CHANGING INDUSTRIAL ECONOMY OF WEST BENGAL AND DESTINY OF THE LABOUR FORCE

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Abstract

Industrialization is considered as a driving force of economic development. Occupational composition of any region depends on its economic structure. West Bengal in India, because of having vast stretch of fertile soil with only one percent waste land, its prime economic activity is agriculture which is unable to augment the growth of economy. The new world has experienced a reorientation of the economy through establishment of state of the art technology based industries has become necessary for all Indian States. In West Bengal there are many districts which were once recognized as industrially front running ones of India while their contribution to the Gross National Product was commendable. Among these, districts of Kolkata, Haora, Hugli, Barddhaman, North and South 24 Parganas which are hosting different categories of industries with various scales of production, are still considered as industrially advanced districts of the State. A major section of local and migrated labour force is engaged in large, medium, small and micro enterprises here. Agro-based industrial economy has a colonial legacy too. But with the march of time these districts have lost their glory of manufacturing industries due to extended shadow of an ailment popularly referred to as industrial sickness. High frequency of labour unrest, inefficient management and apathy of the entrepreneurs to invest as a fall out of new land acquisition policy are responsible for jeopardizing the industry friendly environment in this State. Consequently contribution of the manufacturing sector to GSDP is declining on one hand and employment opportunities of the labour force are gradually getting squeezed on the other. In absence of ancillary industries in the back drop of emerging tertiary and quaternary sectors the apprehension of jobless growth is looming large.

Keywords: *scales of production, local and migrated labour, labour unrest, land acquisition policy, ancillary industries, jobless growth*

Introduction

The economy of the State of West Bengal carries an industrial foot print since the colonial legacy. India as a country dominated by monsoon, its most of the States is still confined within agrarian economy. The economy of West Bengal is anchored into its agricultural practices due to the presence of fertile soil and abundance of monsoon rain. A good share of inhabitants is engaged in farming practice. Such a practice is prevalent in most of the districts whereas in few districts, balance between agriculture and different secondary activities, mainly manufacturing activity, is noticeable. Among these districts, Barddhaman, Haora and Hugli districts are considered as industrially front running districts of this State. These districts are composed of different categories of industries in one hand while different scales of production from large to micro, small and medium enterprises are present on the other. These units are mainly labour intensive units where local and migrated labour force is engaged in the production system. Prior to independence, during British legacy they were more interested to establish hard-core manufacturing units like engineering group of industries, jute and cotton textile industries. After independence, Government of India has adopted different initiatives for the expansion of industrial landscape and implemented various schemes and programmes in various five year and annual plans. With the march of units many well running units have become sick units. To overcome this situation in the year 1994 the Government of West Bengal has adopted a different industrial policy for revival of old units and expansion of new ones. Industrial sickness, an ailment of the economy, has extended its root in this industrial belt. After closure of these labour intensive units the labours are compelled to go from one pillar to another for searching their livelihood. This study is the expression of the affected labour force.

Study Area and bases of its Selection

The State, West Bengal has experienced different stages of industrial development since colonial era. Different districts of West Bengal provide abundant scope for the establishment of various units from agro-based units to heavy engineering units. The southern part of this State is composed of industrial agglomerations that build a horizontal integration among different categories of industries and a vertical integration among various scales of production. There are some important reasons for consideration of West Bengal as study area:

This State shares a commendable part (approximately 7.50 percent in 2015) of the sick units in India. Industries of the different districts are composed of old and new generation industries operative in different scales. Here textile group of industries are labour intensive while engineering group of industries are more capital intensive; occurrence of industrial sickness in different units has a direct and instant impact on the employment profile thus inducing long term effect on the regional economy.

Objectives

The ever budding incidences of sickness in industrial sector have become a serious problem to the Indian economy in general. Such a situation is liable to alter the occupational structure of a region. Objectives of this study mainly encompass the crucial issues related to stagnation of economic growth in the urban-industrial landscape and plight of the labour force which may be highlighted as follows:

- Exploration of the contrasting scenario of sectoral contribution to Gross State Domestic Product vis-à-vis employment opportunities
- Assessment of the role of work-stoppage as a hindrance to industrial expansion
- Identification of the status of sickness and its impact in various socio-economic facets.
- Put forward some remedial measures based on critical appreciation of the policies adopted so far.

Materials and Methods

To reveal the ground reality a secondary database well supported by primary data too has been used. Primary data have been collected through questionnaire based face to face interview and group discussion, whichever was feasible, with different categories of labour force. The prime goal of this data collection is to analyze the status of livelihood and level of satisfaction among different categories of labour.

On the basis of availability of secondary data a period ranging from 1975 to 2015 has come under purview of this study for more vivid explanation such a long period has been divided into two phases – one is up to 1994 and the other has a time frame after that to recent years. The year 1994 has been chosen as a break point because on that year the Government of West Bengal adopted new Industrial Policy to recover the growth of industries.

In this study various statistical and quantitative techniques like computation of growth rate, Z-Score, production index, time series analysis etc. have been applied at different levels of analysis.

Industrialization and its Background in West Bengal

Industrialization in this State started through commercialization of agriculture and initiation of agro-based industries. Colonial rulers preferred plantation farming over subsistence products of food crops and consequently tea gardens emerged in the northern part of undivided Bengal while indigo plantation was enforced by them in the southern part of the province. With the march of time jute farming was introduced in the eastern part of India inclusive of Bengal province.

The first stage of factory scale production was initiated in and around the tea gardens as tea processing units while jute textile units were founded on both the banks of River Hugli. Side by side cotton textile industries were also encouraged and one such unit was established at Bauria as a maiden attempt.

Next phase of industrialization was started with engineering group of industries again on the banks of River Hugli which was made possible connecting this industrial hub with Raniganj coal belt by movement of railways since 1853. IISCO started its operation in Burnpur-Kulti area in the year 1918 taking advantage of extended railway line and Grand Trunk Road. Such infrastructural facilities made possible linkage with Kolkata market and Hugli industrial belt on one hand and Raniganj coal belt as well as Chotanagpur region on the other. It is evident that the process of industrialization which was started with commercialization of agriculture made possible the sequential growth of successive stages of industries from textile group of industries and ctea processing units to iron and steel along with engineering group of industries. Achievement of IISCO and emergence of Durgapur steel city was aided by Damodar Valley Corporation (DVC) which boosted the development of both the Asansol-Durgapur industrial belt and Hugli industrial belt.

Decline of industrial economy was started in West Bengal with introduction of Freight Equalization Policy during the late fifties of the last century as introduced by the Government of India in lieu of allowing the growth of Durgapur industrial city. Though jute textile industries were concentrated in Hugli industrial belt most of the jute farming areas were lying with the then East Pakistan which necessitated changing crop combination in West Bengal thus squeezing area under paddy. Introduction of Freight Equalization Policy was mainly responsible for sickness of cotton textile industry while plastic and polymer goods threatened the prospect of jute textile industry as substitute. Apart from textile group of industries tea gardens also are susceptible to sickness. Occurrence of work-stoppage is very frequent and as a consequence the smooth production system of 'Golden Beverage' has been hampered since independence. A negative impact of Freight Equalization Policy has been observed on Kolkata port based engineering group of industries mainly in the Howrah-Hugli industrial belt. Thereby natural advantage of West Bengal as iron and steel producing State as well as host of engineering units was completely neutralized. Government subsidy on transport cost of iron and coal was available throughout the country whereas such subsidy on shipment of cotton was never available. Because of high cost of production cotton textile industry in this State faced serious crisis. Licensing policy of the Government of India also discouraged fresh investment by the entrepreneur.

Another confrontation was faced in 1991 when the policy of economic liberalization was introduced. The industrial units had to cope with a great competitive market for the first time and the consumer market was completely grabbed by other overseas Multi National Companies which were manufacturing their products at a lower cost. Since 1990s many economically sound units either became sick or weak. Industries of West Bengal are mainly manufacturing in nature. Most of the large scale units are manufacturers of machine parts, iron and steel goods, jute and textile products, papers, chemicals and food products etc. A rising trend of manufacturing production index is conspicuous in West Bengal. During last decade a steady escalating trend has been observed from 2000-01(102.2) to 2010-11(229.7) taking the base year as 1999-2000 (Government of West Bengal).

Work-stoppage as a Hindrance to Sustainable Growth of Industries

Work-stoppage is considered as an endemic disease for any industrial region. In this State most of the industries have experienced any one form of work-stoppage in their span of production cycle. A large number of industries, especially jute textile industries of this State, are labour intensive. There are so many evidences that all age-old jute mills are going through any form of work-stoppage like strikes, suspension of works or non-production day, lay-off,

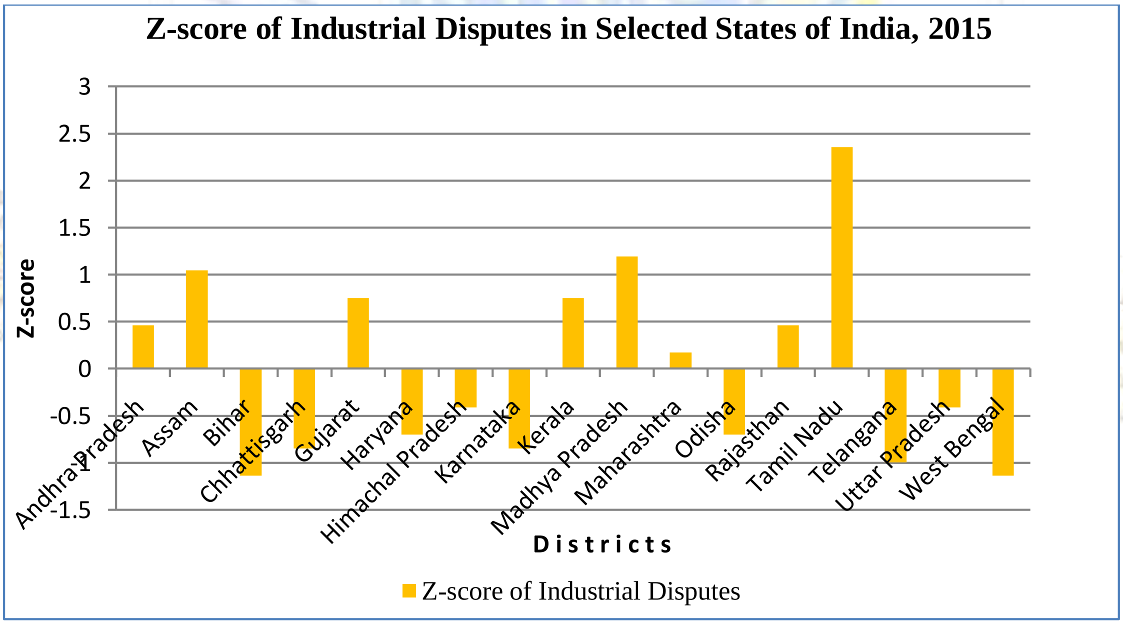


Fig. 1 *Data source: Government of India*

gherao and retrenchment. All of these are conveniently summed up under the term 'industrial dispute'. Such a situation evolves due to existence of disagreement and difference of opinion between two parties involved in dispute, namely, labour and management. Such contrasting views and opinions may crop up on any matter concerning them either from an individual or in collective manner. Several forms of protest like strike, boycott, picketing and *gherao* are weapons of the labour community while lock out, formation of employers' association, termination of service or retrenchment apart from unofficial layoff are weapons of employers or management. In various industries the industrial disputes are taking place in different forms. In these units a large number of local as well as migrated labours of the adjacent States like Bihar, Odisha and Uttar Pradesh are involved. The duration of work-stoppage is very long with prevalence of 'no work no pay' system.

Fig. 1 represents the Z-score values of industrial disputes in selected states of India. The highest has been observed in Tamil Nadu and followed by Madhya Pradesh, Assam, Gujarat, Kerala and Andhra Pradesh. In this respect the State - West Bengal, Telengana, Bihar, Chattishgarh, Haryana, Uttar Pradesh are in better situation. But this better situation does not represent that these States are industrially well performing States because many of them has experienced a large number of closure of units.

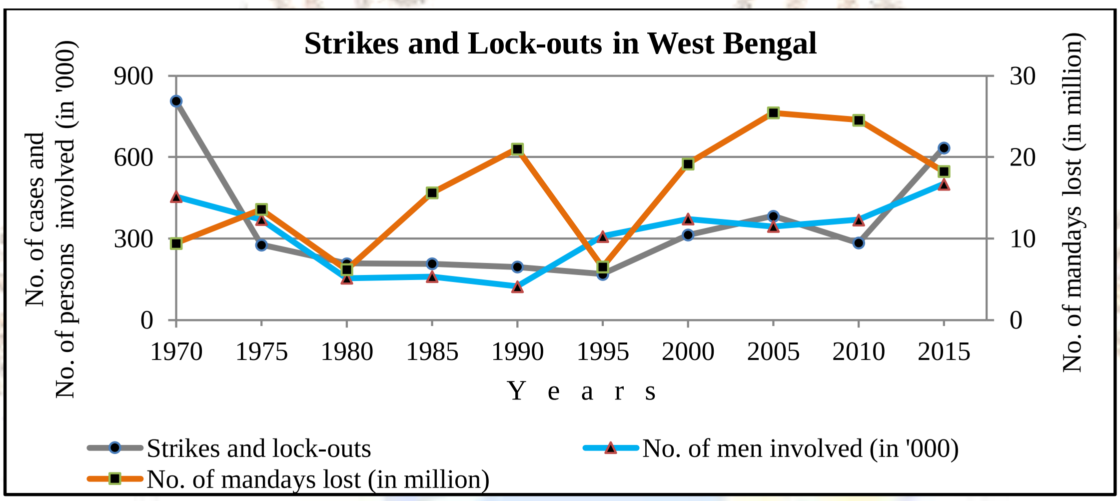


Fig. 2 *Data source: Government of West Bengal*

Fig. 2 depicts that number of cases is escalating and number of affected labour force is also going up but number of lost man-days is declining. As explanation of such a situation it can be stated that the duration of work-stoppage has become shorter comparison to previous years on one hand and frequency of work-stoppage has become much higher on the other. Industrial disputes are very high in case of jute textile units where a large number of labour forces are engaged. In fact labour intensive units are more susceptible to labour unrest. The labour intake capacity of these units is quite high and the occurrence of disagreement between employees and employers also escalates to its peak due to presence of skilled, semi skilled and unskilled workers. Many jute textile industrial units of this State have suspended their production for a long time, sometimes with a span of one year or more. During this period labours are compelled to search for another berth of job and so many cases they either engage themselves in other units accepting comparatively lower rate of wage or take individual effort to sustain livelihood in unorganized sector. The Government of West Bengal implemented an assistance scheme, named as Financial Assistance to the Workers of Locked-out Industrial

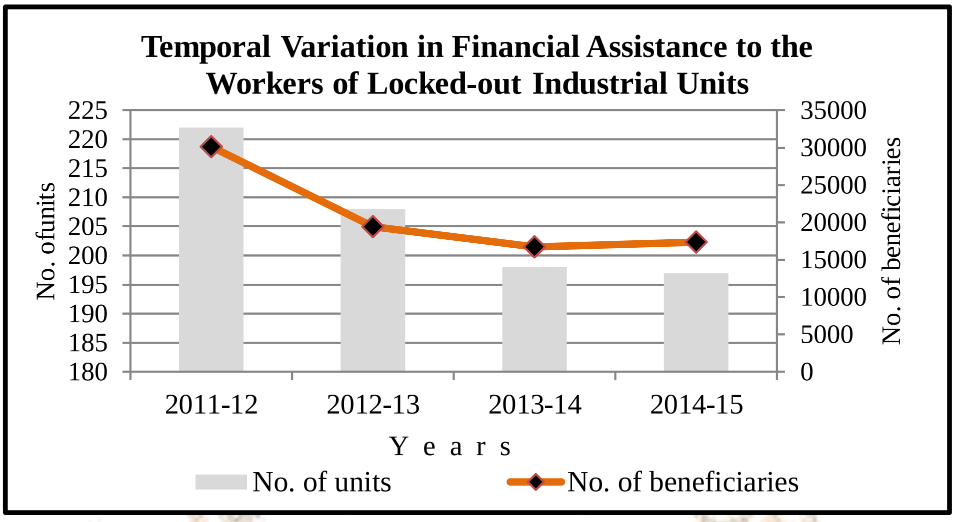


Fig. 3 *Data source: Government of West Bengal*

Units (FAWLOI), for the labours of those industrial units who are under closure / suspension of work / lock-out for more than one year. These labour are getting ₹1,500/- per month and also receiving ex-gratia of ₹.1, 000/- at the time of *Id* or *Puja*. Fig. 3 depicts the gradually decreasing trend in number of units and beneficiaries under this scheme (Economic Review, 2010-11). Such a descending trend is prominent because most of the units are being reopened prior to reaching the threshold limit of one year. However these beneficiaries are permanent labours. But the contractual and casual labours or daily wage earners are excluded from this scheme. In fact almost all industrial units have a large share of contractual and casual labours; sometimes it reaches more than fifty percent of the total labour force of a unit. All on a sudden they are downgraded to jobless labour force, thus entering into a new world of uncertainty. In such case worst sufferers are the non-permanent section of labour. In many industrial units the employers have adopted a strategy to minimize the loss or to maximize the margin of profit through recruitment of contractual and casual labours at much lower rate of wage in comparison to that of permanent labours.

Ground reality reveals that day by day all categories of industries in Haora and Hugli districts are facing several dimensions of dispute. Prior to 1991 all types of disputes used to be observed in different industrial units but after that the nature of dispute was often changed. In the regime of post independence Nehruvian Economic Policy strikes, lock-outs, permanent and temporary closures, lay-off, retrenchment all was taking place but under the New Economic Policy only the strikes and lock-outs are prevalent. In the last decade a new terminology – suspension of work was introduced. It is a new nomenclature of lock-outs. Number of disagreements between employers and workmen are very high in the jute textile units and as a consequence the occurrence of suspension of work is also very frequent in these units especially which contain a large number of workers. Recently, most of the jute textile units in Hugli and Haora district namely India Jute Mills, Northbrook Jute Mill, Angus Jute Mills, Hastings Jute Mills, Victoria Jute Mills, Delta Jute mills and Tirupati Jute Mills. have been affected by labour agitation against the decisions of management. The major reasons behind these events are cut off imposed on the shifts of work, suspension of work in few sections of an industrial unit, retrenchment of labour, non-deposition of contribution to provident fund along with non-payment of P.F. and Gratuity.

Following prolonged disagreements between employees and employers, the notification of suspension of work is served from the employer's end. As a result huge number of labours frequently loses their livelihood. But in case of engineering and cotton textile units the incidences of suspension of work have declined though that does not indicate a positive change in these units. The major reason of such a trend is, most of the large scale engineering and cotton textile units have already been closed permanently because of frequent disputes coupled with dreadful financial conditions of the companies concerned. A large number of workmen employed in private, Central and State Public Sector Undertakings have been affected by such economic set back. Often no opportunity of re-employment becomes available to them after reopening of unit. In different acts and policies there are many provisions of rules and regulations but ground reality ventilates that such efforts normally remain ineffective. The Government is expected to take some strong and appropriate steps against such economic constraints to render justice to labours' interest in particular and economic growth in general.

Economic Policies and their Impact on Industries

Economic policies are considered as regulators behind the success of industrial growth. Since independence the Government of India along with the Government of West Bengal has implemented different policies while all of them have not yielded favourable result for this State.

Impact of Freight Equalization Policy and License *Raj* after Independence

Policies which failed to boost up the growth of economy or sometimes have been proved to be detrimental to it deserve special attention.

a)Freight Equalization Policy and Sluggish Growth of Indigenous Industries in Eastern India: Such a policy was adopted in 1948 by the Government of India to facilitate the equal growth of industries all over the country. This implied that a factory could be set up anywhere in India and the price rate of transportation of some industrial raw materials like coal, iron ore and steel would be subsidized by the Government of India. These materials were available at the same price all over the country. This robbed West Bengal, along with the other States in the Eastern region of India like undivided Bihar and Odisha, of its locational advantage of being endowed with mineral resources like coal and iron ore. But other industrial raw materials like cotton were not coming under the purview of this policy. This accelerated the growth of heavy and medium scale industries outside the mineral rich regions of the country like Maharashtra, Gujarat and Delhi. Consequently many new factories were mushrooming in those States at that period. According to Ranajit Roy (1971) the railways' own internal rates were ₹30 for a tonne of steel from Jamshedpur to Haora and ₹120 for a tonne from Jamshedpur to Mumbai; the total sum was ₹ 150 for such two tonnes of steel. Under this policy, the Kolkata users had to pay ₹75 while the Mumbai users too paid ₹75 for a tone of steel. The net result was not only that the industrialists of Kolkata to lose their locational advantage of ₹90 a tonne over their Mumbai competitors but they were also being compelled to pay ₹45 more for a tonne. On the contrary Mumbai was enjoying the advantage of subsidy at the rate of ₹ 45 per tonne. In the process West Bengal, undivided Bihar and Odisha of Eastern India being main coal producing States of the then India, lost their locational advantage. The freight (1971 rate) for a tonne of coal from Ranigaunj to Ludhiana was ₹49.20. But when the same wagons of cotton moved from Fazilka of Punjab to Haora of West Bengal the freight was 165.70 per tonne.

West Bengal experienced flight of capital and faced an industrial stagnation during the decade of the 1980s as a direct impact of such one–sided policy. When the industrialists of the western and northern States of India became the beneficiaries they were interested to invest in their own States. Conversely investment in West Bengal from outside the State became lesser than the previous decades. Position of the traditional industries like tea, jute and engineering were declining gradually. This aggravated the situation of unemployment in the State. So many industries became sick and were unable to compete with same category of industries of the other States. Ultimately such discrimination led to regional imbalance between the eastern states and the rest of India.

***b) Emphasis on Public Sector*:** Establishment of new Public Sector Undertakings (PSU) and nationalization of selected private units were major goals of industrial policies till the implementation of New Economic Policy of 1991. The expansion of public sector units was initiated under the Second Five Year Plan. In 1951, there were only five central public undertakings while during 1996-97 the number reached to a peak of two hundred thirty six (Chatterjee, 2006). The ambit of industrialization was mainly concentrated on heavy and basic industries and no major changes in industrial composition were observed at the end of 1980s. Almost all coal mines of the country came under public sector and a large number of sick textile units were nationalized from time to time. Both the policy resolutions of 1948 and 1956 emphasized on public sector units of heavy industries coupled with import substitution policy to stimulate the process of industrialization. But public sector units alone were incapable to improve the industrial scenario. The private sector units on the contrary had no major scope for development. Such a huge number of sluggishly running PSUs brought about a crisis situation in Indian economy. Under these circumstances the Government of India adopted a joint venture named as Public-Private-Partnership (PPP) model for revival of sick and low technology based units.

***c) Strong Regulatory Measures for Private Sector and Prevalence of Discriminative Licensing System*:** The private sector units were derelict after independence. No major initiatives were taken for their expansion. Moreover, many restrictive regulations and controls through licensing and clauses of Monopolies and Restrictive Trade Practices (MRTP) act weighed down their proliferation. These units faced different constraints like high import duties, non-tariff barriers, strict exchange controls, strict rules for foreign capital, highly time consuming procedures for licensing, price and distributive controls on various products which left these units in the larch. So many units suffered from lack of technology up-gradation due to restriction of foreign direct investment and restrictions on royalty payments for purchase of technology from abroad (Joshi and Little, 1998).

During 1980s a discriminatory attitude of the Government of India was observed on licensing system. The Government hesitated to sanction licenses for West Bengal on the plea that the State was already industrially developed. But the same Government never applied such a mind set on Maharashtra which was another industrially advanced State of India. During 1956-67 Maharashtra was given a total of 2,741 licenses while the figure was 1,649 for West Bengal. The amount of total investment was also much higher in Maharashtra. During the years 1959 -1960 industrial investment in Maharashtra was ₹ 236 crores while it was only ₹184 crores in West Bengal (Roy, 1971). Such a gap was widened in next three decades. Thus during the post independence period Maharashtra became more industrially advanced in comparison to West Bengal because of built in discrimination of the policy and its fall out. There are other examples of such discrimination too. One such case was experienced by Philips India Limited. The company established its first plant at Kolkata. It also opened another plant in Pune of Maharashtra with a licensed capacity of 12,000 sets per year. With the march of time this plant enhanced its capacity to 700,000 sets at Pune without any conditions being attached by the Government of India. When the company applied for a licensed capacity of 300,000 sets for its Kolkata plant, a condition was imposed by the same Government that out of the sets produced in excess of the then existing licensed capacity of 60,000 sets, at least 75 percent must be exported (Roy, 1971). The company was reluctant to export such a huge quantity and in retaliation the license was held up. Thereby advancement of the industrial economy in West Bengal was crippled thereby weakening industrial economy.

***d) Absence of Competition between Indigenous and Foreign Industries because of Tariff Protection*:** Before liberalization there was no scope for foreign direct investment and the entry of foreign companies in domestic market was prohibited. High rate of tariff and restrictions on quantity of imports made the situation worst (Kapila, 2012). Thus, the industries concerned were out of the ambit of competition which denied the scope of competitive market enrichment.

It is evident from the experiences gathered so far that some policies restricted liberty for expansion of different industries in West Bengal and thereby belied the scope of balanced industrialization all over India. At the end of such a period of stagnation the economic crisis reached at its zenith.

Impact of New Economic Policy and its Three Pillars

Each and every economic policy has its positive and negative impact on economic development so also that of New Economic Policy which necessitate analysis in detail:

1. Due to privatization of Public Sector Enterprises (PSEs) loss of jobs has cropped up enormously. Employment in the Central PSEs declined from about 2.2 million in 1991-92 to 1.7 million a decade later (Asian Development Bank, 2008). The Voluntary Retirement Scheme (VRS) coupled with retrenchment and compulsory retirement of workers also led to downsizing of the labour force in the organized sector.
2. Abolition or low rate of tariff for imported goods has generated a tough competitive market and a large section of the Indian market has been captured by foreign companies. It is true that availability of products in Indian market is now far better than that of pre-liberalization period. But the labour intensive, low mechanized domestic industries have faced a challenging condition and they are unable to compete with these Multi National Companies (MNCs). As a result the sick units become sicker with their limited scope for recovery and almost no opportunity for further expansion.
3. Indian consumers are procuring a variety of imported products – both electronics and non-electronic commodities at their disposal paying lower price by which their standard of living is getting escalated

but on the contrary the level of productivity of the indigenous industries has been lowered with the passage of time.

4. Introduction of Foreign Technology Agreement has enhanced the productivity of MNCs while the domestic industries are unable to adopt it due to high cost of production and backward technology. Thus the indigenous industries are gradually lagging behind while the MNCs day by day are taking the glamorous leading position.

5. After economic liberalization many organized retail chains have emerged which pose as great threat to unorganized domestic retail market. The MRTP act was implemented to restrict monopolistic trade but the organized retails in many cases have expanded their monopolistic roots in trade (Paltasingh and Senapati, 2011). The unorganized retailers have almost failed to compete with these organized retail chains and it may be apprehended that these victims will be at the receiving end of the decision making process.

6. In some instances, locally famous enterprises have been taken over by the big MNCs while their brand names have been used either as prefix or as suffix after the merger, viz, Coca Cola coke and Kwality-Wallce.

Justification of New Industrial Policy Adopted by the Government of West Bengal in 1994

In different regimes the Government of West Bengal opposed the policies of the Government of India since independence. At last in 1994 the then Government of West Bengal adopted a new industrial policy which indicated an end to the discriminatory policy regime of the central authority. In September 1994, the then Chief Minister of West Bengal, announced the Industrial Policy which declared that: "we are all for new technology and investment in selective spheres where they help our economy and which are of mutual interest. The goal of self-reliance, however, is as needed today as earlier. We have the state sector, the private sector and also the joint sector. All these have a role to play"(http://idfresearch.org). After that the number of new industrial proposals in West Bengal was increasing progressively till 2011, especially in sectors like Iron and Steel, Chemical and Petrochemicals, Food Processing and Information Technology. The thrust of the Government of West Bengal was on employment generation and the focus was not limited to big industries alone. The State Government has consciously provided policy support to Micro, Small and Medium Enterprises (MSMEs), because of which the number of working small scale industries in West Bengal was increased from 19.1 lakhs in 1994-95 to 27.7 lakhs in 2000-01, while employment in small scale industries during this period increased from 43.8 lakhs to 58.7 lakhs (Government of West Bengal, 2002). In 2016-17 West Bengal has the highest number of MSMEs in the country with 52.69 lakhs units which is a feedback of Industrial Policy of 1994.

This policy also emphasized on the use of local resources which was an important step for exploration of food processing and agro-based industries either with specialization or with diversification of the products. Through this strategy a linkage between rural agrarian economy and urban industrial economy has been established. These low-tech industries have absorbed surplus agricultural labours and not-so-skilled rural unemployed women.

Despite these positive aspects, this policy has failed to give dividend in many cases, viz.

a) Many strategies were adopted to revive the sick and closed units but very few of such units have been revived. The State government does not follow any strict rules for these units. Many abandoned industrial premises have now been captured by the real estate businessmen who have constructed high rise buildings or housing complexes. It cannot be denied that the Government of India is ready to play a major role for revival of these units.

b) Different livelihood schemes for labours of temporarily closed units are concealed in various policies but in reality the labours do not receive any help from the Government; for example there is a Government scheme – Financial Assistance for Workers of Locked Out Industries (FAWLOI) for providing financial assistance to the suffering labours but very few permanent labours have got access to such assistance.

c) For promotion of MSMEs many schemes have been introduced and subsidies have been provided for different purposes like quick loan facility along with development of clusters and parks. In course of field investigation of the different small and micro units, it has been recorded that the persons involved have no idea about these schemes and facilities. In different districts of West Bengal many industrial parks and clusters have been established to reduce the cost of production and to arrange integrated facilities. But these parks and clusters are either not in functional condition or under construction for a long time. Thus all schemes do exist in paper but in reality these are yet to be launched.

d) Some controversies and conflicts have been raised recently over acquisition of agricultural land for setting up industries in West Bengal, especially in the context of withdrawal of the Tata Motors plant in Singur and non-implementation of the proposed petrochemical hub at Nandigram near Haldia. A debate has been raised in terms of industry versus agriculture; the Left Front government repeatedly emphasized on the need for a balanced and harmonious development of both the sectors reflected in the slogan of "agriculture is our foundation, industry is our future". The land policy of the present State Government is poles' apart from that of the last Government. So new investment is still eluding West Bengal's secondary sector. As the policy measure the present State Government has refrained from acquisition of arable land either for industrialization or for urbanization. Private entrepreneurs are supposed to procure land from the individual farmers which seem to be a difficult task because average holding size in West Bengal is less than one acre thus involving consent of numerous farmers of the adjacent plots while not more than one percent of total area of the State is considered as waste land.

In fact inappropriate outlook with political overtone affect the livelihood of the labour in particular and an industry friendly economy with employment opportunities in general.

In recent years the Government of India has adopted few remarkable strategies by which they are taking venture to restructure the economy of the country. Among these most interesting strategies are:

- *Demonetization*: Implementation of demonetization on 8th November, 2016 is another remarkable step taken by the Government of India. The concept of cashless transaction has led a lot of discomfort to the men in the street along with small and medium traders because the country's economy in the grass root level is heavily dependent on cash whereas only half of the population has access to banking system for their monetary transaction. Such an action interrupted the circulation of money in market. Still now many industrial units are suffering from low or minimum circulation of money. In fact such a strategy has affected production and consumption both adversely.

- *Liquefaction of the Board of Industrial and Financial Reconstruction (BIFR)*: It was another decision adopted by the present Government on 1st December, 2016 that has changed the recovery procedures of sick industrial units.

  With the help of these important strategies the Government of India is always trying to make some reforms which significantly influence the economy of this country. The impact of change in policy is not realized easily on short-term basis. After a decade only policy makers and common people may be able to assess the impact. The change in economic strategies generates a new wave in production system especially where the economy is not in stable condition.

Dichotomy between Sectoral Contribution to Gross State Domestic Product (GSDP) and Engagement of Labour Force

Contribution of different sectors of economy to GSDP always reveals the economic landscape of a State. The Indian economy is mainly based on the primary activities especially depends on agricultural practices. The economy of a State is regulated by the implementation of policies. The year 1991 is a economic revolutionary year in the Indian economy because the Government of India adopted three pillars of the policy – Liberalization, Privatization and Globalization. Afterwards the nature of the economy has gradually changed in all over India. The contribution of tertiary sector to Gross Domestic Product (GDP) is getting bigger day by day while contribution of the primary and secondary sectors is in receding condition. West Bengal bears the same foot print in India. There is no doubt in gradual rise of Gross State Domestic Product (GSDP) but contribution of the broad sectors of economy mainly agriculture, industry and services are dwindling. These three prime sectors are always changing positions in terms of their contribution to GSDP. The contribution of primary sector to GSDP was 25.30 percent in 2004-05 while it has come down to 23.46 in 2015-16. In case of secondary sector another downward trend in contribution has been observed. In 2004-05 the contribution of secondary sector was 20.30 percent while in 2015-16 it was reduced to 15.71 percent. A reverse trend is conspicuous in case of tertiary sector. In 2004-05 it was 54.40 percent and in 2015-16 it was raised up to 60.83 percent. Thus major changes in all broad sectors also can alter the composition of the economy. The values of Compound Annual Growth Rate (CAGR) from 2004-05 to 2015-16 reflects that the tertiary sector is the fastest growing sector among three sectors which grew at a CAGR of 15.55 percent.

The change of sectoral contribution to GSDP is negative primary sector it is (-1.84 percent) as well as in secondary sector (-4.59). A highly positive change has been observed in tertiary sector (6.43 percent). Now question is that how much share of labour force has got their berth in these broad sectors? Consecutive two census years 2001 and 2011 have been taken under consideration to represent the major change in the share of work force.

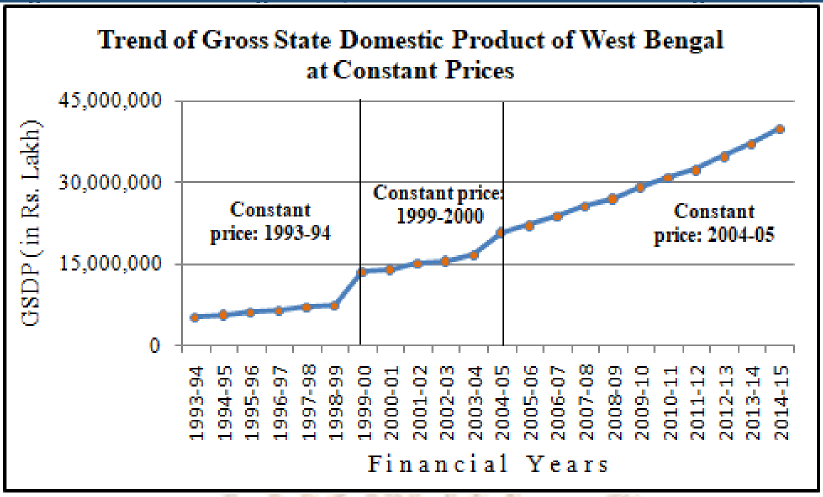


Fig.4 *Data source: Government of West Bengal, 2018*

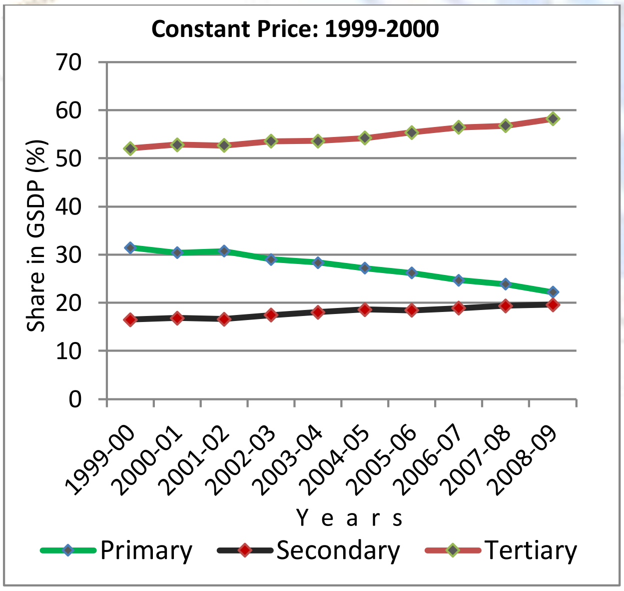
The share of cultivators has declined by (-) 4.46 percent while the share of agricultural labourers has increased by 4.35 percent during this decade signifying loss of land and marginalization of the farmers. A slight decrease, just (-) 0.28 percent, has been observed in case of household industry workers. In case of other workers a minimum positive change in share that is 0.39 percent has been noticed. These changes reveal that the reduced share of

Table-2: Share of Workforce and its Decadal Change

Census Years	Cultivators	Agricultural labourers	Household industry workers	Other workers
2001	19.18	24.97	7.37	48.48
2011	14.72	29.32	7.09	48.87
Change in share	-4.46	4.35	-0.28	0.39

Data source: Census of India

Share of different Sectors of Economy in GSDP



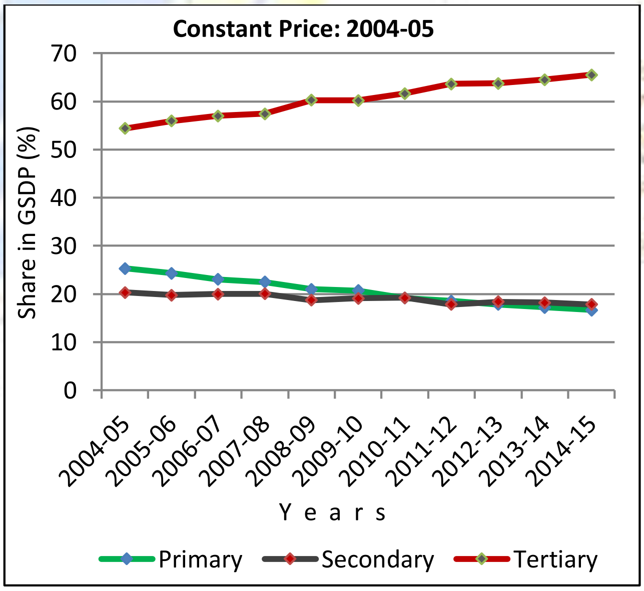


Fig. 5.1 *Data source: Government of West Bengal* **Fig. 5.2**

cultivators has been added to the share of agricultural labourers. Besides, a lion's share of work force i.e. more than 44 percent is engaged in different agricultural practices. Does such a scenario reveal that agricultural sector provides more job opportunities? The answer is 'no' because contribution of primary sector to GSDP is gradually falling down.

In case of employment, two sectors – primary and secondary are engaging a great share of labour force while tertiary sector has minimum intake capacity is not mentionable (Fig. 5.1 ad 5.2). This has happened because hi-tech tertiary sector requires skilled labour force and it requires minimum labour force due to their technological. In the State of West Bengal agricultural activities and manufacturing units both are labour intensive. Maximum number of semi skilled or unskilled labour is engaged in these two sectors. Consequently "*unemployment in disguise*" is prevalent in agriculture sector and a stagnant share of labour force is in manufacturing sector due to lack of establishment of new units. Such a situation indicates a receding condition of the economy. Channelization of labour force from primary activity to secondary sector is required along with decentralization of industries from core city to urban fringe and rurban areas.

Sickness and Revival of Sick Units

The term industrial sickness bears a commercial background and this ailment can alter the socio-economic composition of any urban-industrial landscape. According to Reserve Bank of India sick unit is "one which incurs cash loss for one year and in the judgment of the bank is likely to continue to incur cash loss for the current year as well as, ratios such as current ratio is less than 1:1 and worsening debt equity ratio" (Pahwa, 2011). Apart from its commercial point of view, an attempt has been made in this study to identify the reasons of this disease.

The policies on industrial sickness were introduced after three decades of independence when many units were struggling with financial crisis. As a result when the Government of India became aware of this economic crisis enough of time had been passed away without any necessary warnings. At last during late 1980s the Government of India adopted few strategies through the formation of different boards like Appellate Authority for Industrial and Financial Reconstruction (AAIFR) and Board of Industrial and Financial Reconstruction (BIFR) in order to rejuvenate these units. The Ministry of Finance (MoF), [vide notification nos. S.O. 3568(E) and 3569(E),] has notified on 1 December, 2016 (appointed date) as the date on which the provisions of Sick Industrial Companies (Special Provisions) Repeal Act, 2003 (Repeal Act) should come into force. The Repeal Act makes provision for repeal of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and related matters. Therefore, the SICA is repealed with effect from 1 December, 2016. The BIFR and AIFR stand dissolved with effect from that date, and all proceedings to be referred to the National Company Law Tribunal (NCLT) and National Company Law Appellate Tribunal (NCLAT) as per provisions of Insolvency and Bankruptcy Code. Now there are many policies and schemes but many industrial units of this State are unable to revive themselves out of such a crisis.

It has been observed that day by day the share of manufacturing units both registered and unregistered in GSDP is declining. Moreover in many years the share of unregistered units has crossed or it is almost equal to the share of registered units (MSMEs Ministry of Commerce & Industry, 2015). This situation signifies an unstable economic growth of this state.

Evaluation of the Repeal Act is not possible just now because it would be too early but the performance of BIFR as a revival board is very important in this context. The BIFR offers seven stages by which the sick units can be recovered from their sick state. These seven stages are: package approved, prima facie for winding up, final order passed for winding up, rejected/ dropped/non maintainable, pending case, hearing held so far and revival as well exit from BIFR. In case of micro and small scale industrial units the State, West Bengal is experiencing rising trend while the values of Z-score is declining in respect to other States. In 2011 the number was 7,904 which have increased to 11,243 in 2015 (Table -3). In case of medium scale enterprises though the number of sick units was declining, but the last available number was a commendable one. The number was 459 (21.08 percent) in 2011 which came down to 297 (9.76 percent) in 2015 (Table-4). Apparently it implies a positive

Table-3: BIFR Position of Micro and Small Enterprises in Selected States of India

States	Number of units 2011	Z-Score of no. of units 2011	Number of units 2013	Z-Score of no. of units 2013	Number of units 2015	Z-Score of no. of units 2015
Andhra Pradesh	11,305	2.0465	3,848	-0.26316	12,231	0.03959
Bihar	4,872	0.0435	5,633	0.36717	5,652	-0.74049
Chattishgarh	1,052	-1.1459	594	-1.41223	2,988	-1.05637
Delhi	4,250	-0.1501	1,150	-1.21589	2,702	-1.09028
Gujarat	4,321	-0.1280	6,257	0.58752	20,452	1.014368
Haryana	344	-1.3663	2,976	-0.57108	3,327	-1.01617
Jharkhand	1,476	-1.0138	2,201	-0.84476	5,017	-0.81579
Karnataka	7,034	0.7167	5,655	0.37494	15,627	0.442259
Kerala	5,363	0.1964	5,425	0.29372	8,663	-0.38347
Madhya Pradesh	8,124	1.0561	3,331	-0.44572	11,254	-0.07625
Maharashtra	8,815	1.2712	10,136	1.95730	32,200	2.407348
Odisha	4,967	0.0731	5,899	0.46111	11,751	-0.01732
Punjab	1,478	-1.0132	1,597	-1.05805	3,715	-0.97017
Rajasthan	1,743	-0.9307	5,188	0.21003	20,336	1.000613
Tamil Nadu	7,106	0.7391	8,301	1.30932	23,373	1.360715
Uttar Pradesh	4,674	-0.0181	5,366	0.27289	19,049	0.848011
Uttaranchal	352	-1.3638	305	-1.51429	4,568	-0.86903
West Bengal	7,904	0.9876	8,816	1.49118	11,243	-0.07756

Source: GOI, Ministry of Commerce & Industry, Department of Industrial Policy and Promotion

Table-4: BIFR Position of Medium Enterprises in Selected States of India

States	2011		2015	
	Number of units	Percentage of share to all India	Number of units	Percentage of share to all India
Andhra Pradesh	86	3.95	136	4.47
Bihar	28	1.29	112	3.68
Chattishgarh	3	0.14	168	5.52
Delhi	82	3.77	660	21.68
Gujarat	130	5.97	117	3.84
Haryana	123	5.65	41	1.35
Jharkhand	7	0.32	15	0.49
Karnataka	154	7.07	116	3.81
Kerala	19	0.87	36	1.18
Madhya Pradesh	50	2.30	430	14.13
Maharashtra	168	7.72	144	4.73
Odisha	18	0.83	33	1.08
Punjab	230	10.56	186	6.11
Rajasthan	3	0.14	167	5.49
Uttar Pradesh	19	0.87	122	4.01
West Bengal	459	21.08	297	9.76

Source: GOI, Ministry of Commerce & Industry, Department of Industrial Policy and Promotion

economic condition but there are so many units which have compelled to close their production after passing a long time struggling condition.

The sick units are also suffering from delayed revival and there are so many reasons behind this situation. Firstly, Both the Central and State Governments take long time to set strategies for revival and rehabilitation of sick Public Sector Undertakings (PSUs). Secondly, the Governments are giving late response from the concerned for winding up of PSUs that increases the debt burden of these companies and consequential loss to secured creditors. Thirdly, the exclusion of the small scale units from the Sick Industries Company Act (SICA) made the situation more complicated because there were so many small scale units were suffering from sickness and they were unable to escape from this ailment. Through a long period the criteria of small scale units have been changed and various parameters for identification of sick SSI units were incorporated. Under these circumstances after a long time Reserve Bank of India (RBI) decided to provide guidelines for rehabilitation of sick and potentially viable SSI units on 16th August, 2000. Accordingly, the RBI took the initiative to set up a Working Group in 2002 under the Chairmanship of Shri S.S. Kohli to review the existing guidelines in regard to rehabilitation of sick units in the small scale industrial sector and to recommend the revision of guidelines making them transparent and non-discretionary. Prior to this decision a large number of micro and small enterprises were struggling and many units closed their production.

During the perceptional study (2019) in different industrial units the managerial sections of different industrial units replied that the process of revival or rehabilitation is very complicated and time consuming. One industrial unit cannot easily get any scheme or relief from this process. During long waiting period the units lose their markets on one hand and waste their stocks and assets on the other. The financial institutions and banks cannot respond promptly for sanction of loans. A large number of units in this State are under different stages of BIFR for a long time. Few examples have given in Box:1A and 1B. Some units have been revived but most of them are either willing to wind-up or go under any crucial stage of BIFR. In case of quick revival only the sick industrial units can overcome their moratorium period within a short period. This situation is vulnerable for the labourers who are engaged in different industrial units which are suffering from this type of economic ailment. They are compelled to engage themselves either in different unregistered micro and small scale units or are engaging in other informal activities. It has been observed that they have opened some temporary shops or selling their products along the sides of roads. The question is that if these industries are not reopened in future where will they go? Moreover most of the units are labour intensive and a large number of permanent labourers are in darkness.

In Haora district there are so many large scale units are suffering from this and this district was called the 'Shefield of India'. But now many large scale units like India Machinery, Ramington Rand Co. Ltd., Guest Keen Williams Ltd., Indo-Japan Steel and Fort Gloster Cable have permanently closed their production. High rise chimneys are visible now along the right bank of Hugli River.

Box-1A: Few Instances of BIFR Cases in Haora District, West Bengal

• Guest Keen Williams Limited (Closed)
2000-2004: Pending case (Hearing held, order reserved)
2005-08: Scheme sanctioned but implementation is stuck on various appeals before AAIFR
2009: Closed units for which final order of winding up has been passed by BIFR (The sanctioned scheme did not include revival of any unit of the company located in this State)

• India Machinery Company Limited (Closed)
1989: Pending
1990-93: Prima facie conclusion for winding up and objections invited
1994-2000: Final order passed for winding up
2001: Final order passed for winding up (under liquidation)

•Bowreah Cotton Mills Limited. (Closed)
1991-93: Pending
1994-97: Package approved
1998-99: Prima facie conclusion for winding up and objections invited
2000-09: Final order passed for winding up
1995-96: Under Relief Undertaking
(Revival scheme under formulation)

Source: Labour in West Bengal, Government of West Bengal

Box-1B: Few Instances of BIFR Cases in Hugli District West Bengal

• Sree Durga Cotton Spinning and Weaving Limited (Closed)
1991-97: Final Order passed for winding-up
1998-2003: Final Order passed for winding-up (Under liquidation)
2004-07: Wound up
2008-10: Liquidated. Property sold by the High Court

• North Brook Jute
1994-2000: Pending Case
2001-09: Pending before BIFR/ AAIFR/ Draft Revival Scheme under formulation (Discharged by BIFR for time-bar)
Under Relief Undertaking: 1994 to 2003

Source: Labour in West Bengal, Government of West Bengal

Conclusion:

This study reveals that the economic landscape is multi-dimensional. To make economic growth in a sustainable way one single and overall strategy is not sufficient because the problems are also multi facets. The dynamic nature of contribution in different sectors of economy to the GSDP is indicating a gradual change in the whole economic system. The flourishing status of service sector is indicating the success of 'Digital India' in one hand while the capability to accommodate the unemployed and underemployed potential labour force is unsatisfactory. The growth of the economy is not job oriented due to the sluggish growth of industry as well as diminishing trend in contribution of the agricultural sector to the GSDP is explaining the poor productive condition of agricultural economy. Moreover India and also West Bengal is going through the phase of Demographic Dividend when the share of working age-group population is increasing due to declining rate of fertility. Thus a big question is arising where will this extra potential labour force be accommodated and shall this State be capable to grip the economic opportunities? Mobilization of extra labour from agriculture to industrial sector and then to service sector is necessary because the core of the economy of this State as well as this country is anchored on its agricultural sector. In this State many manufacturing units of industrially advanced districts are struggling with labour unrest, low production, and paucity of demand. Due to prevalence of these factors a large number of old large scale units are unable to continue their production and have closed the units. When the large scale units are compelled to close their production, the future of ancillary MSMEs also becomes uncertain due to the break in supply chain and in its vertical integration among different scales of production from micro to large scale units. Revival of large old sick units is necessary in order to arrest the closure of MSMEs. This situation can be recovered through the adoption of some strategies like establishment of big projects under Special Economic Zone, more emphasis on set up of MSMEs and industrial parks for employment generation; establishment of agro-based mainly food processing units at the farm gate level; and providing jobs to the agricultural labourers and cultivators during seasonal unemployment period in the food processing units. If the Governments are unable to provide more employment opportunities the country as well as the State will experience a negative impact of "Windows of Opportunities". The economic growth will reach below the base level and other socio-economic challenges like large scale unemployment and dependent working age group population, unemployment in disguise, high rate of inflation, higher share of BPL category population, shrinkage in purchasing power and high range of inter-state and intra-state inequality. Thus revival of whole industrial system is prerequisite for the expansion and growth of the economic landscape. Region-wise implementation of industrial programmes and adoption of suitable strategies can give a new birth of a refreshed economic system in this State.

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