manufacturing of agro foods, textiles and wood & wood products, while the regional analysis shows that the industrial state of Maharashtra is also the biggest contributor of the gross value added in the unorganised manufacturing as well. But the unorganised manufacturing units in this state seem to be more capital intensive as their share in total employment is lower than their share in fixed assets. On the other hand, the units in West Bengal have the third largest share in gross value added, yet they employ maximum number of workers with much smaller share in fixed assets (at the fifth place).

The growth dynamics of this sector shows that though the growth of productivity (at constant prices) in this sector has remained positive throughout the whole period of study, yet it has slightly declined. This decline is mainly due to the poor performance of the rural units in this regard. Actually, whatever positive growth has been registered is due to NDMEs and DMEs. It has been observed that among the various sub-sectors of the unorganised manufacturing sector, the urban units in the
modern activities viz. manufacturing of basic metals and non-metallic mineral products had remained the forerunners and among regions, the states of Karnataka, Haryana and Maharashtra have shown rapid growth of productivity among their units in the unorganised manufacturing sector of India. These are the states which are in the process of rapid industrialisation. This shows that the unorganised manufacturing sector also gets benefited during the process of modernisation, though the relative importance of the traditional industries fades away.

In case of partial productivities, it has been observed that the growth of labour productivity had always remained higher than that of the capital productivity. Interestingly, the growth of labour productivity in rural units is higher than that of the urban units. Among the enterprises, it has been the highest in DMEs, followed by the NDMEs. Thus, the workers in the OAMEs are the least productive as compared to their counterparts working in other types of enterprises. Further, the sector-wise analysis has shown that the modern industries like manufacturing of non-metallic mineral products, basic metals, metal products and machineries, have registered higher growth of labour productivity as compared to capital productivity therein. This is due to the fact that these units are highly capital-intensive. On the other hand, the sectors of manufacturing of paper & paper products, leather & leather products, chemicals & chemical products and transport equipments have shown higher growth of capital productivity vis-à-vis that of labour productivity in these sectors. Actually, whole of the traditional industries (e.g. manufacturing of agro-foods, textiles, wood & wood products, paper & paper products etc.) have experienced lower growth of capital as well as labour productivity as compared to the modern industries and the
units in rural areas are even worse off. This can also be due the fact that most of these units face a lot of problems. Their main problems are lack of capital, marketing of products, competition from larger units and power cuts. These problems are more acute in rural areas. Only the units producing tobacco products, paper & paper products and chemicals & chemical products face these problems to a lesser extent as compared to other sub-sectors in the unorganised manufacturing sector of India. Moreover, various determinants of productivity show that it is the access to required inputs (shown by land per enterprise, loan per enterprise, capital per unit of labour and availability of raw materials) which positively and significantly affect the level of productivity in any enterprise. Male dominated units and higher level of education of the working owner also positively affect the productivity level in any enterprise.

Thus, we have observed that the majority of the workers working in the unorganised manufacturing sector are mainly employed in low productive units and are paid very low wages so they are quite vulnerable to certain contingencies of life as they are not able to meet their minimal requirements even after working for long hours in their irregular and insecure jobs. Moreover, they are often exposed to unhealthy, unsafe and unprotected working environment. Like all the unorganised sector workers, they are not covered by social welfare laws. So, they lack access to proper health facilities and old age or retirement benefits and since these workers are among the poorest workers in India, they are most exposed to shocks and stresses threatening their livelihoods. The case of workers employed in the unorganised manufacturing sector needs a special attention as this sector is dominated by less productive and very tiny own account enterprises. So, the employer-employee
relationship cannot be determined for providing social security to the poor workers in traditional tripartite arrangement of worker, employer and the government. In such a situation, the participation by the government or a non-government body in the social protection programme is seriously required. Visualising its role for providing social security to the informal sector in general, the government has already taken some initiatives in this direction. These initiatives are taken both at the state level and at the national level. Some NGOs are also working in this direction. However, these efforts have not so far covered more than 6 per cent of workers in the informal sector. There are certain states, e.g. Kerala, which have shown a very good performance in this regard. This state is largely running its social protection programmes through its own welfare funds along with the central welfare funds. The Government of India, too, recently has launched a very ambitious social security scheme through the ‘Unorganised Sector Workers’ Social Security Act, 2008’. Through this Act, all the unorganised sector workers would be registered and issued a smart card and will be provided life and disability cover, health and maternity benefits and old age protection. Yet, it would be too early to comment on the effectiveness of this Act.

Keeping in view the performance of the enterprises and conditions of workers employed in the unorganised manufacturing sector of India, a few suggestions can be made in this regard:

Since, a big share of total employment is still absorbed by rural, own account and traditional units of the unorganised manufacturing sector, there should be emphasis on raising their productivity. This can be achieved by facilitating them the supply of capital, raw materials and removing their specific problems, particularly
regarding marketing of products. In this context, there should be emphasis on activity
specific learning programmes so that these enterprises can improve the quality of their
product and so be able to face the competition from larger units. In this context they
can also be persuaded to form clusters so that their joint efficiency improves which
would lead to competitive advantage derived from local external economies and joint
action. As a result, their bargaining strength vis-à-vis the larger units in that
area\sector would also increase. Moreover, training people would also enhance the
productivity level of the workers employed in the unorganised manufacturing sector
which in turn would have a positive impact on their wages. This would also raise the
level of employment which is positively associated with gross value added in each
enterprise. Thus, whole of the analysis of the unorganised manufacturing sector of
India seems to be having single mantra that there should be emphasis on raising the
productivity level of these enterprises. This would not only raise the level of output in
the economy but also raise the welfare of the workers employed therein. For this
purpose, the sector specific policies can also be framed as we have observed that the
growth dynamics in the unorganised manufacturing differ across its various sub-
sectors. The traditional industries should particularly be targeted as they still employ a
considerable number of workers and yet have lower share in productivity. A careful
dealing of their problems regarding availability of capital, marketing of products etc.
can have positive impact on productivity level as well as employment in these sectors.

Since marked differences can also be observed across regions, locations (rural
or urban) and the type of enterprises, there is a need of targeted policies. As we have
observed that in rural enterprises and enterprises of smaller size i.e. OAMEs a smaller
decline in fixed assets leads to a greater decline in productivity as well as employment, there should be emphasis on boosting the level of investment in fixed assets in these particular types of enterprises, which are actually the source of survival for many poor workers and the working owners.

Meanwhile, due to currently prevailing poor conditions of the workers working in the unorganised manufacturing sector, their welfare should be adequately addressed by the government. Any social security scheme along with providing for the contingencies of life should also be capability enhancing. Moreover, such facilities should be sustainable in nature. As in majority of the enterprises the workers are poor and the enterprises too have very low level of value addition, the tripartite arrangement among workers, employers and the government may not work, therefore the welfare schemes of these workers should be mainly contributed by the government. Though, the role and contribution by the government would always be very important, yet, these can also be contributed by the workers, wherever the earnings are comparatively higher. The participation of the NGOs should also be encouraged. These organisations prove to be more helpful in identifying and organising the deserving workers as they have more information about the sector and region specific problems and needs of the workers working in the unorganised sector.

Lastly, since this particular sector is providing employment to increasing number of women workers, their specific needs at the work place should also be addressed. This would enhance their working hours and would also increase their share in full time jobs. As we have also noticed that a majority of the women workers are concentrated in low productive traditional sectors which must have been the cause
of low income of the women workers, any policy targeting the welfare of women must address this particular sector and appropriate programmes and policies should be framed to promote and protect the women entrepreneurs through access to credit, skill development, vocational training etc.