Economic Reforms and Unorganised Manufacturing Sector in India: A Disaggregated View

(Abstract)

The main purpose of this study is to examine the performance of the unorganised manufacturing sector (UMS) in India and her 16 major states over a period of 25 years or so (1984-85 to 2011-12). Specifically, we looked into aspects such as its size, structure and growth, employment structure and performance, incidence and terms of subcontracting, and so on. For this purpose, we used NSSO data for three rounds – 40th (1984-85), 51st (1994-95), and 67th (2010-11). The study period has been divided into two sub-periods (1984-85 to 1994-95 and 1994-95 to 2010-11) to shed some light on performance of this sector consequent upon adoption of various polices (including economic reforms) by the Government in support of this sector.

Our broad conclusion from this study is that the UMS in India and her 16 major states continued to remain overwhelmingly rural as the majority of its employment and gross value added have been generated by the rurally-located units. Another important finding is that the smaller-sized and traditional sector activities dominated the UMS in India although there is also a sign of such dominance declining over time especially with regard to their shares in total UMS employment and gross value added. As regards growth performance of the sector, we found appreciable improvement with regard to the growth of the gross value added and labour productivity, and deterioration with regard to the growth of employment, during the post-reforms period compared to the pre-reforms period. However, the post-reforms period witnessed growing importance of the skilled workers in the larger-sized units while the less-skilled family workers flocked around the labour intensive, smaller-sized, and rurally located units who often worked on part-time basis. Obviously, specific attention needs to be focused to improve the employment performance of the UMS in India.

As regards subcontracting, our finding is that it is indeed an emerging reality in respect of the UMS in India, especially during the post-1991 period. The important form of subcontracting is that of smaller-sized units depending on their parent units to sell their products, obtain raw materials, and other market related information. However, it also appeared that subcontracting arrangements were by and large exploitative in nature that highlighted necessity of active intervention by the Government to protect the smaller subcontracted units from such exploitation.

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