CHAPTER-VIII

CONCLUSIONS AND SUGGESTIONS
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8.1. CONCLUSIONS

Given the economic distress worldwide, the micro, small and medium scale enterprises had been hit hard. Large numbers of workers have been laid off because of depressed demand, piled up inventory, pending retrievables and squeezed credit market. A sector which provides maximum employment cannot be left to fend for itself without a major transformation led by the entrepreneurs, policy makers and also other support organizations.

It is the industrialization which has literally carried man to the stars. However, industrialization is a process in which changes of a series of strategical production functions are taking place. It involves those basic changes that accompany the mechanization of an enterprise, the building of a new industry, the opening of a new market and providing ample employment opportunities. This is nothing but a process of deepening as well as widening of the capital.
The political, social and economic upheavals that have occurred over the recent years have brought new challenges before the entire human race and more particularly on the working class. The free market economy imposed privatization and the economic slump that accompanies the process have brought with them deterioration in the living standards of the strugglers and increased unemployment. The laws dictated by the World Bank and WTO often constitute an attack on the sovereignty of nations and their rights to choose economic and social systems suitable to them and force them to open up their markets to multinationals, thus increasing their dependence.

The decade of the 1990s was marked by considerable deregulation of the industrial economy through delicensing and dereservations. The problem of sickness in Small Scale Industries as pointed out by the social scientists is due to under-utilization of capacity caused by shortage of working capital, lack of demand, non-availability of raw materials, technological obsolescence, absence of organized market channels, constraint of infrastructural facilities, including power and deficient managerial and technical skills. With the emergence of World Trade Organization (WTO) the problems of Small
Scale units have multiplied wherein they have to increasingly compete with the pressure of foreign goods and the on slight of multi-national companies. While there has been a phenomenal growth in these units falling within the purview of the Small Industries Development Organization, this development has concentrated in a few metropolitan areas and large towns, and only a few of these units account for a substantial part of the total output of this sector and the institutional credit has generally gone to a small percentage of small scale units.

However, the policies intended to favour small industries in terms of reservation and financial incentives, etc are neither promoting employment nor improving the competitive base of small firms. Decentralization of small scale enterprises helps to tap local resources, such as raw materials, idle savings, and local talents which in turn also improve the standard of living in backward regions. Moreover, decentralization helps to solve the problems of congestion in the few industrial towns by enlarging the area of employment. As seen from reliable information the employment-output ratio is the lowest in the small scale sector, whereas the employment generating capacity of small sector is eight times that of the large-scale sector.
The respective net capital-output ratios of the small and medium sectors worked out to 4 and 3.2 times that of the large scale sector in 1965, despite the low productivity of labour in the small scale sector. In 1974-75, the net capital-output ratio of large enterprises worked out to be three times that of small enterprise. In view of the meagerness of capital resources there is no possibility in the short run, for creating much employment through the factory industries and hence, the only option is small scale industry. They require very little capital. The studies indicate that with any given investment, employment possibilities would be 10 to 15 or even 20 times greater in comparison with the corresponding factory industries. Of course, the measures undertaken in the 1991 Policy were based on a proper understanding of the problems faced by the Small Scale Sector and were well directed to mitigate the handicaps faced by the sector. The later interventions of the market forces changed the course of direction itself.

According to the estimates based on the Third All-India Census of SSI units with reference year 2001-02 there were about 105.21 lakh registered and unregistered units. As per the census, 42.3 per cent of
the enterprises were SSls and the remaining 57.7 per cent were Small Scale Service and Business Enterprises. In the total SSI Sector, 95.8 per cent were proprietary units and 1.9 per cent were partnership concerns. Employment per units was 2.37 persons and employment generation per Rs. One lakh fixed investment was 1.62 persons. The sector contributes nearly 40 per cent of the gross value of output in the manufacturing sector and occupies 50 per cent of indirect export contribution. These industries are expected to solve the problems of congestion in the few industrial towns by enlarging the area of employment. A very significant feature of exports from the Small Scale Sector is their share in non-traditional exports. Substantial increases in exports were observed in the case of ready-made garments, canned and processed fish, leather sandals and chappals, food products, hosiery and marine products.

The share of Small Scale Industries production in the total industrial production declined marginally from 39.74 per cent in 1999-2000 to 38.80 per cent in 2003-2004. The share of SSI in Gross Domestic Product (GDP) increased from 5.86 per cent in 1999-2000 to 6.04 per cent in 2000-2001. Thereafter, it declined to 5.77 per cent in
2001-2002 and shown further decrease in later years. Thus, the share of SSI in the GDP ranged between 5.86 and 5.82 per cent during the period 1999-2000 and 2003-04. As far as the output of the SSI is concerned it stood at 67.87 lakh in 1990-91 and this number rose to 123.42 lakh in 2005-06 with the interruptions of the closure incidents in the country. The SSI employed 158.34 lakh persons in 1990-91 and this number rose to 294.91 lakh people in 2005-06. Further the Government of India as a policy measure set up the National Commission for Enterprises in the Unorganized Sector to suggest policies and programmes for addressing the wide range of issues affecting the productive potential of the large segment of the unorganized micro and small productive units besides enacting the Micro, Small and Medium Enterprises Development Act, 2006 for the development of micro, small and medium enterprises. This needs a thorough introspection in the light of the suggestions made in this thesis.

The promotion of SSI is essential in developing economies like India to achieve equitable distribution of income and wealth, economic
self-dependence and entrepreneurial development and to create 
employment opportunities.

The term 'unorganized sector' is used to denote the aggregate 
of economic units engaged in the production of goods and services 
with the primary objective of generating employment and income for 
the persons engaged in the activity. The social welfare and social 
security problems of workers in the sector arise out of deficiency or 
capability deprivation in terms of inadequate employment and earnings 
coupled with the absence of adequate fall back mechanisms to meet 
contingencies such as ill-health, accident, death and old age. The fact 
that a majority of workers from the socially backward communities find 
themselves in the unorganized sector imparts as certain social 
dimension to the characteristics of these workers.

The absence of a meaningful social welfare and social security 
arrangement does not merely pose problems for individual workers 
and their families. It also has wider ramifications for the economy and 
society. From an economic point of view, it debilitates the workers 
efficiency and their ability to contribute meaningfully to increasing
production and productivity. Low earning power coupled with vulnerabilities leads to poverty which reduces the aggregate demand in the economy. Socially, it leads to dissatisfaction and disaffection, especially when a part of the segment of the society is well-endowed and seen to be prospering. The much expected Unorganized Workers Social Security Act, 2008 may remain as a mere paper document, which is clearly evident from the very frame work of the legislation.

India is yet to evolve a comprehensive national social security policy for its entire working population. Currently, social security entitlements such as provident fund, gratuity, health cover, etc., that are legally binding are available for a majority of formal workers in the organized sector. Formal social security arrangements in the unorganized sector are confined to a small minority of workers and assume the form of Welfare Funds for elected categories of workers sponsored by the Central Government and a few State governments. As may be noted, the schemes as well as those initiated by a number of voluntary organizations do not cover more than 5 to 6 per cent of the workers in the informal economy.
The International Labour Organization’s (ILO) notice of social security as expressed in the International Convention No. 102, includes nine core contingencies that lead to stoppage or substantial reduction of earning. These are sickness, maternity, employment injury, unemployment, invalidity, old age, death, the need for long-term medical care and for supporting families with children. Health security can be described as ensuring low exposure to risk and providing access to health care services along with the ability to pay for medical care and medicine when necessary. Such health security should be equally available and accessible to all citizens. A number of studies show that risks and crisis situations are occurring due to a low level of health security for the unorganized workers. It was reported that nearly half the workers felt that the nature of their work had an adverse effect on their health. These are due to the poor working conditions environment and low income status, along with a high proportion of chronic addiction and illness, leading to insecurity among the households working in the sector. The vulnerability of the poor workers in the unorganized sector increases when they have to pay fully for their medical care with no subsidy or support. The studies found that about 79 per cent of the workers pay for the entire cost of
medical care without any support. The precarious existence of these workers seemed quite evident.

India has a high maternal mortality rate, even judging by the standards of developing countries as a whole, not to speak of Asian region. The National Human Development Report prepared by the Planning Commission (2002) states, that as of 1999, the maternal mortality rate was 407 per 100,000 deliveries based on the Sample Registration System. Among poor women facing the additional burden of economic activity in the informal sector where the conditions of work are strenuous, the chances of maternal mortality would be higher, particularly if these women have no access to proper health facilities.

The death of a breadwinner is a tragic event, but in the case of poor worker, it also raises the question of survival for the family left behind due to the permanent loss of income. An accident, either during the course of work or otherwise, is a major crisis since it leads to loss of income. This needs to be addressed systematically. The other major source of insecurity for the unorganized workers is unemployment or under employment which is followed by
consequential risk of low incomes and high levels of incidence of poverty. The newly enacted Mahatma Gandhi National Rural Employment Guarantee Act, 2005 ensures at least 100 days of work in rural India. This holds the promise of significantly alleviating the problem of under-employment for those sections of the laboring population who can undertake manual labour. However, unorganized workers who are varied in terms of both the nature and location of work, would continue to face the risk of loss employment for variety of reasons.

Much of the controversy surrounding the efficacy of minimum wage fixing stems from the uncertainty concerning the economic and social implications of this type of State intervention in the labour market. At one extreme there are those who remain convinced that any attempt to raise minimum wages by the Government fiat over levels that employers would normally be willing to pay is bound to lead to unacceptable declines in employment. At the other extreme there are those for whom references to the possible economic implications of minimum wage fixing are no more than thinly disguised attempt to deny workers the decent standard of living to which they are entitled.
Consequently, minimum wage fixing has remained a highly problematic process apart from other vital issues such as enforcement etc.

The State Governments seem to have reconciled themselves to the attitude of the employers in finding numerous ways of paying workers even less than the wages fixed and this is undoubtedly a serious blemish on the administration of the Minimum Wages Act, 1948. The workers in the small scale sector do not come forward to complain about the violation of the law for fear of job security. It is highly deserved that some new initiatives need to be accorded in strengthening the implementation of the legislation more prominently affording due representation to the unorganized sector through non-governmental organizations, the respective trade unions involved in the field and independent persons of high social standing. Many employers are not so serious in implementing the minimum wages fixed under the Statute due to the reasons that the penal provisions under the Act have no deterrent effect. The Act provides an imprisonment for a term which may extend to six months or with fine which may extent to five hundred rupees, or with both. In cases where
an employer contravenes any provision of the Act or of any rule or order made under the Act shall be punishable with fine, which may extend to five hundred rupees.

Freedom from hunger and malnutrition has been declared as a basic human right in 1948 Universal Declaration, “that every individual has the physical, economic, social and environmental access to balanced diet that include the necessary macro and micro nutrients, safe drinking water, sanitations, environmental hygiene, primary health care and education so as to lead a healthy and productive life.” The payment of decent minimum at subsistence level would increase the purchasing power of the millions of exploited labour who are toiling the country without any protective welfare legal regime.

In India, however, there is a planned economy, with a very definite objective of achieving a certain level of social welfare. The basic goal is a rapid increase in the standard of living of the people, through measures which also promote equality and social justice. It is in the determination to satisfy this objective that the concept of social welfare has been conceived for the industrial workers in the country.
The concept of social welfare for the unorganized worker must be viewed in real terms and should be linked very closely with the concept of social justice.

8. 2. SUGGESTIONS

In the light of the forgone study pertaining to the survival of Small Scale Industry and its impact on employment potentiality during the era of Globalization vis-à-vis workers rights, the following suggestions are made with a strong view to achieve the very object of uniform growth of industrialization through which the employment avenues can be provided with labour rights protection.

1. Government should take steps to introduce labour intensive technology in the development of Small Scale Industries so as to create greater employment opportunities in rural and backward areas.

2. Government should take a wise decision on Reservation Policy and provide proper package of assistance to products affected by de-reservation to
enhance the Small Scale Industries competitive power.

3. To achieve desired growth rate in Small Scale Industry during XI Plan period effective steps are needed towards upgradation of technology, easy and timely availability of credit at reasonable rates of interest, adequate infrastructure facilities, market exposure, etc. to Small Scale Industry units.

4. The existing Micro, Small and Medium Enterprises Development Act, 2006 must be redesigned to address concerns of Small Scale Industry sector in respect of issues relating to credit, marketing, delayed payments, streamline of inspections and specifically to avoid region concentration on their growth.

5. The spirit in the policy towards Small Scale Industry is not reflected in the financial outlays of development plans in India. Plan outlays are insignificant compared to the contribution of Small Scale Industry to industrial production, employment,
and exports. The Government of India should increase the quota of Small Scale Industry in financial outlays.

6. It is necessary to have a 'World Wide Data Base System' as well as 'Technology Bank' which provides necessary data and information to Small Scale Industries on WTO provisions and cost structure of products of various countries, information on technologies available and their resources, etc., and it should be mandatory for each country to provide such information.

7. Government should take steps to have proper coordination among different assisting agencies which are set up for the development of Small Scale Industries and all these services and facilities should be offered as a package for the fast progress of Small Scale Industry.

8. Need to create the State sponsored training programmes to educate and create consciousness among Small Scale Industry entrepreneurs about the
scientific packaging techniques, latest design of packaging technology, modern management practices and skill upgradation, etc., to make Indian market globally competitive.

9. There is a need to initiate to introduce courses on self-employment in Small Scale Industry sector and Entrepreneurship Development at School and College levels and create Centers for Entrepreneurship Development in Universities by appropriate policy programmes by the State.

10. In order to make suitable contribution from Small Scale Industries to the national income, employment and exports; the government should formulate a comprehensive policy framework to deal with all issues concerning Small Scale Industries.

11. Policy makers must appreciate the importance of Small Scale Industries and empower them to face competition, particularly from their Chinese counterparts, both in the domestic market and international markets.
12. The policies intended to favour Small Scale Industries should include raising the exemption for excise duty limit; providing credit linked capital subsidy and raising the limit for composite loans.

13. It is high time that our country needs to evolve the core labour standards specifically aimed to prevent the exploitation confronted by the workers in Small Scale sector providing for decent level of wages, a measure of welfare and comprehensive social security protection package.

14. Age old issue relating to effective implementation of the Minimum Wages Act, 1948 need to be examined from wider perspective in order to eliminate the hardships for the entrepreneurs in the sector with well planned special packages for the sector.

15. The health insecurity problem confronted by the millions of the workers in the sector need for a thorough examination and its elimination by creating appropriate health insurance packages with the attractive contribution by way of subsidy from the
State in order to reduce the burden on the entrepreneurs and workers.

16. There is a need to create the Small Scale Industries Workers welfare fund with the contribution from the State, entrepreneurs and by way of public cess with a aim to meet the workers social security requirements such as unemployment or under employment contingencies and old age packages.

17. Though the existence of the Maternity Benefit Act, 1961 by and large contributed in eliminating the hardships confronted by the women workers in many sectors, its effectiveness in the Small Scale Sector proved to be far from satisfaction for various reasons. There is need to address this issue on priority basis in view of the seriousness of the issue by the State by evolving a suitable policy frame work with its attractive contribution.

18. The financial stress or shock caused by the death of a breadwinner for the small workers with minimal resources would be tremendous. A measure to
cover the contingency of natural or accidental death should form part of the efforts in laying the comprehensive social security package for these workers through active contribution of the State.

19. There is an increasing demand of skilled labour in every sector on account of globalization. Equal emphasis should be laid for the workers in the sector to improve and to upgrade their skills through periodical training programmes by the State with a proper plan and vision.

20. Challenge of Absorption of New Technologies by Labour Using Education and Training is a programme to be imparted by the State on priority basis for the workers in the sector.

If the above suggestions are incorporated into the industrial and labour policies of the State on priority basis keeping in view the prevailing global and national political economy, it is sincerely believed that the Constitutional objective of securing socio-economic justice will be fulfilled.