PREFACE

The employment issue and evolving a positive employment policy have been at the centre of debate, discussion and analytical writings by a diverse set of economic thinkers. This is because the cultural and international repurcussions of unemployment can no longer be ignored. Across international frontiers, large-scale migration of labour is sharpening ethnic tension and racial hatred. As a consequence, the industrially developed, rich countries are increasingly imposing restrictions on the international movement of labour.

The large-scale migration of labour from the less developed regions is rooted in certain conditions which are difficult to be changed. Most of the third world countries carry large loads of unemployment and underemployment, the latter being particularly marked in the agricultural sector. The countries concerned hope to get rid of this problem through ambitious programmes of rapid industrialisation.

Indeed, economic philosophy of the 1950s and early 1960s dictated that heavy industries would create jobs, if not directly, through the multiplier effect of ancillaryisation. In India, promises were held out in successive five-year plans that the level of unemployment was going to be brought down in the next few years. Nehruvian planning process of 1950s did not differentiate between the state sponsorship of economic activity and the creation of jobs: the ethos was that economic activity on its own would promote employment. Political pragmatism in the post-independence euphoria demanded that job creation should become a major activity. In this task, state was helped by low proportional cost (wage) of labour in total production cost, especially, in monopoly form of industrial organisations that had come into being under infant industry protection policy.

The late sixties and early seventies relied on agriculture and other related activities following the green revolution to create additional employment growth. The 1970s saw an accelerated spurt of activity in the banking sector and service sector and this helped in the continuation of the process of job additions. But this state sponsored employment creation, substantially slowed down during the 1980s and 1990s. The situation now seems to be far complicated than before and the focus has apparently gone seriously wrong somewhere.

Growing industries at home can provide employment for some of the unemployed people but only some and there is a danger in trying to cross the limit. An example is the public sector enterprises in India which got grossly overstaffed as they tried to provide jobs to as many people as possible. The result was what one could expect, inefficiency. Experience with economic growth shows that growth alone has done very little to ease the unemployment problem. The Indian employment policy, for example, continues to have a relatively large but 'indirect' employment benefit component and a relatively small but target-specific employment benefit component which is perceived to be operative in the long run via the 'trickle down' or 'pull up' effects of output-growth-oriented development strategy having emphasis on modern technology. The 'direct' component aims at special employment creation programmes. These strategies are perceivably to be fire-fighting tactical devices that ensure social and political viability of the system. But all these successive attempts, in spite of their best intentions, are eventually proved to be unsuccessful in clearing the acute backlog of rural as well as urban unemployment. The situation has been aggravated by continuing population explosion on the one hand and the failure of industrial sector to absorb the additional labour force on the other. Also the issues associated with low productivity of labour were never seriously attended to.

In the post-1985 era, state financial enterprises focussed more on resource generation rather than on (output and employment) creation:

a) to overcome the adverse influence of decline in the growth of government revenue and
b) to supplement, rather than draw on, the budgetary resources of the state exchequer.

Even in the private sector the employment openings got curtailed by the shift towards more capital intensive mode of production: a response to minimise the growing influence of trade unions, to adapt to changing technologies and to prepare for the perceived threat of competition from internal as well as external sources.
The post-1991 structural adjustment initiatives (which include reduction of public expenditure and budgetary deficits and adoption of exit and other labour-related reforms) imply that firms will have to improve efficiency both in terms of costs and time. The two most amenable components of cost during the process of change are inventory and labour inputs. Technological developments in robotics and semi-automatic systems do pose a serious challenge to the existing and potential wage and self-employment opportunities. So, there remains need for a shift of emphasis from industrialisation as such to selective and employment oriented growth of industries in a developing country like India.

Until recently, there has been a popular thinking in the developing countries that smaller units are more employment generating than large units. Small-scale sector in India has been enjoying a protected market both for its products and scarce raw materials. Historically, small scale sector has been a beneficiary of a variety of privileges and state support for subsidies. But under the ongoing fiscal reforms, the state support is likely to be withdrawn owing to reduction in subsidies and in budgetary support to public enterprises. In addition, these units are likely to experience an intense heat of competition from foreign corporate enterprises owing to removal of non-tariff restrictions and reduction of tariff rates on imports under exchange and trade policy reforms and from domestic corporate enterprises owing to de-regulatory policy. These calls for a re-consideration of the whole approach relating to the problem of choice of unit size for sustaining substantial employment generation.

Alternatively put, a national labour policy should link up not only technology with the demand and supply of labour, but also, in a more dynamic manner, age-skill trends to sectoral growth rates. This is because a positive employment policy involves matching of demographic trends and skill evolution with industrial and technological growth and this is the exact deficiency felt for Indian employment policy/programmes. In absence of such a policy, the backlog of unemployment would get a further boost which may in turn worsen social tensions.

Moreover, here, problems relating to unemployment are complex and there is no easy solution to it. If something is not done immediately, it will cause incalculable harm to the society. The unemployed do not simply sit idle. An increasing number hire themselves out for subservive activities. They 'honestly' put their faith in destructive ideologies. Functioning from within a corrupt society, they can pave the way to social disintegration beyond repair.

So, this issue of employability of multitudes of educated and uneducated youth that are getting added year after year to the massive unemployed pool has been justifiably drawing the attention of professionals and policy makers.

In the literature on economics, the subject of unemployment figures rather prominently. Account has been taken of varieties of unemployment, 'frictional' and 'cyclical', 'open' and 'disguised'. A distinction has been made between unemployment and underemployment. Attempts have been made to measure the magnitude of unemployment. Methods have been suggested for reducing the volume of unemployment and keeping its fluctuations under control.

There is no denying the value of that literature. Yet when we look honestly at the contemporary world, its glaring problems, and a large part of what appears in the standard literature, we find between the two a yawning gap. In this context, micro-level/firm-level studies can be of considerable help in making a choice of appropriate unit size - large or small units - for different industries from the view point of maximum employment generation. This may provide a basis for framing government policy for employment oriented industrialisation and, thus, will lead to a more efficient use of both labour and capital in the industrial sector as a whole. It is here that the research work is rather scantily and the present study primarily attempts to fill the gap in this area.

The study has the following distinguishing features:

i) It examines the gravity and the magnitude of the problem of unemployment in India and particularly in West Bengal.

ii) It makes a critical review of the available literature on employment as well as the empirical studies on various aspects of the problem of employment, especially in India.

iii) It discusses the main characteristics of important industries in West Bengal, size-wise
as well as category-wise, in respect of their growth pattern, nature of employment, employment structure, wage structure, factor intensity etc. It also investigates the problems and possibilities of the infrastructure scenario of the State.

iv) It discusses the conduct pattern of large and small units on the basis of factor analysis and highlights the differences in the orientation of their behaviour pattern.

v) It analyses the relative significance of various determinants of employment potential of large and small units through the application of regression analysis.

vi) The study identifies high and efficient employment generating industries on the basis of Chenery - Taylor technique and probes the prospects for their development in West Bengal as a guide to practical policy.

The data base and relevant information utilised for analytical purpose in this study have been compiled from variegated secondary sources (viz. government reports and journals) and also, from a primary-level field survey. For updating/supplementing the information and for validating the findings/statements, topic-specific newspaper reporting are appropriately utilised to enhance the analytical quality of the study.

The adverse turn of events that marred the otherwise chequered history of development of West Bengal's industrial economy has prompted me to initiate my investigation in the area of employment determinants and employment policy. I am convinced that the problem of unemployment, especially educated unemployment in the State has been precipitated mainly by the failure of organised manufacturing sector of the State. Accordingly, this study is devoted to presenting a detailed, analytical understanding of various aspects of industrial performance, industrial employment and the related policy issues of the State.

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