

## Book Reviews



### Globalisation, Economic Reforms and Employment Strategy In India

Author : **Dr. S P GUPTA**

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Reviewed by : **R.N. Dash\***

With the focus of the current global technological revolution on cost-saving devices, the reform process demonstrates the survival of those who have the ability to reduce cost to meet the global competition. In this scenario, any cost reduction efforts become synonymous with labour shedding. The problem becomes more acute when the traditional, labour-intensive sectors like agriculture, trade and small industries gradually turn more capital intensive and the organized sector experiences an almost jobless growth. Given the unemployment situation prevalent in most countries and the comparatively low mobility of labour, policymakers are faced with a difficult task in designing an appropriate employment strategy over an acceptable time horizon.

Against this backdrop, the book "*Globalisation, Economic Reforms and Employment Strategy in India*" by Dr. S.P. Gupta offers a possible solution.

The book analyses the labour market in the country, recognizes

its strengths and weaknesses and warns that job opportunities in the global market are lagging behind expectation and potential because of the vested interests arising from political and commercial power games, communal and ethnic consideration and national interests. As stated by the author, the texture of the labour force in the developing world is fast changing. Around 80 percent of those youth who are currently unemployed are well-educated and their number is increasing fast. This new scenario is becoming politically unsustainable since the educated youth mostly come from the rising middle class with its inherent political and social clout. Our

development goals must, therefore, be multi-dimensional and only mass participation in the development process will result in gainful and sustainable employment.

This is one of the latest books on employment strategy written by a leading authority on the subject, who was the chairman of the special group set up by the Planning Commission that prepared the much discussed report on 'Targeting 10 million employment opportunities per year' (May 2002). The author notes: "since the release of the 2002 report, there have been vast and rapid changes in the world scenario and as a result, changes in the socio-economic fabric of India. It is increasingly realised that in isolation, in this growing and integrated world, it would not be possible to formulate or develop any effective employment strategy. Indeed, all these new scenarios demand radical changes in the mindset of policymakers and other development agents and accordingly the priorities and sequencing of India's employment policies". As clarified by the author, the book attempts to monitor the implementation of the earlier report in the field and "accordingly assess the effectiveness of this recommended approach and its limitations." Dr. Gupta brings into the book his rich experience as a planner and policymaker who had closely observed the developments for over a decade. Apart from holding several high ranking assignments both in and outside the Government of India, including as a member of the Planning Commission, Dr. Gupta had served the World Bank and is currently Chairman, Society for Economic and Social Transition (SEST), New Delhi.

The book has seven chapters dealing with different aspects of employment strategy in India, covering diverse issues such as vocational training, skill

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development, cluster development, Business Process Outsourcing (BPO), employment exchanges and labour welfare. In thirteen annexes, the author has presented data on growth of employment in rural and urban areas, state-wise population and employment estimates, enrolment capacities for vocational education and training in different states and union territories, indicative list of vocations under identified sectors as also summary of reports brought out by the Special Group on Targeting 10 Million Employment Opportunities mentioned above and the Study Group on Development of Small Scale Enterprises (2001), which was also chaired by the author when he was a member of the Planning Commission. Dr. Gupta identifies five vulnerable areas/ groups where the unemployment and under-employment problems are more acute and are aggravating over time. These are: (i) the female labour force (ii) the youth in the labour force (iii) the educated labour force (iv) the scheduled castes and scheduled tribes and (v) inter-regional disparities in employment. The emphasis is on a participatory growth process where the contribution to the growth of the National Cake (GDP) is by all and not primarily by one section of society, i.e. by the large, corporate organized sector. In this approach, the market will be a facilitator and not a supreme allocator of the economy's resources.

While this awareness must be disseminated among the private producers as also the government servants and planners to change the risk aversion mindset in the decision-making process, specialized institutions catering to venture capital need to be constituted. The book emphasizes the need for vocational training and skill development for unemployed and under-employed workers in low-

productivity jobs. In an economy where a very large part of the economic activities relevant for employment generation (loosely mentioned as 'unorganized sector') are all in the private domain, any formulation and implementation of an official vocational training programme should explore how the government can act as a facilitator and trigger the process of skill development through public-private partnership. Although in the past, industry tended to view skill development as a function of the government and more or less remained passive spectators of the process and, at the same time, recipients of the benefits, there is now a greater realization that the industry is, and should indeed be, a major stakeholder in the skill building process.

The role of the small scale industries (SSI) sector in creation and sustenance of large-scale employment in the country has prompted the author to focus in a major part of the book on development of SSI clusters. Given the magnitude of the problems including institutional rigidities, financial constraints, shortage of infrastructure, etc. and the urgency of the remedial measures (which would include arranging finance, developing a proper delivery system, training, etc.), the book recommends that we should try to approach the problem by identifying suitable natural clusters of high priorities where a holistic approach of development can be attempted. Emphasizing the need for exercising utmost care and application of mind while selecting clusters for development interventions, the author touches upon various related areas such as, infrastructure, technology, marketing and export promotion, training and skill upgradation and credit availability.

Clusters have been in existence for a long time in the country and often, their

location has been synonymous with their products. However, the recognition of the clusters for policy support is rather recent. In view of the diversity of goods being produced in the clusters and multiplicity of development institutions launching new cluster development programmes with increasing frequency, the author suggests that the Indian clusters need to be developed under a 'Multi-Agency Development Initiative' with a suitable coordination mechanism at the national level. Another thrust area is to identify and focus on 'potentially feasible clusters', which are small conglomeration of industrial units and may not be defined as full-fledged clusters at this stage but which have the potential to develop into full clusters with the high concomitant contribution to additional employment.

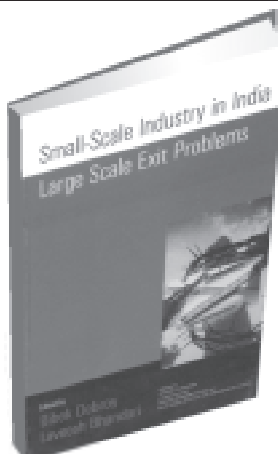
The role of the BPO sector in employment generation has also come under focus in the book. While the software and IT industry employs qualified and trained professionals, the BPO industry provides employment to ordinary, mainstream graduates and encompasses a whole gamut of activities from call handling and medical transcription to insurance underwriting and payroll processing. The spectrum of activities is likely to grow as companies identify non-core areas that may be effectively managed by a third party or, if outsourced, would lead to reduction in costs. In emphasizing the role of the sector, however, the author does not ignore the backlash against outsourcing witnessed in several countries. As stated by him, corrective measures are called for to dispel the notion that outsourcing of work to low cost destinations is a zero-sum game. Avoiding the use of inaccurate images (e.g. sweatshops) and benchmarking with global standards in workplaces are some of the ways in which this could be achieved.

While dealing with the role of employment exchanges in the country, the author describes how presently they are left with only stray cases at the lower levels of employment with almost all the major establishment both in the public as well as private sectors having their own recruitment agencies. According to him, the employment exchanges could perhaps have played a more proactive role by tapping the unorganized sector and creating a database of informal activities so as to guide the job seekers for sustainable self-employment ventures with proper coordination with other agencies working in the field. In their present form, they need strengthening both in terms of manpower and finance and need to undertake, apart from providing jobs, career counseling and vocational guidance, area-specific studies and compilation and dissemination of

labour market information. Elsewhere in the book, the author suggests that to improve the efficacy of government sponsored employment generation programmes, there is a need for setting up of 'Self Employment Exchanges' at the district level where the names of persons interested in taking up self-employment can be registered. This list can be utilized for imparting suitable training for entrepreneurship and skill development after which the persons can be assisted to establish their units, among others, through bank credit.

No discussion on employment strategy can be complete without a reference to social security measures, particularly, for the vulnerable sections of the workforce. The book ends with a discussion on labour welfare and social security wherein the author lists the various social security laws in India and

their administration and reproduces a scheme on providing social security to the unorganized sector workers, which was initiated by the Ministry of Labour in the previous Government and has since remained dormant. Since the major portion of the poor are in the unorganized sector, the author is right in his approach to focus on this sector for developing a sustainable employment strategy, as a faster growth and improved productivity in this sector will also lead to reduction in poverty in the country. The book is a result of the author's insight into the Indian economy and is presented in a lucid, readable style. It will be useful to both the serious student of the subject as also the general reader who is interested in understanding the subtle interplay between globalisation, reforms and the labour market in the country.



## Small-Scale Industry in India : Large Scale Exit Problems

Edited by : **Bibek Debroy and Laveesh Bhandari**

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Reviewed by : **K.R.Padmanabha Rao\***

Small scale industrial (SSI) sector undoubtedly plays a vital role in the growth of the country. The development of the SSI sector has been an important plank of India's industrial policy. The sector has grown rapidly over the years and the growth rate has been impressive vis-à-vis the large industrial segment. The SSI sector creates one of the largest employment opportunities for the Indian populace and the number of entrepreneurs in this sector is next only to agriculture. While the sector contributes almost 40 percent to the gross industrial value, more than 30 percent of the country's export is from this segment. Due to its less capital intensive and high labour absorption nature, the sector has made significant contribution to employment generation and also to rural industrialization. The promotional and protective initiatives of the Government and the RBI had ensured

presence of this sector in an astonishing range of products, particularly in customer goods. The policy initiatives in India have always recognized SSIs' contribution to the material progress of the country. Measures initiated for the development of SSI include product reservation, fiscal concessions, preferential allocation of credit, extension of technical services.

Though highest possible priority has been given to this sector because of its critical vital role in the economic growth of the country, there are innumerable cases of sickness affecting the sector which have not been properly addressed. This fact has been brought out in the book *Small Scale Industry in India - Large Scale Exit Problems*, edited by Bibek Debroy

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and Laveesh Bhandari. The book, which is a collection of articles, highlights the importance of the SSIs in the Indian economy and the status of the availability of the credit besides taking a closer look at the large scale sickness prevailing in the sector. The time series presented in the book reveal that there has been higher growth rate of production, employment generation, exports and higher relative efficiency than their counter parts in the large scale industries. The authors have made an honest attempt to draw out inferences through case studies and thus help to understand the functioning of small enterprises in India, the problems associated with the sector and probable solutions. The case studies reveal that small businesses are characterized by high level of risk taking behaviour, lack of entrepreneurship, financial constraints, lack of access to professional advice, susceptibility to small shocks, etc.

The author, Debashis Chakraborty, feel the small firms that avail credit from the formal sector tend to be relatively more susceptible to the shocks due to inflexible rules, standardized procedures and slow response to the happening in the market. An analysis of the decadal data by the author, quoting the sources of SIDBI, indicate that SSIs constitute more than 98 percent of the industrial sickness and the amount locked up in the non-viable units was more than Rs. 4000 crore in the year 2000. Though the amount in potentially viable units stood at Rs 369 crore, the units which were put under nursing is a mere Rs 138 crore. They have hastened to caution that the unhealthy increase in the number of SSIs whose viability is undecided is a bad sign. Once an entrepreneur takes a loan from a financial institution he is tied with it for his future, as rules and procedures prevent him from going to other banks for rehabilitation package. The author feels that once the banker put in the

restrictions it would have domino effect, crippling the unit and its productive capacity.

Some case studies indicate how the prevailing system and rules governing statutory dues go against the interest of the entrepreneurs. In one case study, it is pointed out that to recover the electricity dues, authorities have auctioned the machinery which has a book value of Rs 64 lakh for just Rs 46000 and initiated criminal proceedings against the entrepreneur. In another case, the bank erroneously released documentary bill for Rs 7.2 lakh without receiving the payment from the drawer and made the borrower a scapegoat for its own misdeeds and thus making the unit sick. In yet another case, the author narrate how unduly long period (10-12 years) taken by banks/FIs/Government departments to finalise the rehabilitation package had affected the unit.

The author, Debashis Chakraborty, while appreciating the initiatives of the Government and the RBI to look into various impediments which have negative effect on SSIs, lament that many good initiatives are not being implemented as the guidelines are only suggestive and not mandatory in nature and the decision finally rests with the banks concerned. However, it is debatable as to what extent banks are responsible for this situation, as in all cases presented in the book, it is clear that for the success of large number of units or the revival of the sick units or for that matter failure of units, the banks played very crucial role. Arguing in favour of the entrepreneurs, it is suggested that those responsible (including government agencies) should be asked to compensate instead of the entrepreneur bearing the brunt of the failure. The authors call upon the entrepreneurs for maintaining relationship with the institution rather than individuals in the banks. In the

same breath, he stress upon the bankers to keep a close watch on the operations in the account and take measures to ensure that the sickness is arrested in the incipient stage itself.

It is observed that the entrepreneurs who do not have access to funds either in the form of land or loan from family and friends are the ones who face the proceedings under various laws and hence the authors are emphatic that suitable exit route needs to be created so that there can be an honourable exit and the persons involved can continue or start fresh business, albeit, not with the same set of creditors. The author, Peeyush Bajpai, also deplore the reluctance on the part of the proprietors to declare personal bankruptcy and take protection under the Insolvency Act, as it provides protection to the individual from being prosecuted for recovery of debt. While exercise of this right by the individual is common in the developed countries, this is rare in India as they always tend to buy time hoping that 'something' would happen in their favour. As this 'something' does not occur, it leads to a large scale sickness in the sector.

Though the book is published in 2005, the authors have presented and analysed data upto March 2000, which could have been updated. The authors could have also discussed in detail the reasons for the failure of entrepreneurs to forecast the future scenario, having few clientele base, not taking the bankers into confidence, maintaining relationship with the banks instead of few functionaries, etc. The book has a chapter on insolvency procedures and an appendix which include laws governing SSI payment of dues, RBI guidelines, etc. The book is an eye opener to the existing as well as would-be entrepreneurs and a must read for the bankers to understand sickness in the SSI sector.