

Factors Impacting Non-Agricultural Employment Growth: A Study in Uttar Pradesh



Institute of Applied Manpower Research
Planning Commission, Government of India

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Contents

	Page No.
<i>Executive Summary</i>	<i>xi</i>
I Introduction	1
II Capital Investment, Supply of Inputs and Output	25
III Changes in Structure of Employment	38
IV Factors Effecting Sectoral Employment	53
V Effectiveness of Government Policies and Regulations in Sectoral and Employment Change	63
VI Sectoral Problems, Future Investment Plans and Development Perspectives	85
VII Conclusions and Policy Recommendations	97
Bibliography	112

List of Tables

1.1	Structure of Employment in India by Sectors	2
1.2	Some Demographic Indicators of U.P. & India as per Provisional Figures of Census 2011	6
1.3	Income of India and Uttar Pradesh at Constant Prices (1999-00)	8
1.4	Per capita Income of UP & India at Constant (1999-2000) Prices	8
1.5	Contribution of different sectors in Gross Domestic Products	9
1.6	Sector-wise Trends in Growth of GDP	10
1.7	Sector-wise Employment in 2004-05 and 2005-10 (in millions)	11
1.8	Size and Growth of Employment by Sample Sectors in Uttar Pradesh	12

1.9	Sectoral Composition of Net Regional Domestic Product (%)	14
1.10	Annual Compound Growth Rate of Total & Per Capita Net Regional Product since 1980-81	14
1.11	Regional Distribution of Manufacturing Units and Employment	15
1.12	Distribution of Districts into Three Groups of Concentration of Enterprises	18
1.13	Distribution of Sample Enterprises by their Size Categories	20
1.14	Ownership of Enterprises	21
1.15	Registration Status of Enterprises	22
2.1	Distribution of Enterprises by Size of Capital Investment in 2010-11	26
2.2	Structure and Growth of Capital Investment	26
2.3	Sector-wise Investment by Number of Enterprises in 2008, 2009 and 2010	27
2.4	Procurement of Intermediate Goods/Raw Materials by Enterprises	29
2.5	Reasons for procuring raw material from other states during 2010	30
2.6	Percentage Changes in Supply of Inputs by Sources	31
2.7	Size and per Unit Value of Output by Sector	31
2.8	Distribution of Enterprises by Value of Output	33
2.9	Sectoral Classification of Enterprises by Size of Output Value	33
2.10	Trends in Growth of Output/Turnover per Unit by Sector	34
2.11	Sectoral Distribution of Enterprises by Size of Net Income	35
3.1	Distribution of Enterprises by their Size of Employment and Sector	39

3.2	Size of Employment per Enterprise	40
3.3	Employment Details by its Quality	41
3.4	Growth in Employment by its Quality	41
3.5	Pattern of Sectoral Employment by Type of Employment	42
3.6	Employment by Sex (2008-09 to 2010-11)	43
3.7	Sector-wise Trends in Growth of Different Categories of Employment between 2008- 09 to 2010-11	44
3.8	Sector-wise Trends of growth of employment by Sex during 2008-09 to 2010-11	45
3.9	Enterprises undertaking Work on Contract by Sector	46
3.10	Employment in contract production by enterprises	46
3.11	Changes in Employment trends by skill	47
3.12	Employment Trends by Type Of Employment And Gender	48
3.13	Changes in Monthly Wages per Worker	49
3.14	Per Day Average Working Hours by Type of Employment	49
4.1	Reasons Effecting Changes in Structure of Employment	54
4.2	Top Five Reasons for increasing Employment by Type of Job (2000-05)	55
4.3	Top Five Reasons for Increasing Employment by Type of Job (2005-11)	56
4.4	Effects of Sectoral Changes on Employment	57
4.5	Effects of General Components of Enterprise on Increase in Employment	59
4.6	Effects of Changes in General Components of Enterprise on Decrease in Type of Employment	60

5.1	Satisfaction with Government and other External Bodies	68
5.2	Effectiveness of the Promotional Policies in Growth of Units and Employment	69
5.3	Status of Offering Social Security	70
5.4	Contribution of Government in Providing Social Security	72
5.5	Type of Social Security Provisions adopted by Enterprises	72
5.6	Presence of Trade Unions	73
5.7	Effects of Labour Unions/Associations on Condition of Employment	74
5.8	Effects of Laws and Regulations on Condition of Regular Employment	75
5.9	Effects of Various Laws and Regulations on Demand for Contractual Labour	76
5.10	Effects of Various Laws and Regulations on Labour Productivity	77
5.11	Effects of Various Laws and Regulations on Overall Sector's Growth	78
5.12	Effects of Various Laws and Regulations on Out-migration of Labour	79
5.13	Effects of Various Laws and Regulations on Condition of In-migration of Labour	80
5.14	Effects of Various Laws and Regulations on Condition of Wages	81
6.1	Difficulty Faced with Labour Force in Running Enterprises	86
6.2	Kinds of Problems Facing in Terms of Infrastructure	87
6.3	Kinds of Political Problems Facing by Enterprises	88
6.4	Number of Enterprises by Future Investment Plan in Next	89

	Three Years by Sector and Size of Enterprise	
6.5	Importance of Factors while Planning to Invest in Other Sector/State, by Sector	90
6.6	Future Expectation of the Sector for Next 5 Years	91
6.7	Future Expectations of the Sector by Size of Enterprises	92
6.8	Perceptions of Entrepreneurs Regarding General Employment Trend	94
Map I	Regions and Districts in Uttar Pradesh	13
Map II	Sample Districts Selected from Different Regions for the Study	19

Executive Summary

In the light of differential types of conflicting explanations forwarded by various scholars in matters of reasons for stagnation in employment growth, despite a remarkable economic growth achieved during different periods of time, the present study attempted to put forward a more clear answer in this regard.

Objectives of the Study

To review the factors which are affecting employment growth in various industrial and services sectors, both organized and unorganized those have shown stagnation in the growth of employment.

1. To assess the changes in supply of inputs, output and capital investment and its relationship with changing structure of employment.
2. To examine the trends in sectoral and employment performance across the industries and factors effecting structure of employment.
3. To review the employment generation policies with a view to suggesting effective policies in the present economic environment.
4. To investigate why certain sub-sectors have performed well while others have witnessed absolute decline both in terms of employment and output.

Methodology and Sampling Technique

The study was based on both secondary and primary data. The study was carried out in 12 districts spread over in different geographical locations of the state. It covered a sample of 550 enterprises consisting of 500 manufacturing enterprises, 20 construction enterprises, 20 retail trading enterprises and 10 wholesale trading enterprises. Focus group discussions were also organized in various enterprises of different sectors in five sample districts.

Findings of the Study

- Uttar Pradesh was initially lagging far behind to national average both in growth of economy and employment during 2000 to 2005, but it has shown a remarkable progress in economic growth as well as employment growth than India as a whole during the recent years.
- Size of capital investment per unit has been positively related with the size of employment of the enterprises and a significant upward shift of enterprises from low investment group to relatively higher investment groups has been well indicated during the reference periods.

- Growth of output increased nearly 28 percent during last three years and it was grown more positively for chemical and chemical products, followed by computer and related activities, construction and wholesale and retail trading activities.
- Employment was dominated by regular workforce but its share in total employment has been narrowing down largely on the cost of increase in contractual employment and casual employment.
- Annual growth of employment in all sectors together was 3.53 percent. But, it was largely due to unprecedented increase of casual employment and to some extent contractual employment.
- Employment of women has been increasing more remarkable level than the men employment but this is casual and contractual employment, largely in food and beverages and textile sector and to some extent in computer related jobs.
- Domination of men workforce has been highly visualized in all the sectors though the trend in their domination has been declined due the increasing share of women workforce during 2010-11 as compared to 2008-09.
- The proportion of enterprises reporting large increase in contract labour jumped from merely 13 percent in 2000-05 to nearly 42 percent in 2005-11. In terms of women's employment, there was no change during 2000-05 in 42 percent enterprises and small increase was in 56 percent enterprises. But, during 2005-11, the proportion of enterprises with larger increase in women employment has jumped to 72 percent.
- Remarkable increase was there in wages was for regular workers followed by ad-hoc and casual workers and least for contractual workers.
- Initiation of MGNREGA has been a crucial factor in decreasing supply of labour in 75 percent enterprises due to declining rural -urban migration and migration of labourforce from other states of the country.
- The effects of different laws and regulations on changes in structure of wage rates were largely determined by labour laws followed by wage acts, MGNREGA and safety laws.
- Almost all the sectors of enterprises have been facing variety of problems related to labourforce which might have been adversely affecting their overall functioning and operation system of the enterprises.

- Inadequacy in supply of power, instability of Government and domination of high level of corruption among the political personality and Government employees has been on the highest rank of problem. Lacking adequate finances and capital was the second most problem of most enterprises. The problem of the adoption of new production technology was reported by 49 percent enterprises.

Suggestions for Policy Recommendations

- The State Government should introduce policies for providing subsidised financial incentives in the form of capital subsidy cum loan at starting of the units especially in industrially backward districts.
- Introduction of a scheme as entrepreneurship training and apprenticeship for IIT diploma holders seems too necessary for improving capacity building for both young generation willing to start units and skilled labours.
- The transportation subsidy on procurement of raw materials from different destination should be introduced for minimising the cost of production.
- The provision of social security for all categories of workers at enterprise level should be made mandatory to attract rural-urban migration.
- There is a need for skill development programme for un-skilled labour from the labour dept to increase the supply of skilled labour force.
- ITIs should be strengthened to impart such skill formation among human resources as required for units located in particular areas.
- Vocational training courses in the form of apprenticeship scheme for skill formation among the students of ITI should be imparted through large units.
- Labour laws should be withdrawn on matters of removing non-productive and problem creating labours.

CHAPTER I

Introduction

Considerable debate has been taken about the relationship establishing between the trends in economic growth and employment, especially, in manufacturing sector, for different periods during pre- and post-reform phases in the Indian context. This debate has been getting stronger place by the fact that, as main-stream economic theory assumes output growth should be accompanied by employment growth. It is also assumed that rapid economic growth, especially in a large diversified economy like India's, GDP growth would be accompanied by growth in non-agricultural employment, especially in manufacturing and in services (Mehrotra, 2012). However, the 60th round of the National Sample Survey for 2004 had noted a substantial employment growth in aggregate terms (Unni et al., 2006). Further, Unni and Raveendran (2007) pointed out that, the workforce grew at nearly 1 percent per annum during the mid late -1990s and at nearly 3 percent during the period 1999-2000 to 2004-05. Interestingly, there was also a sharp acceleration in the rate of growth of labour force from 1.03 percent to 2.93 percent. However, the trend in growth of employment has been much below the level of economic growth during the respective periods. As after liberalization, the economy had grown at more than 6 percent on the average, during the period 1990-2004 (Agarwal, 2008).

More striking feature is that, the rise in employment has been mostly within the unorganized and unregulated informal sector, particularly in the period after 1996 (Rani and Unni, 2004). However, later on, between the periods 1999-2000 to 2009-10, the data computed from different rounds of NSS revealed that the unorganized sector employment constituted to 94.36 percent during 1999-2000, which declined to 93.11 percent in 2004-05 and 90.14 percent in 2009-10. In the case of organized sector, annual employment growth has decreased from 3.44 percent per annum during 1990-91 to 1996-97 to -0.63 per cent during 1997-98 to 2004-05. In the organized manufacturing sector, which can provide secured jobs, employment had increased in the initial period of liberalization but then reduced, which is an important issue for research. Kannan and Raveendran (2009) found that registered manufacturing industries performed quite well in terms of output during post-reform period. However, it was not reflected in employment growth. Many scholars analyzed this issue of jobless growth and the reasons advanced by them are varied, such as, job security regulations, increased wages, increased labour productivity, increased capital intensity etc. (Goldar, 2000, 2002; Nagaraj 2000, 2004; and Kannan and Raveendran, 2009). The Survey and the projections indicate that a large proportion of the increase in employment is happening in the informal sector and agriculture.

Further, the concerned trend of mismatch between growth of employment and growth of economy has been intriguing more during post-liberalization periods, especially during

2005 to 2010. Since, the economy of the country, in terms of Gross Domestic Products, grew at the rate of 6.3 percent per annum during pre-liberalization periods but declined to 4.88 percent during 2000 to 2005 and it picked up sharply at the rate of 8.4 percent during 2005 to 2010. However, the growth trend of employment had remained at much lower level than the growth of GDP during all the past years. For instance, the annual growth of employment during 1999-2000 to 2004-05 was only 3.06 percent as against 4.88 percent during the same periods. Even, the more striking features which emerged during 2005-10 were that, the growth of economy reached to the point of 8.4 percent but the growth of employment narrowed at the level of less than one percent point.

In the growth of employment of 15.30 percent in all the sectors together, the growth of employment was highest at 48.37 percent in construction followed by 22 percent in manufacturing sector, 22 percent in mining and quarrying and 21 percent in services and lowest at 9 percent in agriculture and allied sector during 1999-00 to 2004-05. While during the next five year periods of 2005-10, the employment declined drastically in manufacturing sector, agriculture and allied and electricity, gas and water supply sectors in comparison to earlier periods of 1999-00 to 2004-05. On the other hand, the employment growth had been very remarkable from earlier five years periods of 48.35 percent to 69 percent during 2004-05 to 2005-10 in the construction sector. Similarly, the growth of employment had been positive in mining and quarrying, services and wholesale and retail trade during 2004-05 to 2005-10 but, its pace of growth had narrowed down to a certain level in comparison to 1999-00 and 2004-05 (Table 1.1). However, the paper by Mehrotra (2012) argued that in total gross value added, the share of both manufacturing and services sector increased while, the same has decreased for agricultural sector in output and employment over time.

Table 1.1: Structure of Employment in India by Sectors
(in millions)

Sectors	1999-2000	2004-05	2005-10	Growth Rate	
				1999-00 to 2004-05	2004-05 to 2005-10
Agriculture and allied	237.67	258.93	244.85	8.95	- 5.44
Manufacturing	44.05	55.77	50.74	26.61	- 9.02
Mining & quarrying	2.17	2.64	2.95	21.66	11.74
Electricity, gas & water supply	1.13	1.30	1.25	15.04	-3.85
Wholesale & retail Trade	36.63	43.36	43.53	18.37	0.39
Construction	17.54	26.02	44.08	48.35	69.18
Other Services	57.57	69.45	72.26	20.64	4.05
All sectors	396.76	457.46	460.22	15.30	0.60

Source: NSS Employment and Unemployment Surveys of Various Rounds

Moreover, the situation in these concerns is more disparate in respect to emerging performance in the growth of employment in manufacturing sector during 2005-10, as indicated in Table 1.1. It depicted by the fact that the employment in manufacturing sector between 2000 and 2005 increased to 26.61 percent (from 44 million to 55 million), but it declined to 9.02 percent (48 million) between 2005 and 2010. The available evidence tends to indicate that high growth has been accompanied by low employment growth in the organized manufacturing sector. Even, the facts are clear that the employment in both organized and un-organized manufacturing sector has declined but, this decrease was remarkably much higher at 9.02 percent in un-organized sector than at 0.19 percent in organized sector during 2005-10.

Various reasons have been put forward in the literature to explain the observed jobless growth. But, the reasons advanced by scholars for stagnation in employment are, however, varied. By and large, the reasons in this context included, but not limited to, labour market rigidity, job regulation security, use of capital intensive technologies rather than labour intensive technologies, growth of days worked, growth in wage rate and others. Even, the observed jobless growth has been coincided with an unprecedented increase in the rate of integration of Indian economy with the world market through trade liberation. It was also revealed during the focus group discussions held with the entrepreneurs of different manufacturing industries in Uttar Pradesh (UP) that, implementation of MGNREGA and increases in wages in rural areas over the years, are the two major factors, which have reduced the supply of unskilled labour force to be used in manufacturing industries, especially in un-organized manufacturing sector.

In more detail, most official economists and policy makers viewed that job security regulations introduced in the late 1970s and strengthened in early 1980s is the reason for employment stagnations (Kannan et al., 2009). However, these views are not supported by Papola (1994), Ghose (1994) and Bhalotra (1998). Bhalotra pointed out that pattern of employment in factories of different size classes is not consistent with the threshold effect that one would expect of the job security regulations. On the other hand, the explanations by Papola (1994), Nagaraj (1994) are (i) changes in industrial composition, and (ii) increase in actual hours worked per worker, indicating a more intensive use of workforce. Similarly, the explanations in the context of increased use of capital technologies resulting in the stagnation in employment are more recently forwarded by Mehrotra (2012) and Chandrashekhar (2008). Merhotra argued that the pace of technical change increased as a result, but the total employment actually fell, despite an increase in the total manufacturing output. A second reason cited by him as the adverse employment outcome could be that, the structure of output in manufacturing or services shifted towards products or services that were much labour intensive by 2010 as compared to 2005. The products being produced in 2010 are more capital intensive, while the output of labour – intensive products actually declined, giving rise to a situation whereby the employment elasticity of output becomes negative overall for manufacturing. On the other hand, Chandrashekhar (2008) points out that there is a negative shift in the price of capital relative to labour. He also argues that, there are

additional incentives encouraging capital intensity offered by the Central and State Government in the form of cash subsidy based on the level of investment, interest subsidies and a range of other incentives such as exemption from payment of electricity in several cases. But, such arguments could not be valid in almost all the states, especially in UP, wherein the State Government has withdrawn most of the industrial promotion schemes and financial subsidies and incentives.

To a certain level, the arguments forwarded by Ghose (1994) in the matter of cost of labour as a reason for capital deepening in the organized sector for the periods before liberalization, could be postulated as one of the important reason influencing decline employment even during the last five years of the decade. Furthermore, even during post liberalization periods especially, after 1996, the cost of capital has been showing an increasing trend except for the period 2004-05. And the share of wages in value added shows a more or less secular decline (Kannan, 2009). He further pointed out that the ratio of these two shows that it is the cost of labour that has cheapened over time vis-a-vis cost of capital.

On the other hand, if one examines the emerging trends in economic growth and its relationship with the trend of employment growth in UP in comparison to rest of the states of the country was concerned, the economic performance of UP over the years has fallen behind the rest of the country. Despite the fact that the State has a large agricultural base, fairly well – spread industrial activities, and some of the best learning centers in the country (UP Development Report, 2007). During the post-reform period of 1993-94 to 2000-01, the real Gross Domestic Products at factor cost (1993-94 prices) in Uttar Pradesh had an average annual growth of 4.22 percent as against all-India average growth of 6.3 percent. Further, it declined to 2.24 percent for UP as against 4.88 percent for all India average during 2000-2005. During the most recent period, 2004-05 to 2009-10, the annual growth of GSDP at the prices of 2004-05 was 6.70 percent at state level as against 8.4 percent at national level. Thus, a time series plot of real growth of UP, India and the fast growing seven progressive states, Gujarat, Himachal Pradesh, Karnataka, Maharashtra, Rajasthan, Tamil Nadu and West Bengal, indicates that UP experiences much wider fluctuations over time. The fluctuations seen in UP are possibly due to over-dependence on agriculture (Planning Commission, 2007).

In terms of growth in employment, the state of UP was initially lagging far behind to national average during 2000 to 2005 but, it has shown a remarkable progress in expansion of employment than India as a whole in almost all the economic sectors. Even the employment in all the sectors together, has grown at the rate of 2.60 percent in UP as against 0.68 percent in the country as a whole, during 2005-10 as compared in 2000-05. Even the gap in the growth of GDP between Uttar Pradesh and Country as a whole has been reduced remarkably during 2005-10.

The State Profile

Uttar Pradesh is the most populous State in India. One-sixth of the world's population lives in India and one-sixth of India's population lives in UP. Only four other countries of the world namely China, USA, Indonesia and Brazil have a population higher than that of UP. The population pressure in Uttar Pradesh is considered as one of the important aspects which has hindered the proper exploitation and utilization of its resources. It is not possible to achieve sustainable development in the State without achieving desirable demographic goals and population stabilization.

Located in the northern region of the country, the state shares its borders with states like Rajasthan, Madhya Pradesh, Bihar and Haryana. The state also borders the capital of India, New Delhi along with the newly formed state of Uttarakhand. UP has been one of the oldest states in the country and in every single way, reflects the life and culture of India as a whole. The state has a population of about 190 million according to the UP Census 2011. The growth rate of the population of UP is about 20 percent, which is alarming among the highest growth rates in the country. But, this trend of population growth in the State has marginally declined during 2011 over the period 2001. The State is organized into 70 districts, 300 tehsils and 820 development blocks. It is divided into four economic regions viz. Western region, Central region, Eastern region and Bundelkhand as shown below in Map -1. The first three regions fall in the Gangetic plains, while Bundelkhand forms part of the southern plateau.

Spread over an approximate area of 240 thousand sq. km., the state has many places of strategic and cultural significance. The state has some of the most important educational institutions in the country and boasts of some of the biggest tourist destinations in the country. UP is the second best state in terms of economy in the country and a large part of the revenue of the state comes from the Agriculture and the services sector. According to the UP Census 2011, the density of population in UP is about 800 people per square kilometer which is way above the national average of about 380 people per square kilometer and, a major cause of concern. The literacy rate in the State has gone up in recent years and yet continues to linger at about 70 percent which is below the national average of 74 percent. The sex ratio is almost at par with the national average and stands at about 900.

The analysis presented in Table 1.2 reveals that, literacy rate in UP has seen an upward trend of 69.72 percent as per 2011 population census. Of that, male literacy stands at 79.24 percent while, female literacy is at 59.26 percent. In 2001, literacy rate in UP stood at 56.27 percent, of which males and females were 67.30 percent and 43.00 percent literate respectively. Total area of UP is 240,928 sq. km. Density of UP is 828 per sq. km., which is higher than the national average of 382 per sq. km. In 2001, density of UP was 690 per sq. km. while, nation average in 2001 was 324 per sq. km. Sex Ratio in UP is 908 i.e. for each 1000 male, which is below national average of 940 as per census 2011. In 2001, the sex ratio of female was 898 per 1000 males in UP.

Among the major states of India, birth rate is the highest in the State of UP. The decline in birth rate has also been slow in the State. Birth rate stood at 38.6 in 1951, at 35.7 in 1991 and at 31.3 in 2003. Total fertility rate for the year 2002 was 4.4 in UP as against 3.0 in India. The demographic indicators presented above reflect an explosive situation in years to come for the State of UP. According to the projections of the Expert Group appointed by the Government of India, U.P's population will grow from 19.6 crore in 2011 to 27.5 crore in 2021. The present indicators regarding the fertility behavior reveal that, UP may hopefully achieve the desired level of Net Reproductive Rate of 1 percent during 2041–2051 (Singh, 2007)

Table 1.2: Some Demographic Indicators of U.P. & India as per Provisional Figures of Census 2011

Sl. No.	Description	UP	India
1	Sex Ratio	908	898
2	Child Sex Ratio	899	942
3	Density/km ²	828	690
4	Density/m ²	2,146	1,787
5	Area km ²	240,928	240,928
6	Area m ²	93,023	93,023
7	Total Child Population (0-6 Age)	29,728,235	31,624,628
8	Male Population (0-6 Age)	15,653,175	16,509,033
9	Female Population (0-6 Age)	14,075,060	15,115,595
10	Literacy	69.72 %	56.27 %
11	Male Literacy	79.24 %	67.30 %
12	Female Literacy	59.26 %	43.00 %
13	Total Literate	118,423,805	75,719,284
14	Male Literate	70,479,196	48,901,413
15	Female Literate	47,944,609	26,817,871

Source: Census of India, Provisional Data, 2011.

Similarly, the state of UP is lagging behind in health indicators like life expectancy; infant mortality rate, etc. (see Singh, 2007). Nearly 8 per cent of the children in UP die before reaching the age of 1. Only Madhya Pradesh and Orissa have higher infant mortality rate. 72 per cent of the children in the State suffer from moderate or severe under-nutrition. Life expectancy in UP in 2002 was 63.5 years for males and 64 years for females, while the corresponding figures were 71.7 and 75 years respectively in Kerala, the best performing state in this respect (Singh, 2007).

Trends in Growth of Economy of the State

Economically UP is among the most backward States of India, being characterized by the pre – dominance of the agricultural sector with heavy dependence on Monsoon, high percentage of marginal and small land holdings, high population pressure, small manufacturing sector, structural deficiencies in infrastructure, glaring regional imbalances and sluggish economic growth. Income levels are an important determinant of the economic well being and social development. In terms of per capita income, UP is

among the 'low-income' category states along with Bihar, Madhya Pradesh and Orissa. Moreover, due to sluggish economic growth in UP, the gap in per capita income of the State has been increasing. Per capita income in UP, which was almost equal to the national average in the beginning of the planning period, is now half of the national average.

Moreover, during the first twenty five years of planning, growth rates in UP were low and lagged behind the modest growth observed at the national level. In comparison to the growth performance of India as a whole, the growth of economy was lagging behind during 1999-2000 to 2004-05, while this gap has been narrowing down after 2005-06. To begin with, during 1999-2000 to 2000-01, the growth of economy in UP was only 2.2 percent as against 4.4 percent at national level. However, during 2004-05, the growth of economy of UP was 5.4 percent as against 7.5 percent of national average. But, these gaps in the growth of UP and country as a whole started narrowing down after 2005-06 and it reached to the extent of 7.9 percent in UP as against 9 percent at the national level. While during 2008-09, the growth performance of UP compared well with the national level growth. During the period 2008-09 and 2007-08, the annual growth of net income of UP, at constant prices, was only 7.2 percent as against the national average of 6.7 per cent.

On the other hand, the growth rate of per capita income during the period 1999-2000 to 2008-09, as presented in Table 1.3, shows that it was 2.96 percent and 6.05 per cent for U.P. and India respectively. It may be observed that UP's contribution in the net national income has declined from 9.5 per cent to 8.1 per cent during this period. The constant rate of growth of population of UP along with the deceleration in the State Domestic Production growth rate since the Eighth Plan period, has led to a fairly low growth rate of State's per capita income. Consequently, the general standard of living, as exhibited in the per capita income levels continues to be low. Since, the shortfall in per capita income for U.P against national average increased over 50.40 percent during 2008-09 from 38.6 percent in 1999-2000. Even, the gap in per capita income has been consistently widening over the years.

Table 1.3: Income of India and Uttar Pradesh at Constant Prices (1999-00)

Year	At constant Prices (1999-00)		Percentage of Uttar Pradesh to India	Percentage increase to previous year at 1999-00 prices	
	India(GDP)	Uttar Pradesh (GSDP)		India	Uttar Pradesh
1999-2000	1786526	175159	9.8	-	-
2000-01	1864301	178997	9.6	4.4	2.2
2001-02	1972606	182885	9.3	5.8	2.2
2002-03	2048286	189682	9.3	3.8	3.7
2003-04	2222758	199682	9.0	8.5	5.3
2004-05	2388768	210462	8.8	7.5	5.4
2005-06	2616101	222242	8.5	9.5	5.6
2006-2007	2871120	239070	8.3	9.7	7.6
2007-2008*	3129717	258067	8.2	9.0	7.9
2008-2009 \$	3339375	276677	8.3	6.7	7.2

Source: Annual Plan of Uttar Pradesh, 2010-11 Vol.-1

Poverty levels are relatively high in UP. However, poverty levels have gone down in the State over time, declining from 57 per cent in 1973-74 to 32.2 per cent in 2004-05. During the corresponding period, poverty at the national level declined from 54.9 percent to 27.5 per cent. Despite the substantial decline in the poverty ratio, the absolute number of poor has remained high in the State. Almost 6 million people in UP were living below the poverty line in 2004-05 constituting over one-fifth of the total poor in the country on the basis of uniform recall period (Singh, 2007).

Table 1.4: Per capita Income of UP & India at Constant (1999-2000) Prices

Year	Per Capita Income (Rs.)		Gap	Shortfall in UP Against India
	U P	India		
1999-2000	9749	15881	6132	38.6
2000-2001	9721	16173	6452	39.9
2001-2002	9672	16769	7097	42.3
2002-2003	9806	17109	7303	42.7
2003-2004	10120	18301	8181	44.7
2004-2005	10421	19331	8910	46.1
2005-2006	10766	20868	10102	48.4
2006-2007	11311	22580	11269	49.9
2007-2008*	11981	24295	12314	50.7
2008-2009 \$	12637	25494	12857	50.4

* Provisional Estimates; \$ Quick Estimates

Source: Annual Plan of Uttar Pradesh, 2010-11 Vol.-1

Sectoral Contribution in the Economy: As far as the contribution of individual sectors in Gross State Domestic Production (GSDP) was concerned, it was highest at 30 percent for agriculture & allied during 2004-05, but its contribution declined to 24 percent in 2009-10 to 22 percent in 2011-12. The same has been consistently increasing for trade and commerce. Even its share dominated among the remaining sectors during both the years 2009-10 and 2011-12, accounting for 28 percent and 29 percent respectively. The share of both manufacturing and services sector in GSDP was almost same at nearly 14 percent and were second most sectors in this regard in the state during 2004-05 but, this share of manufacturing sector went down to 13 percent while it increased to 15 percent for the services sector during 2009-10. However, during the periods 2011-12, the corresponding shares of both the sectors lowered down marginally (Table 1.5).

Table 1.5: Contribution of different sectors in Gross Domestic Products

(Rs in Lakh at 2004-05 Prices)

Sl. No.	Sector	2004-05	2009-10	2011-12
1	Agriculture & allied	7757076 (29.74)	8739875 (23.90)	9422119 (22.48)
2	Mining & quarrying	273948 (1.05)	412241 (1.13)	417855 (1.00)
3	Manufacturing	3518745 (13.49)	4652065 (12.72)	5259673 (12.55)
	Registered	1862856	2428348	2806800
	unregistered	1655889	2223717	2452873
4	Construction	1914862 (7.34)	3137242 (8.58)	3629583 (8.66)
5	Electricity, gas & water supply	358454 (1.37)	531050 (1.45)	596533 (1.42)
6	Transport, storage & communications	2024348 (7.76)	3334050 (9.12)	4218643 (10.07)
7	Trade & commerce	6707385 (25.71)	10259281 (28.05)	12093347 (28.86)
8	Services	3529248 (13.53)	5510288 (15.07)	6271230 (14.96)
	Total GSDP	26084066 (100.00)	36576092 (100.00)	41908983 (100.00)

Source: Economics & Statistics Division, State Planning Institute, Lucknow

In spite of the fact that, contribution of both the agriculture and services sector in GDP has been declining over the years, GDP in both the sectors has been on the rise during 2004-05 to 2011-12. This growth was only 2.68 percent in former sector as against 9.71 percent in latter sector. Overall analysis on the pattern of the growth of GDP in UP revealed its better performance as compared to rest of the states taken together. The growth rate of GDP in the state has been 6.70 percent during 2004-05 to 2009-10 and it increased to 7.29 percent during 2009-10 to 2011-12. Among the different sectors, the growth rate of GDP was highest at 13.55 percent for transport, storage &

communication, followed by 11.19 percent for construction, during the periods 2004-05 to 2011-12 (Table 1.6).

Table 1.6: Sector-wise Trends in Growth of GDP

Sl. No.	Sector	2004-05 to 2009-10	2009-10- To 2011-12	Annual Growth Rate
1	Agriculture & allied	2.11	3.90	2.68
2	Mining & quarrying	8.41	0.68	6.57
3	Manufacturing	5.37	6.53	6.18
	Manufacturing-registered	5.06	7.79	6.33
	Manufacturing-unregistered	5.72	5.15	6.02
4	Construction	10.64	7.85	11.19
5	Electricity, gas & water supply	8.03	6.16	8.30
6	Transport, storage & communications	10.78	13.27	13.55
7	Trade & commerce	8.83	8.94	10.04
8	Services	9.36	6.90	9.71
	Total GSDP	6.70	7.29	7.58

Source: CSO & Economics & Statistics Division, State Planning Institute Lucknow

Structure and Trends in Growth of Employment: As per Census 2001, the workforce participation rate for UP stood at 32.5 per cent. The respective figures were 33.9 per cent in rural areas and 26.9 per cent in urban areas. The work participation rates for females in UP are particularly low – 16.5 per cent as compared to the figure of 46.8 per cent for males. Total number of workers in the state in 2001 was 539.84 lakh, out of which 393.38 lakh main workers were (i.e. who get employment for more than 183 days in a year) and 146.46 lakh were marginal workers (i.e. those who get employment for less than 183 days in a year). The growth rate of marginal workers has been much faster. Thus, the main workers registered an annual growth rate of only 0.12 per cent during 1991-2001, whereas the marginal workers increased at a rate of 16.78 percent per year. Marginal workers now constitute 27.1 per cent of total workers in the state.

Two-thirds of the total workers in UP is still engaged in the agricultural sector as per 2001 Census. This proportion is higher in the case of female workers at 76.2 per cent. Rural areas of U.P. are also less diversified with 77 per cent of workforce in agriculture. Nearly one-fourth of the total workers are landless agricultural labourers. According to 61st round of NSS (2004-05), 61.7 percent of the total workers in U.P. were employed in the primary sector, 18.2 percent in the secondary sector and remaining 20.1 percent were in the tertiary sector. The lack of diversification of the economy and heavy dependence of the people on land is one of the major causes of low incomes and poverty in rural UP. The pace of diversification has also been slow in U.P. as compared to all-India level.

In matters of the pattern of sectoral employment, the NSS data enables us to study the Sector-wise pattern of employment and growth of workforce in the recent period.

Table 1.7: Sector-wise Employment in 2004-05 and 2005-10 (in millions)

Sl. No.	Sector	2004-05	2005-10	Annual growth
1	Agriculture & allied	40.2	37.00	- 1.59
2	Mining& quarrying	0.1	0.2	20.00
3	Manufacturing	7.9	7.0	-2.28
4	Construction	3.71	7.9	22.59
5	Wholesale & Retail trade	0.76	0.61	-3.95
8	Other Services	12.01	7.77	-7.06
	All sectors	64.3	65.9	0.50

Source: NSS Employment and Un-employment Surveys of Various Rounds

Employment growth of all workers shows a jump in growth rate from 1.17 percent during 1993-00 to 1.53 percent during 1999-2005, but it declined to 0.50 percent during 2004-05 to 2004-10. For the entire period from 2004-2005, fastest growth was observed in the case of construction sector (around 23 per annum), followed by mining & quarrying (20 percent), but the same declined to 7.06 percent in services, followed by 3.95 percent in wholesale & retail trade, 2.28 percent in manufacturing and 1.59 percent in agriculture & allied. However, a bulk of 37 million employments has been still concentrated in agriculture and allied sector (Table 1.7).

Among the economic sectors covered in the present study, the NSS data presented in Table 1.8 reflected that, the share of employment in sample sectors was 23.17 in 2004-05, which increased to 28.33 percent in 2009-10. This share of employment was highest at 7.77 percent in retail & wholesale trade during 2004-05, while during 2009-10 it was highest at 11.91 percent in construction sector, followed by 8.07 percent in retail & wholesale trade. However, in terms of growth in employment, computer & related activities have been showing far better performance than the other sectors. But, its share in total employment accounted for very low, at less than one percent points. A very remarkable growth in employment of 22.32 percent has been further visualized in the construction sector. Even the positive growth rate of 4.19 percent and 1.45 percent was in manufacturing of other non-metallic mineral products and construction sector during these periods. Otherwise, in remaining manufacturing sectors, the growth in employment was negative, which varied from 10.91 percent in manufacturing of chemical & chemical products to 2.80 percent in manufacturing of food products & beverages.

Regional Profile: The economy of the State is characterized by very sharp variations at the regional and district levels in the levels of social and economic development. Generally, the state is divided into four economic regions, namely, western UP, central UP, eastern UP, and Bundelkhand. The first three regions fall in the fertile *Gangetic* plains, while Bundelkhand lies in the dry *Vindhyan* plateau. The western and eastern regions are the most populous ones, with a share of 37 and 40 percent population respectively, in the state population. About one-fifth of the population lives in the

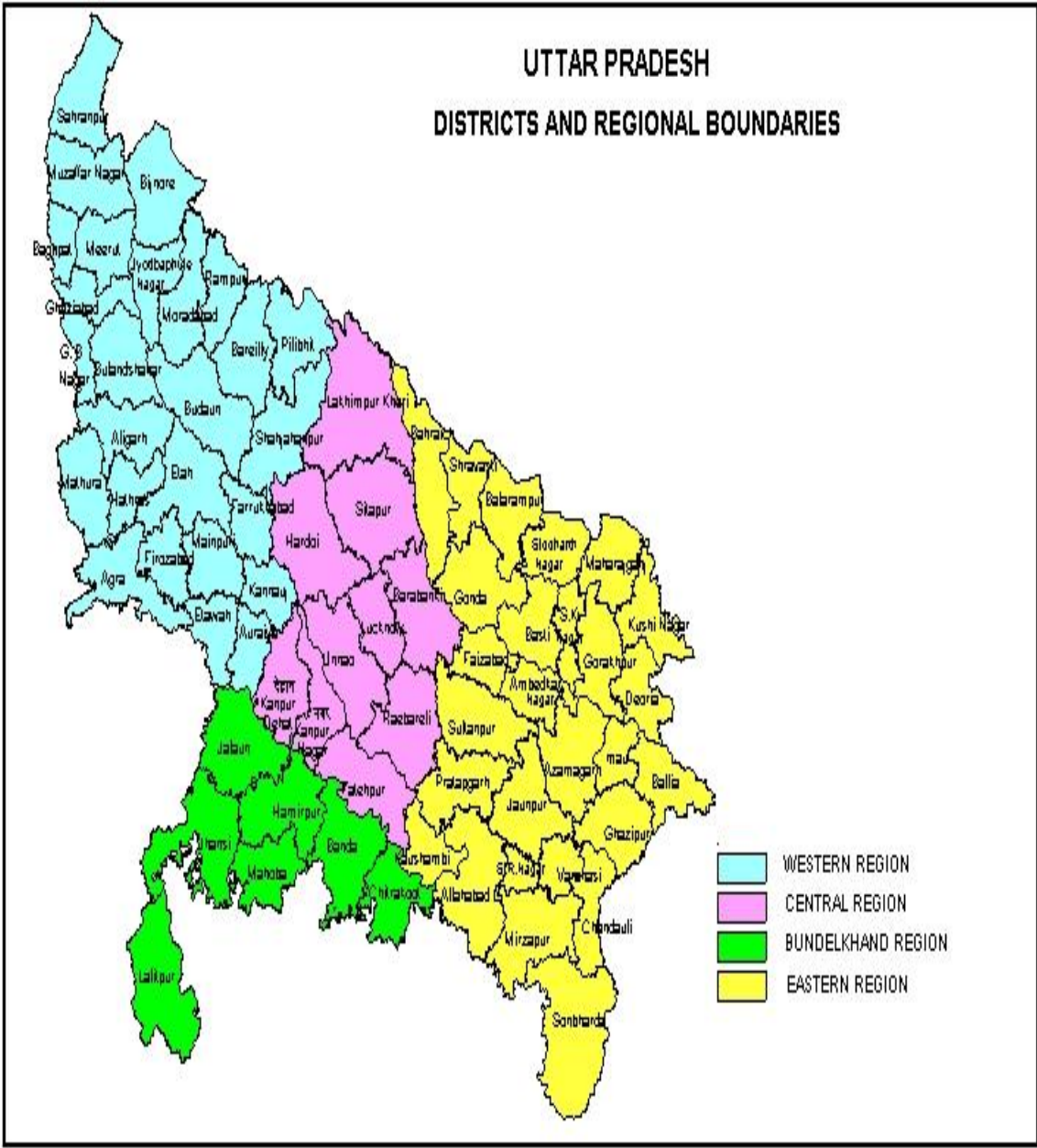
Central region, while only 5 per cent lives in Bundelkhand. The latter is sparsely populated with a density of population of only 280 persons per sq. km., less than half of the population density of the state. Population pressure is much higher in the three plain regions. The western region is relatively the most developed region of the state in terms of economic prosperity. Agricultural productivity is higher in this region. The region has a more diversified economy with almost half of the industry in the state being located in this region. NOIDA and Ghaziabad districts located in this region are emerging as the industrial hub of the state. Central UP falls in the middle category in terms of economic development. It was industrially more developed with Kanpur as a major textile centre of northern India. However, the region has witnessed industrial decline in recent years. The other two regions, namely, eastern UP and Bundelkhand are officially designated as backward region for planning purposes. Eastern region is most densely populated with a heavy dependence on land. It is marked by low level of diversification, low productivity and low per capita income. Most of the poor in the state are concentrated in this region. Bundelkhand region has distinct natural characteristics and has much lower irrigation intensity as compared to the other regions. It has a large landless population and had high incidence of poverty in the 1980's and the 1990s. Lately, the region has shown greater economic dynamism and poverty levels have declined sharply. Within all the regions, sharp intra-regional disparities are found at the district level.

Table 1.8: Size and Growth of Employment by Sample Sectors in Uttar Pradesh

NIC	Sector	2004-5	2009-10	Annual Growth	% share 2004-5	% share 2009-10
45	Construction	3.71	7.85	22.32	5.77	11.91
52	Wholesale & retail trade	4.96	5.32	1.45	7.71	8.07
17	Manufacture of textile	1.99	1.39	-6.03	3.09	2.11
18	Manufacture of Wearing Apparel; Dressing & Dyeing of Fur	1.09	1.09	0.00	1.70	1.65
15	Manufacture of Food Products & Beverage	0.93	0.80	- 2.80	1.45	1.21
51	Wholesale Trade and Commission Trade	0.76	0.61	-3.95	1.81	0.93
26	Manufacture of other non-metallic mineral products	1.05	1.27	4.19	1.63	1.92
74	Other Business Activities	0.28	0.20	-5.71	0.44	0.30
72	Computer & Related Activities	0.02	0.07	50.00	0.03	0.11
24	Manufacture of Chemicals and Chemical Product	0.11	0.05	-10.91	0.17	0.07
	Total of 10 sectors	14.90	18.67	5.06	23.17	28.33
	Total employment	64.3	65.9	0.50	100.00	100.00

Source: NSS Employment and Un-employment Surveys of Various Round

Map I: Regions and Districts in Uttar Pradesh



Source: Human Development Report; State Planning Institute, Govt. of U. P. Lucknow, 2007

The sectoral composition of Net Regional Domestic Product shows some variation across the regions. The share of the primary sector is the highest in Bundelkhand and lowest in Central region (Table 1.9). The share of the secondary sector is highest in Western region and lowest in Bundelkhand. The share of tertiary sector is relatively higher in the central and the eastern regions as compared to the other three regions. Between 1993-94 and 2004-05, the sectoral composition has undergone marked changes. The share of primary sector has declined clearly in all the regions. The shift is mainly in favour of the tertiary sector. The secondary sector has also recorded positive shift in western region and Bundelkhand, but a negative shift in the other two regions.

Growth rates of income at regional and district levels have been calculated for two periods, i.e. 1980-81 to 1996-97 and 1993-94 to 2004-05. In the first period, the pattern of regional development was more balanced with all the four regions growing at a rate of around 4 per cent per annum (Table 1.10). Economic growth during this period was led by agricultural sector growth and spread of green revolution technology to different regions of the state. In the second period, growth has become regionally more concentrated. Eastern and western regions show a slower growth in this period, while central U.P. and Bundelkhand improved their performance. The differences in per capita income growth are also much sharper in the latter period. Bundelkhand and Central U.P. have been showing better performance than the other two regions.

Table 1.9: Sectoral Composition of Net Regional Domestic Product (%)

Region	Primary Sector		Secondary Sector		Tertiary Sector		NDDP	
	1993-94	2004-05	1993-94	2004-05	1993-94	2004-05	1993-94	2004-05
Western Region	41.10	36.85	19.94	22.56	38.96	40.59	100.00	100.00
Central Region	36.16	33.25	17.28	16.32	46.56	50.43	100.00	100.00
Eastern Region	40.04	35.75	19.32	15.69	40.64	48.56	100.00	100.00
Bundelkhand	46.76	44.45	12.50	13.99	40.74	41.55	100.00	100.00
Uttar Pradesh	40.18	36.25	18.86	18.86	40.96	44.89	100.00	100.00

Source: Economics and Statistics Division, State Planning Institute, Uttar Pradesh

Table 1.10: Annual Compound Growth Rate of Total & Per Capita Net Regional Product since 1980-81

(Per cent)

Region	Total Net Regional Product		Per Capita Net Regional Product	
	1980-81 to 1996-97	1993-94 to 2004-05	1980-81 to 1996-97	1993-94 to 2004-05
Western Region	4.2	3.8	1.8	1.5
Central Region	4.3	4.6	2.1	2.3
Eastern Region	4.2	3.9	2.0	1.6
Bundel Khand Region	4.0	5.2	1.8	3.2
Uttar Pradesh	4.2	4.0	1.8	1.8

Source: Economics and Statistics Division, State Planning Institute, Uttar Pradesh

Regional variations in structure of manufacturing units and size of employment are further noted largely emerging in the state. The analysis presented in Table 1. 11 clearly show that the manufacturing units are highly concentrated in western region while their concentration is lowest in Bundelkhand region. Even, these are remarkably growing in the western region, followed by the central region accounting a growth rate of 37 percent and 34 percent respectively as against 9 percent in Bundelkhand region during 2000-01 to 2006-07. Similarly, the western region has been highly dominating among all the regions of the state in providing employment in its manufacturing sector. Since, over 63 percent and 66 percent of industrial employment was alone provided in this region during 2000-01 and 2006-07 respectively. However, the growth in manufacturing employment has been picking more sharply in central region than in western region.

Table 1.11: Regional Distribution of Manufacturing Units and Employment

Region	Total No. of Registered Unit		Annual Growth	Total Employment		Annual Growth
	2000-01	2006-07		2000-01	2006-07	
Western	2550 (59.48)	9065 (65.89)	36.50	231772 (62.55)	397630 (66.08)	10.22
Central	793 (18.50)	2681 (19.49)	34.01	58535 (15.80)	109239 (18.15)	12.37
Bundelkhand	101 (2.36)	162 (1.18)	8.63	5833 (1.57)	6778 (1.13)	2.31
Eastern	843 (19.66)	1849 (13.44)	17.05	74375 (20.07)	88079 (14.64)	2.63
Total	4287 (100.00)	13757 (100.00)	31.56	370515 (100.00)	601726 (100.00)	8.91

Source: Annual Survey of Industry 2000-01- and 2006-07, Economic and Statistics Division, State Planning Institute, Planning Department, Uttar Pradesh, Lucknow

Objectives of the Present Study

In the light of different types of conflicting explanations forwarded by various scholars in matters of reasons for un-satisfactory growth in overall employment and declining employment in manufacturing sector, despite a remarkable economic growth achieved during different periods of time, the present study attempted to put forward a more clear answer in this context. More specifically, the study examines the nature of stagnation in the growth of employment and its reasons, in relation to the different size-classes of both organized and unorganized manufacturing sector and services sector enterprises in UP. Main objectives of the study are as follows:

- To review the factors which are impacting employment growth in various industrial and services sectors, both organized and unorganized, which are showing stagnation in the growth of employment
- To examine the changes in the supply of inputs, output and capital investment and its relationship with changing structure of employment
- Trends in sectoral and employment performance across the industries and factors effecting structure of employment
- To review the employment generation policies with a view to suggest effective policies in the present economic environment
- To investigate why certain sub-sectors have performed well while others have witnessed absolute decline, both in terms of employment and output
- Problems emerging in running of enterprises, future investment planning and development perspectives of this sector in the future.

Hypothesis

In addition to the above highlighted objectives, the study attempts to test the following hypotheses:

- A rise in real wages in the period 2005-10, faster than in the earlier period, has triggered fast technical change, resulting in manufacturing employment falling.
- Employers are increasingly replacing labour by capital in the existing capacity in industry and services which has resulted in a fall in employment.
- Whether the state-specific policies (e.g. Taxation, investment-related incentives) and reforms (relaxation in labour regulations etc.) have resulted in differential performance in non-farm employment in these states and across sectors;
- Lack of business environment (including tax regime, labour laws) have adversely affected new industries to enter (and thus creating jobs) and is also a disincentive for the existing industries and services to expand employment.
- The composition of output within manufacturing and within services has shifted between 2005-10 to cause output to increase, while employment has fallen or stagnated.

Research Questions

- Which are the sub-sectors within the organized manufacturing sector which have been attracting private investment in the state? How are the investments attracting sub-sectors performing in terms of employment?
- What are the factors which determine higher investment in specific sub-sectors within the organized manufacturing sector? To what extent is the increase in investment leading to higher employment?
- What are the possibilities of increasing employment in sectors which have seen Gross Value Added growth, but with jobless growth or job-losses? What are the different kinds of social protection policies and skill development policies put in place (or which could be introduced) in job-losing sub-sectors within the organized manufacturing sector? Or should the sectors that are experiencing jobless growth/job-loss with output growth be allowed to continue along this path?
- Sectors that are experiencing actual decline in jobs in absolute terms (along with output decline) might need some form of safety net as well as policies to restructure employment (i.e. retraining of workers who are losing jobs). What are the different kinds of social protection policies and skill development policies that have been, or could be put in place in the job-declining sub-sectors within the organized manufacturing sector?

Methodology of the Study

(i) Selection of Sectors

Taking into account the priority sectors as in the policy note of 2011-2012 of Micro, Small and Medium Enterprises department, the policy note of 2011-2012 of industries department, the statistical tables of the industries department and an in-depth analysis of the NSSO employment-unemployment rounds, we selected the following sectors for a detailed analysis.

1. Food products & beverages
2. Textiles
3. Wearing apparel, dressing & dyeing of fur
4. Chemical & chemical products
5. Other non-metallic mineral products
6. Computer & related activities
7. Other business activities
8. Construction activities
9. Wholesale & retail trading activities

(ii) Selection of Districts and Enterprises

Economic Census, 2005 data (Enterprise Survey) were taken for identifying the districts according to enterprise concentration in the districts. All the districts were divided into three categories i.e. High, Medium and Low, based on their enterprise concentration in the sectors. There are 70 districts in the State; hence ideally each district's share of enterprise should have been 1-2 percent. District with a share of less than 1 percent was categorized as low enterprises concentrated district, district with a share between 1-2 percent was categorized as medium enterprises concentrated district, and districts with a share of more than 2 percent grouped as high enterprises concentrated district. In this manner 17 districts were in high category with a share of 49 percent enterprises, 27 districts in medium category with a share of 36 percent enterprises and remaining 26 districts in low category with a share of 17 percent enterprises. Among them, the study randomly selected 6 districts among high category districts and 3 districts each among medium and low category districts. Thus, the total number of districts selected for the study accounted for 12. In this manner, we attempted to make the representative sample of enterprises from identified three groups of districts based on the enterprises concentration. The grouping of districts according to their share in total enterprises and the districts selected marked in dark for study is presented below.

Table 1.12: Distribution of Districts into Three Groups of Concentration of Enterprises

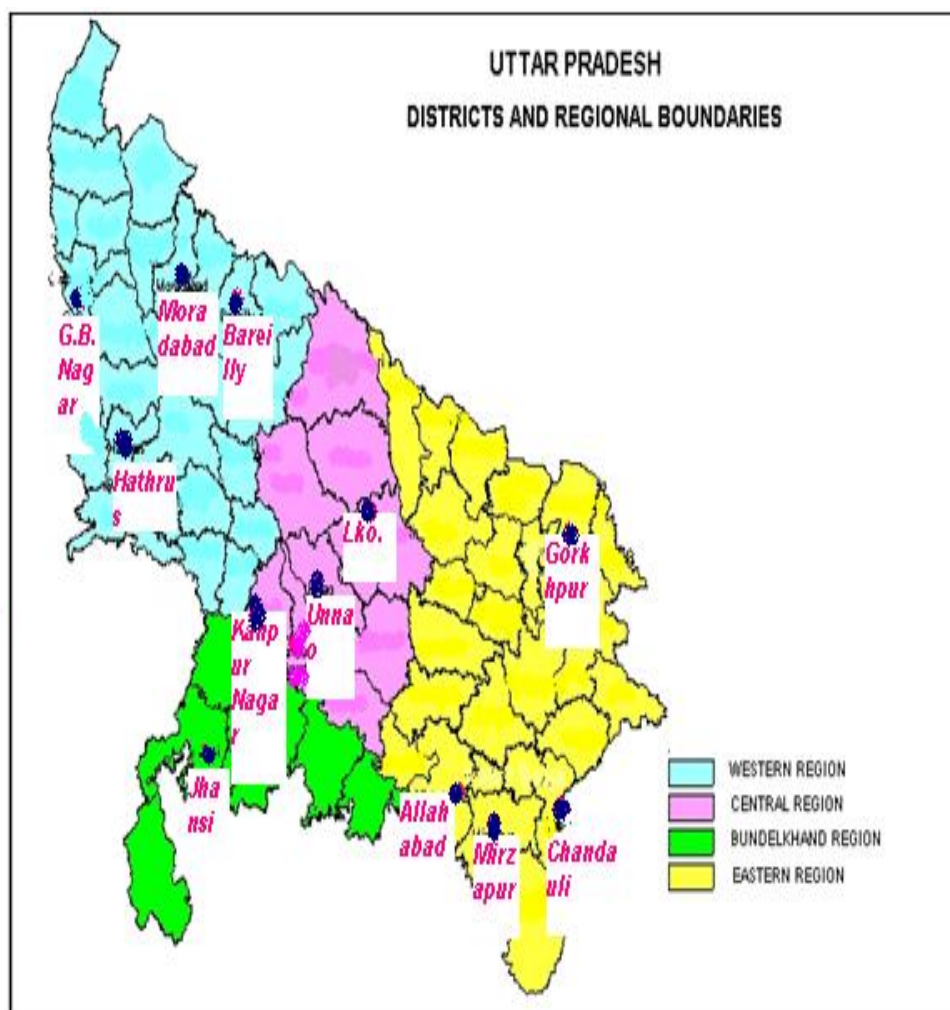
High (Share more than 2%)	Medium (Share between 1% to 2 %)	Low (Share less than 1%)
Saharanpur Muzaffarnagar Bijnor Moradabad Meerut Ghaziabad Aligarh Agra Budaun Bareilly Sitapur Lucknow Kanpur Nagar Allahabad Gorakhpur Jaunpur Varanasi (These 17 districts accounting for about 49 percentages of enterprises)	Rampur Jyotiba Phule Nagar Baghpat Gautam Buddha Nagar Bulandshahr Mathura Firozabad Etah Pilibhit Shahjahanpur Kheri Hardoi Unnao Rae Bareli Jalaun Jhansi Fatehpur Pratapgarh Barabanki Sultanpur Gonda Maharajganj Deoria Azamgarh Mau Ballia Ghazipur (These 27 districts accounting for about 36 percentages of enterprises)	Hathras Mainpuri Farrukhabad Kannauj Etawah Auraiya Kanpur Dehat Lalitpur Hamirpur Mahoba Banda Chitrakoot Kaushambi Faizabad Ambedkar Nagar Bahraich Shrawasti Balrampur Siddharthnagar Basti Sant Kabir Nagar Kushinagar Chandauli Sant Ravidas Nagar Bhadohi Mirzapur Sonbhadra (These 26 districts accounting for about 17 percentages of enterprises)

Source: Annual Survey of Industry, Central Statistical Organisation, New Delhi

Hence, the state has been divided into four regions based on their geographical conditions for the purpose of planning economic development. Therefore, in addition to the identification of sample enterprises from three enterprises concentrated groups of districts, it was also tried to identify the sample districts from all the four geographical locations viz. Western Region, Central Region, Eastern Region and Bundelkhand Region of the state. The sample districts covered for the study from different regions are presented below in the map of the state

Map II

Sample Districts Selected from Different Regions for the Study



Source: Human Development Report; State Planning Institute, Govt. of U. P. Lucknow, 2007

(iii) The Size of Sample and Methodology of Data Collection

Thus, the study was carried out in 12 districts spread over in different geographical location of the state. The enterprises we covered for the study were 50 percent from high enterprise concentrated districts, 35 percent from medium concentrated districts and rest 15 percent from low concentrated districts. In all, we covered 500 manufacturing enterprises comprising 450 organized enterprises and 50 unorganized enterprises from 12 districts. In addition, the study also covered 20 construction related activities, 20 retail trading activities and 10 wholesale trade activities and 12 trade unions/associations. Focus group discussions were also organized in specific to different sectors of enterprises in five sample districts. The study is based on both secondary and primary data. The secondary data were collected from different NSS rounds and the Department of Industry, UP State. Primary data were collected with the help of already developed structural questionnaires for different stakeholders.

The Sample Enterprises

It was initially proposed to cover a sample of 50 percent enterprises from 6 high concentration districts, 35 percent enterprises from medium concentration districts and remaining 15 percent enterprises from low concentration districts. However, the proposed criteria of covering required number of different sectors of enterprises could not be strictly followed in the case of category A and category B districts as the number of functioning enterprises in most of the B category districts were less in number than our proposed sample of enterprises. As a result, the proportion of enterprises covered from B category districts accounted for nearly 31 percent as against 54 percent enterprises covered from A category districts. Similarly, due to larger concentration of enterprises in C category districts the study covered 34 enterprises from this category of districts.

Representativeness of the Sample: The study attempted to make the selection of sample of enterprises as representative in the context of the State of UP. In this context, we firstly carried the classification of sample districts into three groups ie large, medium and low enterprises concentration districts. Secondly, a proportionate sample of different categories of enterprises based on their product groups was selected for study. Thirdly, it was ensured that a sufficient number of enterprises should be covered from each of the four geographical regions. Fourthly, the selection of enterprises among different product groups was done according their proportionate share in total enterprises. Lastly the size of sample among registered and non- registered enterprises was covered according to their state in each region and enterprises concentration groups of districts

Since the registered manufacturing activities are mainly concentrated in urban areas of the state, the study could cover most of the sample enterprises from the urban areas only. The sample size of enterprises from rural areas accounted for only less than 1.45 percent. In fact, no enterprise was covered from low category districts from rural segments (Table 1.13).

Table 1.13: Distribution of Sample Enterprises by their Size Categories

Location	Enterprise concentration			
	High (A Category)	Medium (B Category)	Low (Category)	All Category districts
Rural	7 (87.50)	1(12.500	-	8 (100.00)
Urban	291(53.69)	167(30.81)	84(15.50)	542(100.00)
Total	298(54.18)	168(30.54)	84(15.27)	550(100.00)

Source: Field Survey

Table 1.14: Ownership of Enterprises

Type of ownership	Manufacturing	Construction	Trade	All Enterprises
Proprietary	409(81.80)	16(80.00)	30(100.00)	455(82.73)
Partnership	36(7.20)	2(10.00)	-	38(6.91)
Cooperative	4(0.80)	-	-	4(0.73)
Indian private limited company	48(9.60)	2(10.00)	-	50(9.09)
Foreign private limited company	-	-	-	-
Indian government/PSUs company	3(0.6)	-	-	3(0.55)
Foreign government/PSUs company	-	-	-	-
Non profitable	-	-	-	-
All enterprises	500(100.00)	20(100.00)	30(100.00)	550(100.00)

Source: Field Survey

Ownership of Enterprises: The ownership pattern of sample enterprises revealed that an overwhelming majority of nearly 83 percent of them were operating on proprietary basis, while second majorities of 9 percent were private limited companies and 7 percent enterprises were partnership concern. However, none of the enterprise was running as foreign private limited company and Public Sector Units among the sample enterprises (Table 1.14).

Registration of Enterprises

As far as the registration status of sample enterprises was concerned, the Table 1.15 depicted that a majority of 90 percent enterprises were registered with at least one legal authority. Even, except the case of enterprises involved in computer & related activities, other business activities, construction and retail & wholesale trade, the remaining sectors of registered enterprises were registered with District Industry Center under the Small Scale Industry Act. Among the manufacturing enterprises, the proportion of registered enterprises accounted for as higher as 92 percent among general business activities, closely followed by 91.78 percent among the enterprises of non-metallic mineral products. The figure of non-registered enterprises was ranging between 13 percent for food products & beverages to nearly 8 percent for general business activities.

Table 1.15: Registration Status of Enterprises

NIC Group	Product groups of enterprises	Registered		
		Yes	No	All units
15	Food products & beverages	60(86.96)	9(13.04)	69 (100.00)
17	Textiles	64(90.14)	7(9.86)	71(100.00)
18	Wearing apparel, dressing & dying fur	52(89.66)	6(10.34)	58(100.00)
24	Chemical & chemical products	70(88.61)	9(11.39)	79(100.00)
26	Other non-metallic mineral products	67(91.78)	6(8.22)	73(100.00)
72	Computer & related activities	66(90.41)	7(9.59)	73(100.00)
74	General business activities	71(92.21)	6(7.79)	77(100.00)
	Construction	18(90.00)	2(10.00)	20(100.00)
	Trade	27(90.00)	3(10.00)	30(100.00)
	All groups	495(90.00)	55(10.00)	550(100.00)

Source: Field Survey

Conclusions: The data from different sources tend to indicate high economic growth accompanied by low employment growth, especially in organized manufacturing sector both during pre- and post-liberalization. Strong arguments have been placed further when the employment in manufacturing sector has declined drastically despite a positive growth in economy during the last decade. This decline of employment has been witnessed both in organized and unorganized manufacturing sectors but remarkably much higher in former sector than in the latter at the national level. Various reasons have been put forward in the literature to explain the observed jobless growth. This included, but not limited to, labour market rigidity, growth of mandays worked, and growth in wage rate and others. In the case of UP, the state was initially lagging far behind the national average, both in growth of the economy and employment during 2000 to 2005; but it has shown a remarkable progress in economic growth as well as employment growth than India as a whole during the recent years. Employment grown at the rate of 2.60 percent in U.P. as against 0.68 percent in the country as a whole during 2005-10 as compared in 2000-05. Even the gap in the growth of GDP between UP and the country as a whole, has been reduced remarkably during 2005-10.

UP is the most populous state in India. One-sixth of the world's population lives in India and one-sixth of India's population lives in UP. As per 2011 Census, the state population is 19.67 crore and it is growing at the rate of 2 percent annually. The density of population in UP is about 800 people per square kilometer, which is way above the national average of about 380. The literacy rate is 70 percent which is below the national average of 74 percent. The sex ratio is almost at par with the national average and stands at about 900.

Economically, UP is among the most backward states of India, being characterized by the pre-dominance of the agricultural sector with heavy dependence on monsoon, high percentage of marginal and small landholdings, high population pressure, small manufacturing sector, structural deficiencies in infrastructure, glaring regional imbalances and sluggish economic growth. In terms of per capita income, U.P. is among the 'low income category' states along with Bihar, Madhya Pradesh and Odhisa.

Moreover, during the first twenty-five years of planning, growth rates in U.P. were low and lagged behind the modest growth observed at the national level. In comparison to the growth performance of India as a whole, the growth of economy was lagging behind during 1999-2000 to 2004-05, while this gap has been narrowing down after 2004-05. In Gross State Domestic Production, the share of both manufacturing and services sector was almost same at nearly 14 percent during 2004-05, but this share of manufacturing sector gone down to 13 percent while it increased to 15 percent for service sector during 2009-10. In terms of growth of GDP, UP has been showing better performance as compared to rest of the states taken together. Among different sectors, the growth rate of GDP was highest at 13.55 percent for transport, storage & communication followed by 11.19 percent for construction during the periods 2004-05 to 2011-12.

Among the 10 sample sectors, the growth in employment has been far better in computer & related activities than the other sectors. But, its share in total employment accounted very low at less than one percent point during last five years. A very remarkable growth in employment of 22.32 percent has been further visualized in construction sector. Even the positive growth rate of 4.19 percent and 1.45 percent was in manufacturing of other non-metallic mineral products and construction sector during these periods. Otherwise, in remaining manufacturing sectors, the growth in employment was negative which varied from 10.91 percent in manufacturing of chemical & chemical products to 2.80 percent in manufacturing of food products & beverages.

The regional profile revealed that the western region is relatively most developed region of the state in terms of economic prosperity. The agricultural productivity is higher in this region. The region has a more diversified economy with almost half of the industry in the state being located in this region. NOIDA and Ghaziabad districts located in this region are emerging as the industrial hub of the State. Central U.P. falls in the middle category in terms of economic development. It was industrially more developed with Kanpur as a major textile centre of northern India. However, the region has witnessed industrial decline in recent years. The other two regions, namely, eastern U.P. and Bundelkhand are most densely populated with a heavy dependence on land. It is marked by low level of diversification, low productivity and low per capita income. Most of the poor in the state are concentrated in this region.

The manufacturing units are highly concentrated in western region while their concentration is lowest in Bundelkhand region. Even, these are remarkably growing in western region followed by central region accounting for a growth rate of 37 percent and 34 percent respectively as against 9 percent in Bundelkhand region during 2000-01 to

2006-07. Similarly, the western region has been highly dominating among all the regions of the state in providing employment in its manufacturing sector. Since, over 63 percent and 66 percent of industrial employment was alone provided in this region during 2000-01 and 2006-07 respectively. However, the growth in manufacturing employment has been picking more sharply in central region than in western region.

CHAPTER II

Capital Investment, Supply of Inputs and Output

Structure of Capital Investment: The manufacturing industries especially organized industries of the state has experienced considerable growth during the last decade, as presented in the last chapter. With such experiences, the hypothesis drawn is that, the level of capital investment, inputs used in production of industrial production and output would have positively increased over the years in the state. The value of capital investment includes the gross value of fixed capital, working capital and invested capital on training, research and development of an enterprise. In this manner, the gross value of invested capital per unit in this sector was Rs. 129.24 lakh during 2010-11. However, it varied extensively across different sub-sectors of non-farm sector, accounting to the extent from Rs. 256.61 lakh in manufacturing of food products and beverages to lowest of Rs. 28.29 lakh in General Business Activities. Further, the distribution of enterprises according to their size of capital investment revealed that a remarkable proportion of nearly half the enterprises were in the capital investment group of Rs.10 to 50 lakh and only less than 1 percent enterprises confined in construction sector with the capital investment of less than Rs 1 lakh. At the same time, a larger proportion (60 percent) of construction enterprises as against 34 percent of all sectors of enterprises were confined in the highest capital investment range of above Rs.50 lakh. Also, half of the enterprises among those who were engaged in manufacturing of food products and beverages and wearing apparels, dressing and dyeing of fur had also capital investment of above Rs.50 lakh (Table 2.1).

An assessment into emerging changes in growth pattern of capital investment during the last three years, the analysis is presented in Table 2.2, indicating that there was a negative growth of 4.36 percent in invested capital in this sector due to its negative growth of 5.10 percent in manufacturing sector in general and a negative growth of 39.92 percent in manufacturing of food products and beverages in particular during 2008-09 to 2009-10. However, during the periods 2009-10 to 2010-11, the invested capital in this sector has jumped to the extent of 16.21 percent. Remarkable achievement in this regard was reflected due to a very high increase of nearly 56 percent in the capital investment in manufacturing of food products and beverages during these periods. In all, the capital investment in almost all the sectors has been consistently increasing over the years, but its pace and trends have shown significant variations for different sub-sectors of enterprises. Similarly, despite consistent increasing trends revealed in capital investment in all the sectors, its narrowing growth pattern has been reflected for computer and related activities and construction activities during 2009-10 to 2010-11 over the periods 2008-09 to 2009-10.

Table 2.1: Distribution of Enterprises by Size of Capital Investment in 2010-11

(in lakh Rs.)

Sector	Value of Capital investment					
	Less than 1Lakh	1Lakh-10Lakh	10Lakh-50Lakh	More than 50Lakh	Average per Enterprise	All units
Food products & beverages	-	10 (14.49)	22 (31.88)	35 (50.72)	256.61	69
Textiles	-	9 (12.68)	46 (64.79)	20 (28.17)	128.37	71
Wearing apparel, dressing & dying fur	-	4 (6.90)	21 (36.21)	29 (50.00)	199.04	58
Chemical & chemical products	-	15 (18.99)	39 (49.37)	25 (31.65)	172.31	79
Other non-metallic mineral products	-	15 (20.55)	32 (43.84)	29 (39.73)	149.15	73
Computer & related activities	-	17 (23.28)	49 (67.12)	8 (10.96)	38.27	73
Other business activities	-	15 (19.48)	48 (62.34)	12 (15.58)	28.29	77
All Manufacturing sector	-	85 (17.00)	257 (51.40)	158 (31.60)	132.22	500
Construction	3 (15.00)	2 (10.00)	3 (15.00)	12 (60.00)	68.06	20
Trade	-	3 (10.00)	9 (30.00)	18 (60.00)	30.00	30
All Groups	3 (0.55)	90 (16.36)	269 (48.91)	188 (34.18)	129.24	550

Source: Field Survey

Table 2.2: Structure and Growth of Capital Investment

Sector	2008-09	2009-10	2010-11	Growth	
				2008-09 To 2009-10	2009-10 To 2010-11
Food products & beverages	25089.11 (363.61)	15074.56 (218.47)	23483.33 (340.34)	-39.92	55.78
Textiles	12902.77 (181.73)	14022.74 (197.50)	15681.20 (220.86)	8.68	11.83
Wearing apparel, dressing & dyeing	22634.57 (390.25)	24284.78 (418.70)	26065.58 (449.41)	7.29	7.33
Chemical & chemical products	16325.52 (206.65)	17598.32 (222.76)	19448.58 (246.18)	7.80	10.51

Other non-metallic mineral products	11984.14 (164.67)	12542.65 (171.82)	13522.56 (185.24)	4.34	7.81
Computer & related activities	3278.28 (44.91)	3536.92 (48.45)	3810.74 (52.20)	7.88	7.74
Other business activities	3994.52 (51.88)	4244.66 (55.13)	4539.14 (58.95)	6.26	6.92
All Manufacturing	96208.91 (192.42)	91304.63 (182.60)	106551.13 (213.10)	-5.10	16.70
Construction	1849.30 (92.47)	2044.13 (102.21)	2208.63 (110.43)	10.53	8.04
Trade	4095.80 (136.53)	4347.74 (144.92)	4776.15 (159.21)	6.14	9.86
All groups	102154.01 (185.73)	97696.5 (177.63)	113535.91 (206.43)	-4.36	16.21

Note: Figures in brackets indicate per unit value of investment

Source: Field survey

Further, the structure of capital investment has been analyzed according to size of employment in enterprises in Table 2.3. The table revealed that the average size of capital investment in sample enterprises varied from Rs. 1 lakh to over Rs.50 lakh and the level of investment has been positively associated with the size of employment of the enterprises. Even, all the highest employment size of manufacturing enterprises were falling in largest investment groups of above Rs.50 lakh during all the three years starting from 2008 to 2010. However, the proportion of small enterprises in lowest investment group of Rs. 1 lakh was noted declined during 2010 as compared in 2008 and 2009 due to their shift in medium employment size group. At the same time, the proportion of small and medium sized enterprises has picked up in the next investment group of Rs 10 lakh to Rs 50 lakh in 2010 than in 2008 and 2009.

Table 2.3: Sector-wise Investment by Number of Enterprises in 2008, 2009 and 2010

Investment group	Size of enterprise	(in R.s)								
		Manufacturing			Construction			Trade (retail+wholesale)		
		2008	2009	2010	2008	2009	2010	2008	2009	2010
Less than 1Lakh	Small	-	-	-	3 (25.00)	3 (25.00)	3 (25.00)	1 (6.25)	1 (6.25)	2 (11.76)
	Medium	-	-	-	-	-	-	-	-	-
	Large	-	-	-	-	-	-	-	-	-
1Lakh-10Lakh	Small	90 (23.13)	100 (27.39)	73 (16.93)	-	-	-	-	-	-
	Medium	-	-	12 (19.35)	2 (25.00)	2 (25.00)	2 (25.00)	3 (37.50)	3 (37.50)	2 (28.57)
	Large	-	-	-	-	-	-	-	-	-

10Lakh-50Lakh	Small	236 (60.67)	194 (53.15)	252 (58.46)	2 (16.67)	2 (16.67)	2 (16.67)	5 (31.25)	5 (31.25)	5 (29.41)
	Medium	-	5 (5.15)	43 (69.35)	1 (12.50)	1 (12.50)	1 (12.50)	5 (62.50)	5 (62.50)	5 (71.43)
	Large	-	-	-	-	-	-	6 (100.0)	6 (100.00)	6 (100.00)
More than 50Lakh	Small	63 (16.20)	71 (19.45)	106 (24.59)	7 (58.33)	7 (58.33)	7 (58.33)	10 (62.50)	10 (62.50)	10 (58.82)
	Medium	53 (100.00)	92 (94.85)	7 (11.29)	5 (62.50)	5 (62.50)	5 (62.50)	-	-	-
	Large	58 (100.00)	38 (100.00)	7 (100.00)	-	-	-	-	-	-
All enterprise	Small	389 (100.00)	365 (100.00)	431 (100.00)	12 (100.00)	12 (100.00)	12 (100.00)	16 (100.0)	16 (100.00)	17 (100.00)
	Medium	53 (100.00)	97 (100.00)	62 (100.00)	8 (100.00)	8 (100.00)	8 (100.00)	8 (100.0)	8 (100.00)	7 (100.00)
	Large	58 (100.00)	38 (100.00)	7 (100.00)	-	-	-	6 (100.0)	6 (100.00)	6 (100.00)

Source: Field Survey

On the other hand, the capital investment in both the construction and trading sector of enterprises (representing mainly small and medium size class of employment) has been stagnating throughout from 2008 to 2010; as there have been many upward shifts of these enterprises from low investment group to relatively higher investment groups during the reference periods. In fact, all the large sized enterprises have been remaining in larger investment group beginning from 2008. Thus, a clear theoretical concept emerges that the investment level of an enterprise consistently and more positively associated with the increasing profit margin in the concerned enterprise. Increasing profit enables entrepreneurs to invest at least a part of it in capital formation which in turn increases the overall size of capital investment. As depicted in Table 2.3 and Table 2.8, there is a significant movement of enterprises from lower employment cadre to higher employment groups and from lower output group to relatively higher output groups.

Supply of Raw Materials: So far as the procurement pattern of raw material of manufacturing industries is concerned, the study indicated that a majority of them were procuring their required raw materials from more than one sources (Table 2.4). However, over 73 percent units reported the supply of a fairly high proportion of raw materials from the same state, while a second majority of 25 percent units were getting its supply from outside the state during 2010. The supply of raw material of remaining only 2 percent was from outside the country. However, over the years, the proportion of industries procuring raw materials from outside the state has been increasing as a result of declining proportion of industries procuring raw materials from within the state. Also, importing raw materials was started by only nearly 2 percent industries during 2010. Numbers of industries getting supply of different raw materials from outside the state were highest at 33 percent in the product group of non-metallic, followed by 28 percent each in food & beverages and textiles and lowest at 10 percent in construction sector.

Even, the proportion of almost all the product groups of industries except construction activities has been declining in procuring raw materials from outside the state and the same has been increasing for industries in procuring their raw materials from within the state. In terms of the import of raw materials, merely 2 percent units are concentrated only in the product groups of Food products & beverages, Wearing apparel, Dressing & dyeing fur, Chemical & chemical products, other non-metallic mineral products and in Computer & related activities.

Table 2.4: Procurement of Intermediate Goods/Raw Materials by Enterprises

Sectors	Outside India		From Other States in India		From Same State		All Unit
	2005	2010	2005	2010	2005	2010	
Food products & beverages	-	3 (4.35)	5 (7.25)	20 (28.99)	64 (92.75)	46 (66.67)	69 (100.00)
Textiles	-	-	11 (15.49)	20 (28.17)	60 (84.51)	51 (71.83)	71 (100.00)
Wearing apparel, dressing & dyeing fur	-	1 (1.72)	9 (15.52)	15 (25.86)	49 (84.48)	42 (72.41)	58 (100.00)
Chemical & chemical products	-	2 (2.53)	13 (16.46)	19 (24.05)	66 (83.54)	58 (73.42)	79 (100.00)
Other non-metallic mineral products	-	1 (1.37)	10 (13.70)	24 (32.88)	63 (86.30)	48 (65.75)	73 (100.00)
Computer & related activities	-	2 (2.74)	7 (9.59)	18 (24.66)	66 (90.41)	53 (72.60)	73 (100.00)
Other business activities	-	-	2 (2.60)	13 (16.88)	75 (97.40)	64 (83.12)	77 (100.00)
Construction	*	*	2 (10.00)	2 (10.00)	20 (100.00)	20 (100.00)	20 (100.00)
Trade(Wholesale +Retail)	*	*	*	*	*	*	*
All groups	-	9 (1.73)	59 (11.35)	131 (25.19)	463 (89.04)	382 (73.46)	520 (100.00)

* not using any raw material

Source: Field Survey

In terms of reasons for procurement of raw material from outside the state, as Table 2.5 revealed, the non-availability of particular brands of raw materials in adequate quantity within the country and availability of high quality and better design in adequate quantity of raw material outside the country have been the important reasons for industries importing their required raw materials from outside the country. Similarly, the reasons cited for supply of raw materials from outside the state were non-availability of required raw material within the state and its availability in low prices with better quality in adequate quantity and of relatively better designs as available within the state. In addition to this, the entrepreneurs reported that the tax load on raw materials of the state is resulting in their high prices. Whereas, the same raw materials from the other states are being purchased in lower prices, as those states have low taxes on same materials

and are offering them at much lower prices. Naturally, both the formal and informal sectors prefer to purchase raw materials from other states.

Table 2.5: Reasons for procuring raw material from other states during 2010

Sector	Reasons for procuring raw material from outside state					
	Non-availability	Low prices	High quality	Adequate quantity	Better design	All
Food products & beverages	8 (40.00)	4 (20.00)	3 (15.00)	5 (25.00)	-	20 (100.00)
Textiles	9 (45.00)	5 (25.00)	2 (10.00)	1 (5.00)	3 (15.00)	20 (100.00)
Wearing apparel, dressing & dyeing fur	6 (40.00)	4 (26.67)	2 (13.33)	2 (13.33)	1 (6.67)	15 (100.00)
Chemical & chemical products	13 (68.42)	3 (15.79)	2 (10.53)	1 (5.26)	-	19 (100.00)
Other non-metallic mineral products	14 (58.33)	5 (20.83)	1 (4.17)	2 (8.33)	2 (8.33)	24 (100.00)
Computer & related activities	13 (72.22)	2 (11.11)	3 (16.67)	-	-	18 (100.00)
Other business activities	9 (69.23)	2 (15.38)	-	2 (15.38)	-	13 (100.00)
Construction		2 (100.00)		2 (100.00)		2 (100.00)
Trade (Wholesale + Retail)	*	*	*	*	*	*
All groups	72 (54.96)	27 (20.61)	13 (9.92)	16 (12.21)	6 (4.58)	131 (100.00)

* not using any raw material

Source: Field Survey

The pattern of changes in the supply of raw materials from different sources has been analyzed for manufacturing enterprises only (Table 2.6). It indicated that there has been a significant increase in the supply of different inputs from all the sources, while only less than one percent enterprises reported any change in this regard during 2005-10. The supply of inputs together from all the sources has increased below 10 percent for a majority of over 55 percent enterprises and it has increased at 11 percent to 20 percent for a second majority of 48 percent enterprises. Another 7 percent enterprises has reported that the same has increased to the extent of over 20 percent. Among them, none of the enterprises was importing any raw materials from outside the country.

Table 2.6: Percentage Changes in Supply of Inputs by Sources

Sources of inputs supply	% Change between 2005-10					
	Decline	No change	0-10	11-20	>20	All enterprises
From outside India	-	-	4 (44.44)	5 (55.56)	-	9 (100.00)
From other states	-	3 (2.03)	72 (48.65)	60 (40.54)	16 (10.81)	148 (100.00)
From within state	-	-	200 (49.50)	177 (43.81)	27 (6.68)	404 (100.00)
All enterprises	-	3 (0.60)	276 (55.20)	242 (48.40)	43 (8.60)	500 (100.00)*

* Multiple sources of supply of raw materials

Source: Field Survey

Structure of Output: The study found that none of the sample sectors of any industry was carrying out outsourcing of production (Table 2.7). Average value of output generated in sample enterprises accounted for Rs.131 lakh during 2008-09, which increased to Rs.174.32 lakh during 2009-10 to Rs.167.53 lakh during 2010-11. This indicted a substantial increase in the overall size of output per unit in this sector with a certain level of variation in its level and pattern during the recent past. As it varied lowest from Rs. 23.87 lakh for general business activities to the highest level of Rs.585.90 lakh for non-metallic mineral products during 2008-09. Again, in years 2008-09 and 2010-11, the non-metallic mineral product remained on the top in this context, while the lowest size of output per unit was reported at 24.85 lakh for chemical & chemical products in 2009-10 and Rs.27.16 lakh, again for general business activities in 2010-11.

Table 2.7: Size and per Unit Value of Output by Sector

(Annual in lakh Rs)

Sector	2008-09			2009-10			2010-11		
	In-House	Average per unit	Total	In-House	Average per unit	Total	In-House	Average per unit	Total
Food products & beverages	4582.72	66.41	4582.72	4370.42	63.34	4370.42	3424.43	49.63	3424.43
Textiles	9675.10	136.27	9675.10	13352.71	188.06	13352.71	12917.21	181.93	12917.21
Wearing apparel, dressing & dyeing fur	3364.55	58.01	3364.55	4035.42	69.58	4035.42	4106.25	70.80	4106.25
Chemical & chemical products	2863.82	36.25	2863.82	1963.12	24.85	1963.12	3739.17	47.33	3739.17
Other non-metallic mineral products	42770.45	585.90	42770.45	60844.37	833.48	60844.37	55631.39	762.07	55631.39

Computer & related activities	4022.36	55.10	4022.36	4328.77	59.30	4328.77	4669.37	63.96	4669.37
Other business activities	1838.21	23.87	1838.21	1963.72	25.50	1963.72	2091.15	27.16	2091.15
Total Manufacturing	69117.21	138.23	69117.21	90858.53	181.72	90858.53	86578.97	173.15	86578.97
Construction	1601.39	80.07	1601.39	1679.22	83.96	1679.22	1818.95	90.95	1818.95
Trade (Whole sale+Retail)	3131.93	104.40	3131.93	3338.67	111.29	3338.67	3744.10	120.84	3744.10
All groups	72050.53	131.00	72050.53	95876.42	174.32	95876.42	92142.02	167.53	92142.02

Source: Field Survey

Distribution of sample enterprises according to their size of output, as presented in Table 2.8, revealed that, a majority of them were in the middle size category of output of Rs.10 lakh to Rs.50 lakh and a little over one-third of them was in highest size category of output value of Rs.50 lakh and above during all the three reference years. However, the important features emerging are that, over the years, the proportion of enterprises in both middle and highest size categories of output have been consistently increasing as against the decrease of enterprises in lowest size category of output. This pattern has been noted similar to the pattern of shift of enterprises from lower investment and employment groups to their relatively higher groups. It further depicted that, the number of enterprises in highest size of output value has increased from 34 percent in 2008-09 to 38 percent in 2010-11 and the increase of enterprises in the middle size of output value accounted from 48 percent to 50 percent during the same period (Table 2.8). In the bottom size of output value, the enterprises declined from 18 percent in 2008-09 to 15 percent in 2009-10 and 12 percent in 2010-11. Average value of output per unit has been estimated at Rs.167.53 lakh which varied significantly across the sectors of enterprises, accounting highest at Rs.762.07 lakh for non-metallic mineral products to lowest range of Rs.27.16 lakh for general business activities. Sector-wise classification of enterprises by the size of output revealed that a very large number of 62 percent of them were very small as far as the size of output being generated by them. Even the proportion of enterprises in such size group of output was as large as 85 percent among computer & related activities, followed by 79 percent general business activities. Another second majority of 18 percent enterprises was in the output group of Rs.50 lakh to Rs.100 lakh, while only a little over 12 percent of enterprises which were mainly in the sectors like food products & beverages and wearing apparels, dressing and dyeing of fur, was generating the output valued over Rs.200 lakh in a year (Table 2.9).

Table 2.8: Distribution of Enterprises by Value of Output

Size of Value of output (Rs.)	2010-11	2009-10	2008-09
Less than 10Lakh	64 (11.64)	80 (14.54)	97 (17.64)
10Lakh-50Lakh	276 (50.18)	269 (48.91)	264 (48.00)
More than 50Lakh	210 (38.18)	201 (36.55)	189 (34.36)
Total	550 (100.00)	550 (100.00)	550 (100.00)

Source: Field Survey

Table 2.9: Sectoral Classification of Enterprises by Size of Output Value

(Annual in lakh Rs.)

Sector	Less than 50	50-100	100-150	150-200	200 & above	All units	Average
Food products & beverages	33 (47.82)	12 (17.39)	3 (4.35)	4 (5.80)	17 (24.64)	69 (100.00)	49.63
Textiles	47 (66.20)	10 (14.08)	1 (1.41)	2 (2.82)	11 (15.49)	71 (100.00)	181.93
Wearing apparel, dressing & dyeing of fur	27 (46.55)	9 (15.52)	4 (6.90)	1 (1.72)	17 (29.31)	58 (100.00)	70.8
Chemical & chemical products	51 (64.56)	14 (17.72)	2 (2.53)	2 (2.53)	10 (12.66)	79 (100.00)	47.33
Other non-metallic mineral products	40 (54.79)	16 (21.92)	3 (4.11)	5 (6.85)	9 (12.33)	73 (100.00)	762.07
Computer & related activities	62 (84.93)	10 (13.70)	1 (1.36)	0	0	73 (100.00)	63.96
Other business activities	61 (79.22)	15 (19.48)	1 (1.30)	0	0	77 (100.00)	27.16
All Manufacturing	321 (64.20)	86 (17.20)	15 (3.00)	14 (2.80)	64 (12.80)	500 (100.00)	173.15
Construction	8 (40.00)	3 (15.00)	5 (25.00)	4 (20.00)	0	20 (100.00)	90.95
Trade(wholesale +Retail)	10 (33.33)	10 (33.33)	2 (6.67)	5 (16.67)	3 (10.00)	30 (100.00)	120.84
All Groups	339 (61.64)	99 (18.00)	22 (4.00)	23 (4.18)	67 (12.18)	550 (100.00)	167.53

Source: Field Survey

As far as the trends in the growth of value of output is concerned, it is depicted in the Table 2.10, that this sector has shown remarkable progress during 2008-09 to 2009-10, showing an increase of over 33 percent growth rate but it went down to the extent of minus 3.90 percent during 2009-10 to 2010-11. But, on the whole, the growth of output has been estimated to have increased by nearly 28 percent during the last three years. Among different sectors, the value of output has grown at the highest rate at over 42 percent for non-metallic mineral products followed by 38 percent textiles, while the same was negative at the extent of over 31 percent for chemical and chemical products, followed by 5 percent for food products & beverages during 2008-09 to 2009-10 to 2010-11. But it picked up remarkably at over 90 percent for chemical & chemical products and its trend for food products & beverages remained on declining path and further went down to nearly 22 percent during 2009-10 to 2010-11. Even, the output value of all the manufacturing activities as a whole declined from over 31 percent during 2008-09 to minus 5 percent during 2009-10. Thus, the overall assessment reflected that the sectors like chemical & chemical products, computer & related activities, construction and wholesale & retail trading activities have been showing a positive progress, while, the maximum setback has been shown by food products & beverages, followed by non-metallic & mineral products as far as the trend in growth of output was concerned. The decreasing supply of unskilled labourer as well as inadequate supply of better quality raw materials were reported as the main reasons by the entrepreneurs for decline in growth of output in food products & beverages.

Table 2.10: Trends in Growth of Output/Turnover per Unit by Sector

Sector	Growth in value of output		
	2008-09 to 2009-10	2009-10 to 2010-11-	2008-09 to 2010-11
Food products & beverages	-4.62	-21.65	-25.27
Textiles	38.01	3.26	33.51
Wearing apparel, dressing & dyeing of fur	19.94	1.75	22.05
Chemical & chemical products	-31.45	90.46	30.57
Other non-metallic mineral products	42.39	-8.57	30.07
Computer & related activities	7.62	7.86	16.08
Other business activities	6.83	6.51	13.78
Total Manufacturing	31.46	-4.72	25.26
Construction	4.86	8.33	13.59
Trade(Wholesale & Retail)	6.60	8.58	15.75
All groups	33.07	-3.90	27.89

Source: Field Survey

After deducting various costs of production from the gross value of output, the net income per enterprise, as presented in Table 2.11, has been estimated to Rs.10.97 lakh together for all the sectors of enterprises. But, the corresponding value of the net income varies significantly across the different sectors of enterprises, accounting for between

Rs. 20.26 lakh for wearing apparel, dressing and dyeing to Rs.4.19 lakh for general business activities. Surprisingly, the annual net income of an overwhelming majority of nearly 90 per prices was less than Rs.15 lakh. All the enterprises of general business, followed by nearly 99 percent of computer & related activities were in this income group. Even, over 89 percent enterprises of manufacturing sector were in the same range of income group. As against it, merely 2.18 percent enterprises confined in manufacturing sector only, were in a position to generate above Rs. 60 lakh.

Table 2.11: Sectoral Distribution of Enterprises by Size of Net Income

Sector	(Annual lakh Rs)					Average
	Less than 15	15-30	30-45	60 & above	All units	
Food products & beverages	61 (88.41)	6 (8.69)		2 (2.90)	69 (100.00)	19.90
Textiles	64 (90.14)	2 (2.82)	2 (2.82)	3 (4.23)	71 (100.00)	9.07
Wearing apparel, dressing & dyeing fur	43 (74.14)	4 (6.90)	7 (12.07)	4 (6.90)	58 (100.00)	20.26
Chemical & chemical products	72 (91.14)	5 (6.33)	1 (1.27)	1 (1.27)	79 (100.00)	14.22
Other non-metallic mineral products	58 (79.45)	11 (15.07)	2 (2.74)	2 (2.74)	73 (100.00)	10.63
Computer & related activities	72 (98.63)	1 (1.37)	-	-	73 (100.00)	3.62
Other business activities	77 (100.00)	-	-	-	77 (100.00)	4.19
All Manufacturing	447 (89.40)	29 (5.80)	12 (24.00)	12 (24.00)	500 (100.00)	11.36
Construction	18 (90.00)	2 (10.00)	-	-	20 (100.00)	7.97
Trade (wholesale +Retail)	29 (96.67)	1 (3.33)	-	-	30 (100.00)	6.50
All Groups	494 (89.82)	32 (5.82)	12 (2.18)	12 (2.18)	550 (100.00)	10.97

Source: Field Survey

Conclusions: The manufacturing industries, especially, organized industries of the state have been experiencing a remarkable growth during the last decade. With such experiences, the hypothesis was that the level of capital investment, inputs used in production of industrial production and output would have positively increased over the years in the state. The value of capital investment includes the gross value of fixed capital, working capital and invested capital on training, research and development of an enterprise. The analysis revealed that the Gross value of invested capital per unit in this sector was Rs. 129.24 lakh but it varied from Rs.256.61 lakh to Rs.28.29 lakh for different sectors.

As per the hypothesis, the invested capital in this sector has shown a positive growth with a remarkable achievement in this regard which was reflected due to a very high increase of nearly 56 percent in the capital investment in manufacturing of food products & beverages during the last five years. Capital investments per unit varied from Rs.1 lakh to over Rs.50 lakh for different sectors and it has been positively related with the size of employment of the enterprises. Enterprises in lowest investment group of Rs.1 lakh, declined during 2010 as compared in 2008 and 2009, due to their shift in medium investment group. In construction and trading sector enterprises, representing mainly small and medium size class of employment, the capital investment in both the sectors has shown a little higher growth than the other sectors.

There have been consistent upward shifts of enterprises from low investment group to relatively higher investment groups during the reference periods. In fact, all the large size of enterprises has been remaining in larger investment group beginning from 2008. Thus, the facts are clear from the point the theoretical concept, that, the investment level of an enterprise consistently and more positively associated with the increasing profit margin in the concerned enterprise. Increasing profit enables entrepreneurs to invest at least a part of it in capital formation which in turn increases the overall size of the capital investment. As depicted in Table 2.3 and Table 2.8, there is a significant movement of enterprises from lower employment cadre to higher employment groups and from lower output group to relatively higher output groups.

A high proportion of 73 percent enterprises were getting the supply of raw materials from the same state, while only 2 percent enterprises were importing raw materials from outside the country. Over the years, the proportion of industries procuring raw materials from outside the state has been increasing, resultantly declining the proportion of industries procuring raw materials from within the state. The facts were also that the proportion of enterprises obtaining raw materials from outside the state was narrowing down, while that of enterprises obtaining it from within the state has been increasing. Non-availability of required raw materials within the state and its availability in low prices with better quality in adequate quantity, and of relatively better designs as available outside the state, were the main reason for getting raw materials from outside the state. The supply of inputs together from all the sources has increased below 10 percent for a majority of over 55 percent enterprises and it has increased at 11 percent to 20 percent for a second majority of 48 percent enterprises. Another 7 percent enterprises has reported that it has increased over 20 percent.

The growth of output increased nearly 28 percent during the last three years. The sectors like chemical & chemical products, computer & related activities, construction and wholesale & retail trading activities have been showing positive progress, while maximum setback has been shown by food products & beverages followed by non-metallic and mineral products as far as the trend in the growth of output was concerned. Average value of output per enterprises accounted for at Rs.131 lakh during 2008-09 which increased to Rs.167.53 lakh during 2010-11. This indicted a substantial increase

in the overall size of output per unit in this sector with a certain level of variation in its level and pattern for different sub-sectors during the recent past. During 2008-09, over half of the enterprises were in the middle size category of output of Rs.10 lakh to Rs.50 lakh and one-third of them were in the highest size category of output value of Rs.50 lakh and above. Over the years, the proportion of enterprises in both the middle and the highest size categories of output have been consistently increasing, as against the decrease of enterprises in lowest size category of output. This pattern has been noted similar to the pattern of shift of enterprises from lower investment and employment groups to their relatively higher groups.

Thus, the overall assessment reflected that the sectors like chemical & chemical products, computer & related activities, construction and wholesale & retail trading activities have been showing positive progress while maximum setback has been shown by food products & beverages followed by non-metallic and mineral products as far as the trend in growth of output was concerned. The decreasing supply of unskilled labour as well as inadequate supply of better quality of raw materials were reported as the main reasons by the entrepreneurs for the decline in the growth of output in food products & beverages.

Annual net income per enterprise has been estimated to Rs.10.97 lakh together for all the sectors. But, it varied significantly across different sectors, accounting for Rs. 20.26 lakh for wearing apparel, dressing and dyeing of fur and Rs. 4.19 lakh for general business activities. It was less than Rs.15 lakh for 90 percent enterprises. All the enterprises of general business, followed by nearly 99 percent of computer & related activities and 89 percent enterprises of manufacturing sector were in this income group, while only 2.18 percent manufacturing enterprises was in the income group of above Rs.60 lakh.

CHAPTER III

Changes in Structure of Employment

As indicated earlier, the State of UP was initially lagging far behind the national average during 2000 to 2005, but it has shown a remarkable progress in the expansion of employment than India as a whole in almost all the economic sectors. Even employment in all the sectors together has grown at the rate of 2.60 percent in U.P. as against 0.68 percent in the country as a whole during 2005-10 as compared to that in 2000-05. Even the gap in the growth of GDP between UP and the country as a whole, has been reduced remarkably during 2005-10. Similarly, the data gathered from the different years of NSS surveys, reflected that the share of employment in sample sectors in total employment was consistently increasing over the years, indicating highest increase for the retail & wholesale trade and construction sector, rather than the manufacturing activities. However, in terms of growth in employment, the computer & related activities have been showing far better performance than the other sectors. But, its share in total employment accounted for very low at less than 1 percent points. Very remarkable growth in employment has been further visualized in the construction sector.

In continuation of these findings, the study further looked into the emerging general pattern and growth of employment, and in specific, into the different categories and types of employment in different sample sectors and size categories of enterprises. In the matters of manufacturing sectors, the perceptions of their entrepreneurs were that, the organized sector has seen an extremely slow growth due to the low market demands in most of the sectors in the state. The trend of employment, especially self-employment, has been increasing in the unorganized sector, while organized sector employment has decreased during the recent past. Although, there had been an increase in contractual and casual employment yet there is a significant reduction in working units. And this particular trend is inhibiting the industrial scenario in the state. They had the understanding that the employment in almost all the product groups of industries, especially in which, operation requires larger proportion of unskilled workers has been declining due to the decreasing supply of labour force from Bihar. The entrepreneurs of food products reported that the trend of employment generation in their product groups of industries has been declining because of overall decline in the number of functioning units due to declining requirement in labour supply, shift of units in Uttarakhand and increasing cost of inputs. All this leads to high product cost and non-competitive products in both local markets and outside state. Majority of entrepreneurs reported the growing employee turnover in most of the products/goods in different sectors.

The entrepreneurs association pointed out that the decrease in labour over the last five years had taken place because of mechanization in all the sectors, particularly in the organized large manufacturing industries, as the goods have to compete with the other quality products in the market. Besides, with rising wages of labour, it is cost-effective to mechanize processes. The tax-load on raw materials of the state is resulting in their high prices. Whereas, the same raw materials are being purchased from the other states,

as those states have low taxes on same materials and are offering them at much lower prices. Naturally, both the formal and informal sectors prefer to purchase raw materials from the other states. The trade association members pointed out that introduction of the Mahatma Gandhi National Rural Employment Guarantee Act influenced decreasing supply of labour to industrial sector.

Size of employment by Sector and Enterprise: Further, the size structure of sample enterprises has been looked into by their size of employment in Table 3.1. For this purpose, the sample enterprises are distributed in three categories as large, medium and small, according to their size of employment accounting for above 100 workers, 25 to 99 workers and below 25 workers respectively. In this manner, the study found that majority of enterprises was very small so far as the workforce employed by them was concerned. In detail, the proportion of small enterprises was 79 percent, while that of large enterprises was only nearly 7 percent and remaining 14 percent was in the category of medium enterprises. The small enterprises were largely dominated in the sector of computer & related activities, followed by general business activities, construction and trading activities. On the other hand, the proportion of medium employment size of enterprises varied highest from 26 percent in food products & beverages to lowest at 5 percent among business activities. Enterprises with larger size of employment were highest at 17 percent in the product group of wearing apparel, dressing and dyeing of fur, followed by 14 percent in manufacturing of other non-metallic mineral products.

Table 3.1: Distribution of Enterprises by their Size of Employment and Sector

Sector	Size of employment			
	Large	Medium	Small	All units
Food products & beverages	3(4.34)	18(26.09)	48(69.57)	69(100.00)
Textiles	8(11.27)	11(15.49)	52(73.24)	71(100.00)
Wearing apparel, dressing & dyeing of fur	10(17.24)	11(18.97)	37(63.79)	58(100.00)
Chemical & chemical products	5(6.33)	15(18.99)	59(74.68)	79(100.00)
Other non-metallic mineral products	10(13.70)	15(20.55)	48(65.75)	73(100.00)
Computer & related activities	-	-	73(100.00)	73(100.00)
Other business activities	-	4(5.19)	73(94.81)	77(100.00)
Construction	-	5 (25.00)	15(75.00)	20(100.00)
Retail & wholesale Trade	-	-	30(100.00)	30(100.00)
All groups	36(6.55)	79(14.36)	435(79.09)	550(100.00)

Source: Field Survey

Structure of Employment: Evidences in the past studies and NSS data have shown positive trends in the increase of employment in non-farm sector since its pace of increase has been slowed down during the recent past at the national level. At the same time, absolute decline in manufacturing sector employment has been well depicted in all-India level. But, our analysis, as presented in Table 3.2, also shows that size of employment per enterprise was 37 workers during 2008-09 and it increased to 40 workers in 2009-10 and 41 workers in 2010-11. Such stagnation in the increase of employment, during the last two years, was visualized due to decline in per-enterprise employment of ad-hoc nature for both male and female workers and increasing attraction of enterprises to employ casual and contractual labour force on the one hand and regular workers on the other.

Table 3.2: Size of Employment per Enterprise

Type of labour	2010-11			2009-10			2008-09		
	Men	women	All	Men	women	All	Men	women	All
Casual	0.47	0.06	0.53	0.39	0.04	0.43	0.35	0.03	0.38
Contractual	11.20	1.26	12.46	10.47	1.12	11.59	9.75	0.93	10.68
Regular	16.65	0.98	17.63	16.13	0.94	17.07	15.45	0.80	16.25
Ad hoc	9.82	0.63	10.45	10.51	0.72	11.22	9.31	0.57	9.88
All	38.13	2.93	41.06	37.49	2.83	40.32	34.88	2.33	37.21

Source: Field Survey

Looking into the structure of employment according to its quality component, the analysis presented in Table 3.3 reflects that the employment in non-farm sector is dominated by regular workforce but its share in total employment declined marginally from 44.03 percent during 2008-09 to 42.61 percent during 2009-10, but it picked up to 43.30 percent during 2010-11. It also depicted that, providing ad-hoc employment has been narrowing down largely on the cost extending contractual employment and, to a little extent, on the cost of providing regular employment to the labour force. However, a near stagnation type of situation was noted in the share of women in regular employment, but their share has been remarkably moving up in contractual employment during the reference periods.

Table 3.3: Employment Details by its Quality

Type of labour	2010-11			2009-10			2008-09		
	Men	Women	All	Men	Women	All	Men	Women	All
Casual	257 (88.62)	33 (12.04)	290 (100.00)	213 (90.64)	22 (9.36)	235 (100.00)	194 (92.35)	15 (7.65)	219 (100.00)
Contractual	6159 (89.90)	692 (10.10)	6851 (100.00)	5758 (90.32)	617 (9.68)	6375 (100.00)	5365 (91.33)	509 (8.67)	5874 (100.00)
Regular	9155 (94.43)	540 (5.57)	9695 (100.00)	8871 (94.47)	519 (5.53)	9390 (100.00)	8500 (95.08)	440 (4.92)	8940 (100.00)
Ad hoc	5401 (94.00)	345 (6.00)	5746 (100.00)	5779 (93.57)	397 (6.43)	6176 (100.00)	5124 (54.22)	315 (5.78)	5439 (100.00)
All	20972 (92.87)	1609 (7.13)	22582 (100.00)	20621 (92.99)	1555 (7.01)	22176 (100.00)	19183 (93.75)	1279 (6.25)	20462 (100.00)

Source: Field Survey

In terms of the structure of growth of non-farm employment, Table 3.4 shows that it has remarkably increased at 10.57 percent during 2008-09 to 2010-11, largely due to unprecedented increase in casual employment and to some extent contractual employment. At the same time, it has to be considered that the regular employment has also increased at satisfactory level of above 32 percent during the same periods. But more striking features were that, the better quality employment in the form of regular employment declined on the cost of increased casual and contractual employment during 2009-10 to 210-11 as compared to that in 2008-09 to 2009-10. However, the trend of this category employment increased at the rate of 8.44 percent during 2008-09 to 2010-11.

Table 3.4: Growth in Employment by its Quality

Type of labour	2008-09 to 2009-10			2009-10 to 2010-11			2008-09 to 2010-11		
	Men	women	All	Men	Women	All	Men	women	All
Casual	9.79	46.67	7.31	20.66	50.00	23.40	47.70	120.00	32.42
Contractual	7.33	21.22	8.53	6.96	12.16	7.47	14.80	35.95	16.63
Regular	4.36	17.95	5.03	3.20	4.05	3.25	7.70	22.73	8.44
Ad hoc	12.78	26.03	13.55	-6.54	-13.09	-6.96	5.40	9.52	5.64
All	7.50	21.58	8.38	1.70	3.47	1.83	9.33	25.80	10.57

Source: Field Survey

So far as the structural changes in the growth of non-farm employment of men and women are concerned, the study found that women employment has been increasing at more remarkable level than the men employment. But, this increasing trend of employment for both the sexes has narrowed from 7.50 percent to 1.70 percent for men and from 21.58 percent to 3.47 percent for women during 2008-09 to 2009-10 and 2009-10 to 2010-11 respectively. It is also evident that contractual and casual employment has

been increasing more sharply for women than the men. As the manufacturing enterprises in the product groups of food & beverages and textiles, especially tailoring activities, have increasingly been employing women workforce due to decreasing supply of unskilled labour force from rural areas.

It is evident from the fact that the growth of regular employment has narrowed down from 5.03 percent during 2008-09 and 2009-10 to 3.25 percent during the periods 2009-10 and 2010-11. Similarly, the growth of contractual employment and ad-hoc employment has gone down from 8.53 percent to 7.47 percent and 13.55 percent to a negative of 6.96 percent during the same periods. Unsatisfactory growth in all these three quality of employment has caused to 23.40 percent growth in casual employment during 2009-10 and 2010-11.

Sectoral changes in the share of different types of employment: Non-farm enterprises have been employing labour force on the basis of casual, contractual, regular and ad hoc. However, a majority of 44 percent labour force has been employed on regular basis. Contractual nature of employment has been noted as the second-most form of employing labour force in this sector. However, the share of regular workforce accounted for the highest at 74 percent in textile sector, followed by 51 percent in the wholesale & retail trades. The casual employment is provided largely by construction sector and wholesale & retail trading activities. In manufacturing sector as a whole, the share of regular workers in total workforce employed on regular basis accounted for as 44 percent during 2008-09, but its share declined marginally by 43 percent during 2010-11. This declining trend of regular workforce has been reflected due to its decline in sectors like food & beverages, textiles and general business activities. Otherwise, in remaining manufacturing activities, it increased at least to some extent. On the whole, the trend of employment on regular basis has been declining both in manufacturing and non-farm sector as a whole on the cost of increasing casual and contractual form of employment.

Table 3.5: Pattern of Sectoral Employment by Type of Employment

Sector	Manufac - turing	2008-09					2010-11				
		Casual	contractual	regular	Ad hoc	Total	Casual	contractual	regular	adhoc	Total
Manufac turing 1	Food & beverages	-	1204 (44.71)	1053 (39.10)	436 (16.19)	2693 (100.00)	-	1662 (54.31)	969 (31.67)	429 (14.02)	3060 (100.00)
	Textiles	-	576 (16.69)	2569 (74.44)	306 (8.87)	3451 (100.00)	14 (0.39)	605 (17.02)	2586 (72.74)	350 (9.85)	3555 (100.00)
	Wearing apparel	3 (0.22)	682 (50.82)	506 (37.70)	151 (11.25)	1342 (100.00)	4 (0.27)	705 (48.12)	557 (38.02)	199 (13.58)	1465 (100.00)
	Chemical products	7 (0.47)	691 (46.10)	543 (36.22)	258 (17.21)	1499 (100.00)	9 (0.45)	833 (41.36)	847 (42.06)	325 (16.14)	2014 (100.00)
	Non-metallic mineral	-	827 (39.40)	726 (34.59)	546 (26.01)	2099 (100.00)	-	741 (37.14)	736 (36.89)	518 (25.96)	1995 (100.00)

	products										
	Computer and related activities	-	684 (16.30)	1508 (35.94)	2004 (47.76)	4196 (100.00)	-	744 (15.70)	1890 (39.88)	2105 (44.42)	4739 (100.00)
	General business	-	952 (21.20)	1801 (40.10)	1738 (38.70)	4491 (100.00)	-	1266 (25.75)	1831 (37.24)	1820 (37.01)	4917 (100.00)
	Total manufacturing	10 (0.05)	5616 (28.41)	8706 (44.03)	5439 (27.51)	19771 (100.00)	27 (0.12)	6556 (30.15)	9416 (43.30)	5746 (26.42)	21745 (100.00)
Construction		96 (23.94)	220 (54.86)	85 (21.20)	-	401 (100.00)	133 (27.42)	253 (52.16)	99 (20.41)	-	485 (100.00)
Wholesale & retail trade		103 (35.52)	38 (13.10)	149 (51.38)	-	290 (100.00)	130 (36.93)	42 (11.93)	180 (51.13)	-	352 (100.00)
All		219 (1.07)	5874 (28.71)	8940 (43.70)	5439 (26.58)	20462 (100.00)	290 (1.28)	6851 (30.34)	9695 (42.91)	5746 (25.45)	22582 (100.00)

Source: Field Survey

Sector-wise changes in structure of employment of different sex: The study in Table 3.6 found that the men workforce has been highly dominating in the employment of all the sectors of enterprises, though this domination of men has been marginally declined during 2010-11 as compared to 2008-09. Since, the share of men workforce in employment of all sectors together has declined from 93.75 percent in 2008-09 to 92.87 percent in 2010-11 as against an increase from 6.25 percent to 7.13 percent for women workforce during the same periods. The domination of men workforce in different sectors of employment has been indicated almost at a same pattern, though it stood lowest at 89.78 percent during 2008-09 and 87.22 percent during 2010-11 in construction sector. The concentration of women workforce accounted for the highest at over 10 percent in construction, followed by 7.89 percent in computer & related activities during 2008-09, which has even shown a highest increasing trend in both the sectors further during 2010-11. In fact, the concentration of women workforce has been consequently increasing in all the sectors.

Table 3.6: Employment by Sex (2008-09 to 2010-11)

Sector	Manufacturing	2008-09			2010-11		
		Men	Women	total	Men	Women	total
Manufacturing	Food and beverages	2512 (93.28)	181 (6.72)	2693 (100.00)	2819 (92.12)	241 (7.88)	3060 (100.00)
	Textiles	3345 (96.93)	106 (3.07)	3451 (100.00)	3442 (96.82)	113 (6.18)	3555 (100.00)
	Wearing apparel	1242 (92.55)	100 (7.45)	1342 (100.00)	1341 (91.54)	124 (8.46)	1465 (100.00)
	Chemical products	1424 (95.00)	75 (5.00)	1499 (100.00)	1869 (92.80)	145 (7.20)	2014 (100.00)
	Non-metallic mineral products	1978 (94.24)	121 (5.77)	2099 (100.00)	1866 (93.35)	129 (6.65)	1995 (100.00)
	Computer related	3865 (92.11)	331 (7.89)	4196 (100.00)	4318 (91.12)	421 (8.88)	4739 (100.00)

	products						
	General business	4171 (92.87)	320 (7.13)	4491 (100.00)	4549 (92.52)	368 (7.48)	4917 (100.00)
	Total manufacturing	18537 (93.76)	1234 (6.24)	19771 (100.00)	20204 (92.91)	1541 (7.09)	21745 (100.00)
Construction		360 (89.78)	41 (10.22)	401 (100.00)	423 (87.22)	62 (12.78)	485 (100.00)
Wholesale & retail trade		286 (98.62)	4 (1.38)	290 (100.00)	346 (98.30)	6 (1.70)	352 9100.00)
All		19183 (93.75)	1279 (6.25)	20462 (100.00)	20973 (92.87)	1609 (7.13)	22582 (100.00)

Source: Field Survey

Trends in growth of different quality employment: The analysis presented in Table 3.7 depicted that over the years, all the categories of employment has been sufficiently increasing but the highest increase has been witnessed in casual employment, followed by contractual employment in all the sectors together. Even in different sectors, almost all the types of employment are on the increase. Exception was only the decline in regular employment in food & beverages, ad-hoc employment again in food & beverages and non-metallic mineral products and contractual employment in non-metallic and mineral products. The increase in casual employment has been registered at 70 percent in manufacturing sector which has even increased to the extent of cent per cent in textiles, followed by 39 percent in construction between the periods 2008-09 to 2010-11. In all, the trend in the increase of all categories of employment together has been the highest, at over 34 percent in chemical & chemical products, followed by 21 percent each in construction and wholesale & retail trade.

Table 3.7: Sector-wise Trends in Growth of Different Categories of Employment between 2008- 09 to 2010-11

Sector	Manufacturing	Trends in growth of employment between 2008-09 to 2010-11				
		Casual	contractual	regular	Ad-hoc	Total
Manufacturing	Food and beverages	-	38.04	-7.98	-1.61	13.63
	Textiles	100.00	5.03	0.66	14.38	3.01
	Wearing apparel	33.33	3.37	10.08	31.79	9.17
	Chemical products	22.22	20.55	55.98	25.97	34.36
	Non-metallic minerals	-	-10.39	1.38	-5.13	-4.95
	Computer related activities	-	8.77	25.33	5.04	12.94
	General business	-	32.98	1.67	4.72	9.49
	Total manufacturing	70.00	16.74	8.16	6.42	9.98
Construction		38.54	15.00	16.47	-	20.95
Wholesale and retail trade		26.21	10.53	20.81	-	21.38
All Enterprises		44.75	16.63	8.45	6.41	10.57

Source: Field Survey

Trends in growth of employment among different sex by sector: The data presented in Table 3.8 reflected that among different sexes, the women workforce in almost all the sectors has been remarkably increasing over the years. Even the trend in the growth of employment for women has been reported two and a half fold higher than their men counterpart between the periods 2008-09 to 2010-11. Even, the growth rate in employment of women has been reflected as large as 51 percent in construction, closely followed by 50 percent in wholesale & retail trade, while the same remained lowest at 7 percent in textiles during the same periods.

Table 3.8: Sector-wise Trends of growth of employment by Sex during 2008-09 to 2010-11

Sector	Manufacturing	Trends in Growth of Employment between 2008-09 to 2010-11		
		Men	Women	All
Manufacturing				
	Food and beverages	12.22	33.15	13.63
	Textiles	2.90	6.60	3.01
	Wearing apparel	7.97	24.00	9.17
	Chemical products	31.25	93.33	34.36
	Non-metallic mineral products	5.66	6.61	-4.95
	Computer related products	11.72	27.19	12.94
	General business	9.06	15.00	9.49
	Total manufacturing	8.99	24.88	9.98
Construction		17.50	51.22	20.95
Wholesale & retail trade		20.98	50.00	21.38
All Enterprises		9.33	25.80	10.57

Source: Field Survey

Employment in contract production: The study found that only 9 units consisting of a meager 1.64 percent enterprises were undertaking their production works on contract basis from other enterprises following different terms and conditions from the part of enterprises which were contracting out job works to our sample enterprises (Table 3.9). Such enterprises were only in product group of manufacturing textile products and non-metallic mineral products. Among them, a majority of 86 enterprises were employing less than 10 workers for undertaking contract work. Remaining only 14 percent enterprises were employing 10 to 50 workers for this purpose. It was also reflected that these enterprises were performing the concerned contract works largely through already available different categories of unskilled and skilled workers in their enterprises (Table 10).

Table 3.9: Enterprises undertaking Work on Contract by Sector

Sectors	Type of contract work			All
	International	Same state	Other state	
Food products and beverages & beverages	-	-	-	-
Textiles	-	7	-	7
Wearing apparel, dressing & dyeing fur	-	-	-	-
Chemical & chemical products	-	-	-	-
Non-metallic mineral products	1	1	-	2
Computer & related activities	-	-	-	-
Other business activities	-	-	-	-
All groups	1	8	-	9

Source: Field Survey

Table 3.10: Employment in contract production by enterprises

Type of Employment	nil	<10	10-50	50-100	>100	All
Fresh regular skilled	-	1	-	-	-	1(3.57)
Fresh regular unskilled	-	1	-	-	-	1(3.57)
Fresh non-regular skilled	-	1	-	-	-	1(3.57)
Fresh non-regular unskilled	-	1	-	-	-	1(3.57)
Existing regular skilled	-	5	-	-	-	5(17.86)
Existing regular unskilled	-	7	-	-	-	7(25.00)
Existing non-regular skilled	-	5	4	-	-	9(32.14)
Existing non-regular unskilled	-	3	-	-	-	3(10.71)
Total	-	24(85.71)	4(14.29)	-	-	28(100.00)

Source: Field Survey

Trends in employment by skill of workers: The perceptions were that the growth trends in different categories of employment would be consistently declining over the years. But, according to our sample data, such trend has been merely reflecting for different categories of skilled and un-skilled employment in the state. As, there has been not any decrease in any category of employment in any sector of enterprises during 2000-2005 while this decline was even, in less than one percent enterprises during 2005-2010. In fact, a remarkable number of enterprises reported that they have made

substantial level of increase in the case of both non-managerial skilled and non-managerial un-skilled workforce during both the periods 2000-2005 and 2005-10. However, the facts were that a very high proportion of nearly 73 percent enterprises did not carry out any change in employment of managerial and professional workforce during 2000-2005 (Table 3.11). But, the proportion of such enterprises went down to 58 percent during the next span of 2005-10.

Table 3.11: Changes in Employment trends by skill

Employment category	Large decrease		Small decrease		No change		Small increase		Large increase		Total units	
	2000-05	2005-10	2000-05	2005-10	2000-05	2005-10	2000-05	2005-10	2000-05	2005-10	2000-05	2005-10
Non-Managerial skilled labour	-	1 (0.18)	22 (4.00)	35 (6.36)	125 (22.73)	127 (23.09)	312 (56.73)	319 (58.00)	90 (16.00)	68 (12.36)	550 (100.00)	550 (100.00)
Non-managerial unskilled labour	-	4 (0.72)	15 (2.73)	30 (5.45)	217 (39.45)	97 (17.64)	252 (45.82)	209 (38.00)	66 (12.00)	160 (29.09)	550 (100.00)	550 (100.00)
Managerial/professional	-	1 (0.18)	8 (1.45)	14 (2.54)	401 (72.91)	288 (52.36)	83 (15.09)	144 (26.18)	64 (11.64)	39 (7.09)	550 (100.00)	550 (100.00)

Source: Field Survey

Because, remaining 15 percent enterprises had made small or large increase in employment of concerned categories of employment. Similar trends were further visualized in terms of increase in regular employment in different sectors during the reference periods. A very small proportion of less than 1 percent enterprises had reported about large decrease in regular employment during 2005-10. Also, a small decrease in regular employment was noted in nearly 3 percent and 6 percent enterprises during 2000-05 and 2005-10 respectively. On the other hand, the trend of regular employment in 57 percent enterprises was positive during 2000-05. Even the proportion of such enterprises increased further to 73 percent during 2005-10 as compared to that in 2000-05.

The contractual labour was being employed by 81.27 percent enterprises. Despite the fact that there was no significant decline in employment of contractual labours in any enterprise during 2000-05, it declined in less than 1 percent enterprises during 2005-10. On the other hand, the proportion of enterprises reported a small decline in such category of employment which was 3 percent during 2000-05, but this proportion of enterprises increased to 5 percent during 2005-10. Surprisingly, the proportion of enterprises reporting significant increase in contractual labour jumped from merely 13 percent in 2000-05 to nearly 42 percent in 2005-10. This indicated the facts that non-farm enterprises have been simultaneously employing both regular and contractual workforce. At the same time, the facts are also clear that due to one or the other reason,

the decreasing trend in both the categories of employment has been well visualized to a certain level in fewer enterprises during the recent past.

In terms of employment trends of women in non-farm enterprises, there was no change during 2000-05 in 42 percent enterprises and it had shown small increase in a majority of 56 percent enterprises. But, during the next span of 2005-10, the proportion of enterprises that reported to have made small and larger increase in women employment has jumped remarkably to the extent of nearly 72 percent and over 10 percent respectively.

Table 3.12: Employment Trends by Type Of Employment And Gender

Share of firms (%)	Large decrease		Small decrease		No change		Small increase		Large increase		All units	
	2000-05	2005-10	2000-05	2005-10	2000-05	2005-10	2000-05	2005-10	2000-05	2005-10	2000-05	2005-10
Regular	-	4 (0.72)	14 (2.55)	31 (5.64)	222 (40.36)	111 (20.18)	309 (56.18)	265 (48.18)	5 (0.91)	139 (25.27)	500 (100.00)	500 (100.00)
Contractual	-	3 (0.67)	13 (2.90)	23 (5.14)	136 (30.43)	61 (13.65)	240 (53.69)	173 (38.70)	58 (12.98)	187 (41.83)	447 (100.00)	447 (100.00)
Female	-	-	17 (6.75)	8 (1.48)	105 (41.66)	89 (16.42)	140 (55.56)	390 (71.96)	-	55 (10.14)	252 (100.00)	542 (100.00)

Source: Field Survey

Further, the study analyses the trend in growth of wage rates of different categories of employment in Table 3.13. The wage rate of every category of workers has been consistently increasing over the years. This is indicated by the fact that average wages per worker for all the categories together was Rs. 4004 during 2008-09, which increased to Rs. 4625 during 2009-10 and Rs 5410 during 2010-11. However, the wages of contractual workers remained highest as against the lowest wages for casual workers in all the years. The wage rate has been growing at the rate of nearly 12 percent during the last three years. However, remarkable increase in wages was noted for regular workers followed by ad-hoc and casual workers and it was least for contractual workers. In this sense, the hypothesis that increasing wages of different categories of workforce has resulted in declining overall employment, especially in case of manufacturing employment, seems to be holding a sound argument. But, at the same time, the analysis based on our field survey also presents that the lower rate of increase in wages of contractual workers followed by casual workers as compared to regular workers might have been the reason that the entrepreneurs have been increasingly appointing labour force on contractual and casual basis, rather than on regular basis.

Table 3.13: Changes in Monthly Wages per Worker

(in Rs.)

Employment Type	2008-09	2009-10	2010-11	Growth in wage rate		
	Per worker	Per worker	Per worker	2008-9 To 2009-10	2009-10 to 2010-11	2008-09 to 2010-11
Casual	3150.00	3650.00	4000.00	15.87	9.59	26.98
Contractual	4890.00	5630.00	6000.00	15.13	15.13	22.70
Regular	4000.00	4700.00	5800.00	17.50	23.40	45.00
Ad hoc	3100.00	3515.00	4105.00	13.39	16.79	32.42
All types	4004.89	4624.77	5410.17	15.58	16.98	35.09

Source: Field Survey

Another hypothesis as forwarded by many scholars is that, increasing hours of work has been the reason for declining employment, as tested and presented in Table 3.14. The analysis revealed that the average working hours per worker were 8.30 hrs during 2008-09 which increased to 9.15 hrs during 2009-10 and the same declined to 8.45 hrs during 2010-11. To begin with, during 2008-09 per day hrs of work were highest for contractual workers and lowest for ad-hoc workers, but it jumped to 12 hrs for latter categories of workers as against a lowest to 8 hrs for regular workers during 2009-10. During 2010-11, the same accounted for the highest for regular workers and lowest for contractual workers. In this sense, the arguments does not hold a strong case in the matter of a significant relationship between the increase in working hours of workers and declining employment, especially for regular workforce at least till 2009-10. However, the facts are that, the working hours of both casual and contractual workforce have consistently been increasing over the years.

Table 3.14: Per Day Average Working Hours by Type of Employment

Average Hrs	Casual	Contractual	Regular	Ad-hoc	All categories
2008-09	8.20	8.47	8.42	8.10	8.30
2009-10	8.30	8.30	8.00	12.00	9.15
2010-11	8.48	8.37	8.50	8.45	8.45

Source: Field Survey

Conclusions: The data gathered from the different years of NSS surveys reflected that the share of employment in sample sectors in total employment was consistently increasing over the years, indicating the highest increase for retail & wholesale trade and construction sector rather than manufacturing activities. However, in terms of the growth in employment, the computer & related sector has been showing far better performance than the other sectors. But, its share in total employment accounted for very low at less than 1 percent points. A very remarkable growth in employment has been further visualized in construction sector.

The perceptions of entrepreneurs were that, organized sector has seen an extremely slow growth due to the low market demands in most of the sectors in the state. The trend of employment has been increasing in the unorganized sector, while the organized sector employment has decreased during the recent past. Although, there was an increase in contractual and casual employment, but there is a significant reduction in working units. And this particular trend is inhibiting the industrial scenario in the state. They had the understanding that the employment in almost all the product groups of industries, especially in which operation requires larger proportion of unskilled workers, has been declining due to the decreasing supply of labour force from Bihar. The entrepreneurs of food products reported that the trend of employment generation in their product groups of industries has been declining because of overall decline in the number of functioning units due to the decline of required labour supply, shift of units in Uttarakhand and increasing cost of inputs leading to high product cost. Majority of entrepreneurs reported growing employee turnover in most of the products/goods in different sectors.

Distribution of sample enterprises, according to the size of employment, has been looked into by their size of employment as large, medium and small. It revealed that small enterprises were largely dominated among computer & related activities followed by general business activities, construction and trading activities. Enterprises with larger size of employment were highest at 17 percent in the product group of wearing apparel, dressing and dyeing of fur, followed by 14 percent in manufacturing of other non-metallic mineral products.

The size of employment per enterprise was 37 workers during 2008-09 and it increased to 40 workers in 2009-10 and 41 workers in 2010-11. Such a slow increase in employment during the recent years was visualized due to decline in per-enterprise regular employment of both male and female workers and increasing attraction of enterprises to employ casual and contractual labour force. Still, employment in this sector was dominated by regular workforce, though its share in total employment declined marginally over the years. Thus, regular employment has been narrowing down largely on the cost of contractual employment and casual employment. However, a near stagnation type of situation was noted in the share of women in regular employment but their share has been remarkably moving up in casual and contractual employment during the reference periods.

The annual growth rate of employment has been estimated at 3.52 percent. At the same time, unprecedented increase in casual employment, and to some extent, contractual employment has been the main contributor in the growth of overall employment. However, the trend in the growth of regular employment declined on the cost of increased casual and contractual employment. The growth of regular employment narrowed down from 5.03 percent during 2008-09 and 2009-10 to 3.25 percent during the periods 2009-10 and 2010-11. As far as the employment of women was concerned, it has been increasing at a more remarkable level than the men employment.

In the total size of employment, the share was highest for the regular workers, followed by that of the contractual workers. Casual employment was being provided largely in the construction sector and wholesale & retail trading activities. In manufacturing sector as a whole, the share of regular workers in total workforce accounted for 43 percent. But, declining trend of regular workforce has been reflected in sectors like food & beverages, textiles and general business activities. Otherwise, in remaining manufacturing activities it increased significantly. On the whole, the trend of regular employment has been declining both in manufacturing and non-farm sectors on the cost of increasing casual and contractual form of employment.

Domination of men workforce has been highly visualized in all the sectors, though the trend in their domination has been declined due the increasing share of women workforce. Proportionate share of men workforce in different sectors of employment was above 90 percent and it stood lowest at 87 percent in construction during 2010-11. The concentration of women workforce accounted for the highest of 10 percent in construction, followed by 8 percent in computer & related activities. But, their share has been consequently increasing in all the sectors.

In terms of changes in quality employment, different categories of employment were on the increase, but the highest increase was noted for casual workers followed by contractual employment. Exception was only the decline in regular employment in food & beverages; ad-hoc employment again in food & beverages and non-metallic mineral products; and contractual employment in non-metallic and mineral products. Casual employment increased at 70 percent in manufacturing sector, cent per cent in textiles and 39 percent in construction sector between the periods 2008-09 to 2010-11.

The women workforce in almost all the sectors has been remarkably increasing over the years. Even, the trend in growth of women's employment was reported two and half folds, which is higher than their men counterpart between the periods 2008-09 to 2010-11. Even, the growth rate in employment of women has been as large as 51 percent in construction, closely followed by 50 percent in the wholesale & retail trade, while it stood lowest at 7 percent in textiles during the same periods.

Over half of the enterprises made substantial level of increase in case of both non-managerial skilled and non-managerial un-skilled workforce during both 2000-2005 and 2005-10. The trend of regular employment in 57 percent enterprises was positive during 2000-05. Even the proportion of such enterprises increased further to 73 percent during 2005-10. Contractual labour was employed by 81.27 percent enterprises and there was no large decline in the enterprises employing contractual labours during 2000-05. But this proportion of enterprises increased to 5 percent during 2005-10. The proportion of enterprises, reporting large increase in contractual labour, jumped from merely 13 percent in 2000-05 to nearly 42 percent in 2005-10. In terms of women's employment, there was no change during 2000-05 in 42 percent enterprises and small increase was in 56 percent enterprises. But, during 2005-10, the proportion of enterprises with small and

larger increase in women employment has jumped to 72 percent and over 10 percent respectively.

The wage rate of every category of workers has been consistently increasing over the years. However, the wages of contractual workers remained highest as against lowest wages for casual workers in all the years. The wages has been growing at the rate of nearly 12 percent during the last three years. However, remarkable increase in wages was noted for regular workers followed by ad-hoc and casual workers and it was least for contractual workers. In this sense, the hypothesis that increasing wages of different categories of workforce has resulted in declining overall employment, especially in the case of manufacturing employment, seems to be holding a sound argument. But, at the same time, the analysis based on our field survey presents that lower level of increase in wages of contractual workers followed by casual workers, as compared to the regular workers, might have been the reason that the entrepreneurs have been increasingly appointing labour force on contractual and casual basis, rather than on regular basis.

Another hypothesis, as forwarded by many scholars, is that, increasing hours of work has been the reason for declining employment. This has been tested in the study and it was revealed that average working hours per worker were 8.30 hrs during 2008-09 which increased to 9.15 hrs during 2009-10 and the same declined to 8.45 hrs during 2010-11. To begin with, during 2008-09 per day hrs of work were highest for contractual workers and lowest for ad-hoc workers, but it jumped to 12 hrs. for latter categories of workers as against a lowest to 8 hrs for regular workers during 2009-10. During 2010-11, the same accounted for highest for regular workers and lowest for contractual workers. In this sense, the arguments do not hold a strong case in the matter of any significant relationship between increase in working hours of workers and declining employment, especially for regular workforce at least till 2009-10. However, the facts are that, the working hours of both casual and contractual workforce have consistently been increasing over the years.

CHAPTER IV

Factors effecting Sectoral Employment

The studies carried out during the recent past have forwarded various reasons to explain the observed jobless growth on one hand and stagnation in trends of overall growth of employment and absolute decline in manufacturing employment during the last decade on the other. The reasons advanced by scholars for stagnation in employment are however varied. Important reasons in this context included, but not limited to, labour market rigidity, job regulation security, use of capital intensive technologies rather than labour intensive technologies, growth of mandays worked, growth in wage rate and others. Even, the observed jobless growth has been coincided with an unprecedented increase in the rate of integration of Indian economy with the world market through trade liberation. It was also revealed during the focus group discussions held with the entrepreneurs of different manufacturing industries in UP, that the implementation of MGNREGA and increase in wages in rural areas over the years are the two major factors, which have reduced the supply of unskilled labour force to be used in manufacturing industries especially in the unorganized manufacturing sector.

However, the study based on field survey presented in Table 4.1 revealed the fact that employment of different categories and quality in non-farm enterprises are on the increase, but its pace and trend of increase have declined to a certain level over the years. There were no enterprises reporting a small decline in employment during 2000-2005, but a little number of (3 percent) enterprises reported a small decline in employment during 2005-10. On the other hand, there has been sufficient increase in the proportion of enterprises that reported to have a larger increase in different categories of employment in during 2005-10. In continuation of these findings, the study further attempts to examine the factors determining the pace of increase or decrease in size of employment in different sectors.

Further, the analysis of factors effecting change in structure of employment as presented in Table 4.2 revealed that the increase in production requiring skilled labour/un-skilled labour/professional managers, increasing mechanization, stagnation of particular sector in terms of production and increasing trends in rural-urban divide of labour force were recognized as adversely affecting the demand of labour force in different sectors.

Table 4.1: Reasons Effecting Changes in Structure of Employment

Sl.No.	Reasons	Enterprises reporting reasons for increase	Enterprises reporting reasons for decrease	All
1	Availability of such labour/manager at lower wages/salary	275(50.00)	34(6.18)	550(100.00)
2	Non availability of such labour/manager at lower wages/salary	-	201(36.55)	550(100.00)
3	Increased demand due to increase in production requiring skilled labour/un-skilled labour/professional manager	499(90.73)	-	55(100.00)
4	Decreased demand due to decrease in production requiring skilled labour/un-skilled labour/professional manager	-	310(56.64)	550(100.00)
5	Increase in training in the sector/area	247(44.91)	10(1.82)	550(100.00)
6	Lack of training in the sector/area	-	-	550(100.00)
7	Increased mechanization	20(3.63)	315(57.27)	550(100.00)
8	Decreased mechanization	302(54.91)	-	550(100.00)
9	Expansion of this sector in terms of production	165(30.00)	14(2.55)	550(100.00)
10	Contraction of this sector in terms of production	10(1.82)	101(18.36)	550(100.00)
11	Stagnation of this sector in terms of production	9(1.64)	156(28.36)	550(100.00)
12	Increased rural – urban migration	74(13.45)	201(36.55)	550(100.00)
13	Decreased rural – urban migration	310(56.36)	5(0.91)	550(100.00)
14	Outflow of labour//professionals to other states	113(20.55)	9(1.64)	550(100.00)

Source: Field Survey

Further, the analysis pertaining to the factors influencing demand structure of different categories of labour force in this sector, as presented in Table 4.2, depicted that, in totality terms, availability of required category of labour force at lower wages/salary increased the demand of labour due to increase in production, increase in sector specific training, increased mechanization and mutual competitions among enterprises have been noted as the five important determining factors, which are positively impacting the increasing trends in particular to different categories of employment in different sectors of enterprises. However, increasing market demands of goods, handled by different sectors of enterprises, has been noted as the most important factor among all the five main factors in increasing the demand for non-managerial skilled labour, followed by

managerial and professional occupations and non-managerial un-skilled labour, and contractual and non-managerial un-skilled labour. But, the increase in female employment largely seen was due to increasing availability of sector specific skills among women, followed by increasing demand of production during 2000-05. The impact of the availability of low wages on employment was noted affecting largely the demand of employment of women in 36 percent enterprises, followed by contractual labour in 26 percent enterprises and un-skilled labour in 24 percent enterprises. In this sense, the hypothesis holds true to a certain level that the increasing wages lowered down the level of employment.

Table 4.2: Top Five Reasons for increasing Employment by Type of Job (2000-05)

Type of employment	Main Reasons* (top 5 reasons)				
	Availability of labour in Low Wages/ salary	Increasing Production Demand	Increase in sector specific Training	Mutual Competition	Total enterprises
Non-marginal unskilled labour	75 (23.58)	201 (63.21)	72 (22.64)	32 (10.06)	318 (100.00)
Managerial/professional jobs	21 (14.29)	75 (51.02)	48 (32.65)	31 (21.09)	147 (100.00)
Regular employment	52 (16.56)	184 (58.60)	44 (14.01)	39 (12.42)	314 (100.00)
Contractual employment	82 (26.11)	198 (63.06)	32 (10.74)	9 (3.02)	298 (100.00)
Female employment	50 (35.71)	51 (36.43)	85 (60.71)	27 (19.29)	140 (100.00)
Non- managerial skilled labour	24 (5.97)	341 (84.83)	19 (4.73)	20 (4.98)	402 (100.00)
Cumulative index	20.37	59.53	24.91	11.81	100.00

* Multiple responses

Source: Field Survey

Almost similar types of factors were reflected in increased demand of different categories of labour with marginal differences in factor specific proportionate changes in demand of labour during 2009-10. The analysis presented in Table 4.3 depicted that excepting the case of non-managerial unskilled labours and managerial and professional occupations, the proportionate demand of remaining categories of employment, due to increasing production demand, has decreased during 2009-10 as compared to 2000-05. Despite the fact that, increasing production demand has been recognized as a most dominating factor among all the five factors effecting the demand of every categories of employment including female employment during 2005-10. The Second-most important factor for increasing employment has been reflected due to the increased sector specific training among the labour force for non-managerial un-skilled labours and non-managerial skilled labours during 2009-10. In all, increasing production demand,

followed by availability of sector specific skilled labour were noted as the important factors determining the demand of labour in this sector during both the reference periods of 2000-05 and 2005-10. In fact, over the years, both the factors were recognized as becoming stronger in determining the demand of labour. Since, the estimated cumulative index of increasing demand of labour due to increasing production demand and availability of sector specific skilled labour has increased from 59.53 percent points to 73.12 percent points and from 24.91 percent points to 26.14 percent points respectively during 2000-05 to 2005-10.

Table 4.3: Top Five Reasons for Increasing Employment by Type of Job (2005-11)

Type of employment	Main Reasons (top 5 reasons)*					Total Units
	Availability of labour in Low Wages/salary	Increasing Production Demand	Increase in sectoral Training	Increased Mechanism	Mutual Competition	
Non-managerial unskilled labour	89 (24.12)	299 (81.03)	92 (24.93)	123 (33.33)	42 (11.38)	369 (100.00)
Managerial/professional jobs	89 (48.63)	178 (97.27)	68 (37.15)	73 (39.89)	41 (22.40)	183 (100.00)
Regular employment	92 (22.77)	294 (72.77)	84 (20.79)	57 (14.11)	42 (10.40)	404 (100.00)
Contractual employment	97 (26.94)	271 (75.28)	48 (13.33)	58 (16.11)	29 (8.06)	360 (100.00)
Female employment	59 (13.25)	201 (45.17)	199 (44.72)	169 (37.97)	37 (8.31)	445 (100.00)
Non-managerial skilled labour	94 (21.71)	291 (67.21)	69 (15.94)	63 (14.55)	80 (18.48)	433 (100.00)
Cumulative index	26.24	73.12	26.14	25.99	13.17	100.00

* Multiple responses
Source: Field Survey

Sectoral Elements effecting Employment: Effects of different elements in running of enterprises on changing structure and demand of employment have been analyzed together for all the sectors in Table 4.4. The analysis in this context depicted that a remarkable proportion of over 66 percent enterprises does not find any changes either in increase or decrease in employment in their respective enterprises due to any element of sectoral changes during 2000-05. But, during 2005-10, the proportion of such enterprises declined to 63 percent. Domestic investment and import of raw materials has been noted as the two important elements by over half of the enterprises affecting the pattern of increase in employment during both 2000-05 and 2005-10. Even, the effects of both the factors on employment have been noted as increased during 2005-10 as compared to that in 2005-05. On the other hand, the existence of number of similar product groups of enterprises, capital intensity and increase in wages of labour have been reported as

crucial elements in decreasing employment. Therefore, the adverse effects in the increase of employment due to existence of competitive enterprises and increasing capital intensity of production, have been noted in a very remarkable number of (79 percent and 69 percent) enterprises respectively. Impact of increase in wages of labour had adversely affected the expansion of employment in over 66 percent enterprises. In this manner, the hypothesis tends to prove that, the increase in wages and capital intensity along with increasing product specific competitions among the similar product groups of enterprises, are the major explanatory factors which are directly and adversely affecting the trend in the increase of employment in manufacturing sector.

Table 4.4: Effects of Sectoral Changes on Employment

Elements of sectoral changes	All sectors					
	2000-05			2005-10		
	Increase	Decrease	No change	Increase	Decrease	No change
Foreign competition of the product	2 (0.36)	28 (5.09)	520 (94.54)	2 (0.36)	25 (4.55)	523 (95.09)
Domestic competition	30 (5.45)	175 (31.82)	345 (62.73)	3 (0.36)	345 (62.73)	202 (36.73)
No. of Enterprises	20 (3.64)	373 (67.82)	157 (28.54)	34 (6.18)	433 (78.73)	83 (15.09)
Capital .Intensity of production	13 (3.09)	292 (62.36)	245 (44.55)	14 (2.55)	381 (69.27)	155 (28.18)
Domestic investment I	294 (53.45)	12 (2.18)	244 (44.36)	351 (63.82)	8 (1.45)	191 (34.73)
Foreign Direct Investment	16 (2.91)	-	534 (97.09)	17 (3.09)	3 (0.55)	530 (96.36)
Global economic crises		66 (12.00)	484 (88.00)	-	70 (12.73)	480 (87.27)
Exports	8 (1.45)	-	542 (98.55)	9 (1.64)	-	541 (98.36)
Supply of raw material from other states	75 (1.36)	10 (1.82)	465 (84.55)	70 (12.73)	1 (0.18)	475 (86.36)
Import of raw material	96 (17.45)	4 (0.73)	450 (81.82)	115 (20.91)	1 (0.18)	434 (78.91)
Supply of intermediate goods from other states	57 (10.36)	1 (0.18)	492 (89.45)	59 (10.73)	-	491 (89.27)
Import of intermediate goods	80 (14.54)	1 (0.18)	469 (85.27)	86 (15.64)	-	464 (84.36)
Outsourcing production	9 (1.64)	40 (7.27)	501 (91.09)	9 (1.64)	1 (0.18)	540 (98.18)
Existence of Trade Unions/ association	5 (0.90)	96 (17.45)	349 (63.45)	-	190 (34.55)	360 (65.45)
Wages of labours	6 (1.09)	179 (32.55)	365 (66.36)	-	365 (66.36)	185 (33.63)
Salary of professional staff	6 (1.09))	179 (32.55)	365 (66.36)	1 (0.18)	199 (36.18)	350 (63.64)

Source: Field Survey

Effects of general component of sectors on the increase in different types of employment: Analysis of examining the effects of changes in the general composition of different sectors in increasing pattern of different categories of employment in Table 4.5 revealed that the pace and extent of increasing overall capital investment and domestic capital investment have been the two most important components towards impacting a positive growth in almost all the categories of employment. It was found that the increase in the size of employment in over 69 percent enterprises was the outcome of increasing capital investment in these enterprises. Similarly, the increase in domestic investment has influenced in the increase of employment in nearly 64 percent enterprises. The increase of online sales/marketing has been noted as the third-most important component in increasing the employment in the non-farm sector. Furthermore, capital investment has been largely influencing the growth of managerial and professional staff, followed by unskilled workers, while, the effects of domestic investment have been visualized in increasing opportunities for skilled workers, followed by attracting in-migration of labour force from other state and increasing rural-urban migration of labour force. The increase in online sales/marketing of produces has been positively and largely effecting the growth of skilled workforce, followed by the regular employment.

On the other hand, examining the effects of changes in general components of enterprise on decrease in type of employment, the data in Table 4.6 reveal that the increase in the number of units of enterprises and domestic competition of the products have been noted as the two important components in effecting the decreasing size of employment in this sector. Since, employment in nearly 78 percent and 63 percent enterprises has decreased due to an increase in the number of units in their sector and increasing domestic competition of their products. Adverse effects of the increase in the number of units have been largely seen in the decreasing trend of regular employment, followed by skilled labour. Similarly, domestic competition of the products has been largely affecting the decrease in employment of contractual labour followed by un-skilled labour. Initiation of MGNREGA has also been reported as a crucial factor influencing the decrease in supply of labour by over 75 percent enterprises. Its adverse effects were seen mainly in declining rural-urban migration and migration of labour force from the other states of the country. The increase of online sales/marketing of produces and existence of trade unions has also been affecting the decreasing demand of labour force in a little over one third of the enterprises.

Table 4.5: Effects of General Components of Enterprise on Increase in Employment

General components/ type of employment	Regular emp	Contractual emp	Skilled labour	Un-skilled labour	Managerial staff	Women workers	R-U migration	U-R migration	Migration from other states	All Effected units
Foreign competition of the product	0	1 (50.00)	1 (50.00)	-	2 (100.00)	-	-	-	-	2 (100.00)
Domestic competition of the product	-	1 (33.33)		2 (66.67)	3 (100.00)	-	-	-	-	3 (100.00)
Number of unit of enterprises	1 (2.94)	7 (20.59)	2 (5.88)	8 (23.53)	1 (2.94)	5 (14.71)	4 (11.76)	1 (2.94)	11 (32.35)	34 (100.00)
Capital intensity	15 (3.94)	65 (17.06)	25 (6.56)	61 (16.01)	135 (35.43)	12 (3.15)	35 (9.19)	18 (4.72)	35 (9.18)	381 (100.00)
Domestic investment	65 (18.52)	24 (6.84)	78 (22.22)	30 (8.55)	54 (15.38)	25 (7.12)	65 (18.52)	10 (2.85)	75 (21.37)	351 (100.00)
Increase of online sales/market ing	41 (19.07)	12 (5.58)	101 (46.98)	14 (6.51)	13 (6.05)	22 (10.23)	26 (12.09)	3 (1.40)	9 (4.19)	215 (100.00)
Foreign direct investment	6 (35.29)	12 (70.59)	6 (35.29)	8 (47.06)	4 (23.53)	5 (29.41)	6 (35.29)	5 (29.41)	4 (23.53)	17 (100.00)
Change in global economy	-	-	-	-	-	-	-	-	-	-
Exports	6 (66.67)	7 (77.78)	8 (88.89)	6 (66.67)	2 (22.22)	6 (66.67)	6 (66.67)	3 (33.33)	4 (44.44)	9 (100.00)
Import of intermediate goods/raw materials from other states	15 (25.42)	6 (10.17)	32 (54.24)	15 (25.42)	17 (28.81)	2 (3.39)	-	-	-	59 (100.00)
Import of intermediate raw materials from other countries	22 (25.58)	15 (17.44)	26 (30.23)	24 (27.91)	14 (16.28)	12 (13.95)	11 (12.79)	-	12 (13.95)	86 (100.00)
Mahatama Gandhi Rural Employment Guaranttee Act	114 (27.69)	310 (75.24)	86 (20.87)	395 (95.87)	-	2 (0.49)	-	112 (27.18)	-	412 (100.00)

Note: Due to multiple responses the total will not add to 100 percent

Source: Field Survey

Table 4.6: Effects of Changes in General Components of Enterprise on Decrease in Type of Employment

General components	Effect on demand of decrease of employment											
	Regular emp	Contractual emp	Skilled labour	Unskilled labour	Managerial staff	Women workers	R-U migration	U-R migration	Migration from other	Affected units	not affected units	sample units
Foreign competition of the product	2 (0.36)	19 (3.45)	-	13 (2.36)	-	2 (0.36)	1 (0.18)	1 (0.18)	1 (0.18)	25 (4.55)	425 (77.27)	550 (100.00)
Domestic competition of the product	35 (6.36)	188 (34.18)	38 (6.91)	180 (32.73)	14 (2.55)	25 (4.55)	4 (0.73)	2 (0.36)	5 (0.91)	345 (62.73)	205 (37.27)	550 (100.00)
Number of unit of enterprises	232 (42.18)	112 (20.36)	119 (21.64)	210 (38.18)	76 (13.82)	32 (5.82)	9 (1.64)	12 (2.18)	11 (2.00)	433 (78.72)	117 (21.28)	550 (100.00)
Capital intensity	11 (2.00)	6 (1.09)	12 (2.18)	5 (0.91)	5 (0.91)	7 (1.27)	6 (1.09)	1 (0.18)	2 (0.36)	14 (2.55)	536 (97.45)	550 (100.00)
Domestic investment	-	3 (0.55)	1 (0.18)	3 (0.55)	-	2 (0.36)	-	-	-	8 (1.45)	442 (80.36)	550 (100.00)
Increase of online sales/marketing	165 (30.00)	2 (0.36)	125 (22.73)	21 (3.82)	45 (8.18)	23 (4.18)	25 (4.55)	12 (2.18)	12 (2.18)	212 (38.55)	338 (61.45)	550 (100.00)
Foreign direct investment	-	2 (0.36)	-	2 (0.36)	-	-	-	-	-	3 (0.55)	447 (81.27)	550 (100.00)
Any other change in global economic condition (like crises of 2008)	15 (2.73)	25 (4.55)	45 (8.18)	34 (6.18)	15 (2.73)	10 (1.82)	32 (5.82)	5 (0.91)	29 (5.27)	70 (12.73)	480 (87.27)	550 (100.00)
Import of intermediate goods/raw materials from other states	-	-	-	1 (0.18)	-	-	1 (0.18)	-	1 (0.18)	1 (0.18)	449 (81.64)	550 (100.00)
Import of intermediate goods/raw materials from other countries	-	-	-	1 (0.18)	-	-	1 (0.18)	-	1 (0.18)	1 (0.18)	449 (81.64)	550 (100.00)

(NREGA)	-	-	-	-	-	-	401 (72.91)	142 (25.82)	396 (72.00)	414 (75.27)	136 (24.73)	550 (100.00)
Existence of trade unions	96 (17.45)	6 (1.09)	165 (30.00)	9 (1.64)	12 (2.18)	68 (12.36)	3 (0.55)	8 (1.45)	2 (0.36)	190 (34.55)	360 (65.45)	550 (100.00)
Wages of skilled/un skilled labour	55 (10.00)	12 (2.18)	58 (10.55)	22 (4.00)	-	29 (5.27)	3 (0.55)	5 (0.91)	6 (1.09)	65 (11.82)	485 (88.18)	550 (100.00)
Salary of professionals/managers	25 (4.55)	6 (1.09)	12 (2.18)	13 (2.36)	148 (26.91)	28 (5.09)	7 (1.27)	6 (1.09)	5 (0.91)	199 (36.18)	351 (63.82)	550 (100.00)

Note: Due to multiple responses the total will not add to 100 percent.

Source: Field Survey

Conclusions: Availability of required category of labour force at lower wages/salary, increased demand of labour due to increase in production, increase in sector specific training, increased mechanization and mutual competitions among enterprises have been noted as the five most important determining factors which are positively impacting the increasing trends, in particular, to different categories of employment in different sectors of enterprises. However, increasing market demands of goods handled by different sectors of enterprises has been noted as the most important factor among all the five main factors in increasing the demand of all types of labour force, especially for non-managerial skilled labour, followed by managerial and professional occupations and non-managerial un-skilled labour, followed by contractual and non-managerial un-skilled labour. But, the increase in female employment was largely due to the increasing availability of sector specific skill among women, followed by the increasing demand of production.

Except in the case of non-managerial unskilled labour, and in managerial and professional occupations, the proportionate demand of remaining categories of employment due to increasing production, demand has decreased during 2005-10 as compared to 2000-05. Increasing production has been recognized as the most dominating factor among all the five factors affecting the demand of every category of employment including the female employment during 2005-10. Second most important factor for increasing employment has been reflected due to increased mechanization for non-managerial un-skilled labours, availability of labour in low wages/salary for regular employment, managerial/professional employment, contractual labours, female employment and non-managerial skilled labours during 2009-10. In all, increasing production demand, followed by availability of sector specific skilled labour, were noted as the important factors, determining the demand of labour in this sector during both the reference periods of 2000-05 and 2005-10. In fact, over the years, both the factors were recognized as becoming stronger in determining the demand of labour.

In terms of sectoral effects in changing demand of employment, the analysis found that, access to better quality raw materials, import of intermediate materials, domestic investment and increase of overall production have been noted as the important elements positively impacting the increase in employment. Existence of similar product groups of enterprises, capital intensity and increase in wages of labour have been reported as the most crucial elements in decreasing employment.

Capital investment has been largely influencing the growth of managerial and professional staff followed by unskilled workers, while the effects of domestic investment have been in increasing employment for skilled workers, followed by attracting in-migration of labour force from the other states and increasing rural-urban migration of labour force. Increase in online sales/marketing of produces has been positively and largely impacting the growth of skilled workforce followed by regular employment.

Adverse effects of increase in the number of units have been largely seen in decreasing the trend of regular employment, followed by skilled labour. Similarly, domestic competition of the products has been largely impacting the decrease in employment of contractual labour followed by un-skilled labour. Initiation of MGNREGA has also been a crucial factor in influencing the decreasing supply of labour in over 75 percent enterprises. Its adverse effects were seen mainly in declining rural-urban migration and migration of labour force from the other states of the country. The increase of online sales/marketing of produces and existence of trade unions have also been affecting the decreasing demand of labour force in a little over one-third of the enterprises.

CHAPTER V

Effectiveness of Government Policies and Regulations in Sectoral and Employment Change

Promotional Policies of Government and other External Bodies: Incentives and subsidies for industrial development in India have generally flowed from the policy objectives of acceleration of industrial growth, promotion of small scale industry and spatial dispersal of industries besides, of course, export promotion. Accordingly, fiscal incentives like tax concessions, reliefs and rebates, and financial incentives like capital subsidy and concessional rates of interest have been allowed to new and small units and to units located in backward areas. But in the context of a policy on incentives and subsidies for industrial development in an industrially backward state like UP, the question of locational disadvantages, and therefore, incentives and subsidies to mitigate them, becomes more important. That is why, there has been a general emphasis on “attracting” industries into the state in most of the incentives.

Similarly, fiscal and financial incentives and subsidies are provided to the industries to offset their cost disadvantage that may arise due to the following reasons. One, a new industry has a high unit cost due to heavy initial investment and low unit revenue due to un-established market. Two, the size of the units may be relatively small, limiting their access to various inputs, on the one hand, and capacity to compete in the market with relatively larger sized units on the other. Three, the location of the industrial unit may be disadvantageous in terms of access and availability of inputs and proximity to the markets as well as undeveloped infrastructure.

Similar arguments could be advanced in the case of subsidization of industries located in backward areas. There is no doubt that market mechanism by itself inevitably leads to spatial concentration of industrial activity, as the entrepreneurs naturally tend to flock to the areas where they could produce at the lowest cost and/or realize the highest revenue. The considerations of industrial dispersal require intervention which could be physical, such a licensing, or then in the form of fiscal and financial incentives.

The Central and the State Government have, over a period of time, evolved various schemes of subsidies and incentives with a view to giving industrial activities some impetus and help diversification of industries in favour of the backward areas. Earlier, the Central Government had been providing Central Subsidy of 25 percent up to a maximum of Rs. 25 lakh, but it was depending upon the category of the district in terms of its industrial backwardness. Another scheme of the Central Government was the provision of providing Central Transport subsidy up to 75 percent of the cost of transportation of raw materials and finished goods from location to the nearest rail head for the units located in remote and inaccessible areas. However, both of these schemes are not in operation presently in the state. Similarly, the State Government had the provisions of providing state capital subsidy, interest free sales tax loan equal to sales tax paid up to Rs. 40 lakhs in three years, exemption from Octroi, Generator set subsidy,

state capital subsidy for export, concessions related to power and exemptions from sales tax. However, over the years most incentives and schemes are withdrawn by the State Government. Presently, only the schemes as Audhyogik Nivesh Protsahan Yojana for large units and Prime Minister Employment Guarantee Programme for Small and Medium Enterprises are operating in the state.

Financial Institutions and their Objectives: The State Government has established various institutions for managing different industrial promotional measures and schemes to promote industrial activities in the state. Some of the major State Government institutions are as follows:

(i) Directorate of Industries: This institution, established at state level, is responsible for the overall industrial development in the state. As a second tier after Directorate of Industries, the District Industries Centers have been established in each districts of the state. They have been assigned various responsibilities like promotion of different small scale industries, to apprise the entrepreneurs about the projects they can undertake and types of assistance that can be availed by them. Some of the subsidies and incentives of the State Government are made available to the industrial units through the office of the Manager, District Industries Center.

(ii) Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited (PICUP): This was established in the year 1972, with the objectives of offering administrative, financial and technical assistance to the large and medium scale industries. It has been providing assistance to new entrepreneurs in the identification of units and preparation of feasibility reports and helps to overcome the various problems facing the entrepreneurs. Right from the Project Identification to preparation of Feasibility Report from extending Term Loans to Equity Participation, PICUP has grown indeed, to be a vibrant industrial development organization. In order to bridge the gap in working capital in initial years of the large & medium scale units, State Government has formulated a scheme known as Audyogik Nivesh Protsahan Yojna in the year 2003. UP Financial Corporation (UPFC) has been nominated along with PICUP as Operating Agency for implementation of the said scheme. Till now, it has supported over 1,600 companies in generating direct capital investment and direct employment.

(iii) Uttar Pradesh Financial Corporation: Its office is located in Kanpur. Earlier UPFC has been granting loan up to Rs. 30 lakh in case of companies and Rs. 15 lakh for proprietorship and partnership companies under different schemes. Presently, it has been operating Industrial Investment Promotion Scheme known as Audhyogik Nivesh Protsahan Yojana of the State Government.

(iv) Uttar Pradesh State Industrial Development Corporation (UPSIDC): UPSIDC, the premier industrial promotion and infrastructure development undertaking of the State Government, has been the driving force behind scores of industrial ventures since 1961. Its major promotional and development activities are:

- Development of Industrial Areas equipped with the entire necessary industrial infrastructure.
- Identification and promotion of infrastructure-related and industry specific projects.
- Execution of civil construction works for government and public sector organisations on deposit basis.
- Acquisition of land on demand for large projects.
- Development of integrated Infrastructure Industrial Townships.

(v) Uttar Pradesh Small Industries Corporation (UPSIC): Its headquarters is located in Kanpur. Its important involvement in the promotion of industrial activities in the state has been in matters of arranging raw material required by the small scale industries. It also renders marketing assistance and hire-purchase facilities for the procurement of equipments.

Industrial Promotion schemes: Most of the subsidies and incentives introduced for industrial development by the State and the Central Government in the past have been withdrawn by the state. Only followings are the industrial promotion operating in the state:

(i) The Audhyogik Nivesh Protsahan Yojana: This scheme provides Interest Free Loan to the industry for capital for the initial years under Industrial Investment Promotion Scheme, 2003. UPFC grants the interest free loans to the eligible Mega units as per following limits of the new capital investment made by them:

1. Food processing or Livestock units: New capital investment
in the range of Rs.5 to 15.00 crore
2. Electronic units in any district: New capital investment
in the range of Rs. 10 to 15.00 crore
3. Purvanchal & Bundelkhand Districts: New capital investment
in the range of Rs.10 to 15.00 crore
4. Other than above, in any other sector of District: New capital investment
in the range of Rs. 25 to 30.00 crore.

The amount of interest free loan granted under this scheme shall be minimum of 5 percent and maximum of 10 percent of the Annual sales of the unit but same shall not be more than the CST and UPVAT deposited by the unit in any financial year. However, this restriction shall not be applicable to the units whose date of first sale is between 11.3.2003 to 5.11.2003. The eligible mega unit shall be granted each year the interest free loan for the total period of 10 years and in the case of Pioneer unit, the Interest free loan shall be granted for 15 years.

(ii) Stamp Duty Fee: Reduction of Stamp Duty is being provided on Mortgage of Title Deed, Transfer of movable property, mortgage of property without possession and collateral security to Rs. 2.00 per thousand. The stamp duty reduced to Rs.2.00 per thousand subject to maximum of Rs.10,000 on bank guarantee.

(iii) Exemption from Mandi Fee is being provided by the Agricultural Marketing and Export Department to the new food processing units with investment in plant and machinery of Rs.10 crore or more on the purchase of raw material for use in manufacture of agricultural produce for the periods of 5 years from its establishment.

(iv) Exemption from VAT to Manufacturer Exporter: This facility is provided on the turnover of direct sale to and direct purchase by the manufactures, exporters of raw material, processing material, consumable stores, spare parts, accessories, components, lubricants, fuel, other than petrol and diesel, and packing material for the use in manufacturing of goods by him or in packing of such goods. Manufacturers, exporters shall issue the original and duplicate copies of prescribed form duly signed by authorized signatory to the selling dealer. The selling dealer shall furnish the original copy of form to the assessing authority at the time of filling the annual return. If the manufactured goods are not exported out of India, such dealer shall be liable to pay Value Added Tax on the amount of purchase price along with the interest at the rate of 15 % per annum from the date of purchase in addition to any penalty for the misuse of the form. If manufactured goods are partially exported, the dealer shall be liable to pay VAT on the purchase in proportion of export to the total sale.

(v) Prime Minister's Employment Generation Programme: Prime Minister's Employment Generation Programme is a Central Sector Scheme, to be administered by the Ministry of Micro, Small and Medium Enterprises, (MoMSME). At the State level, the Scheme is being implemented through State Khadi & Village Industries Commission Directorates, State Khadi and Village Industries Boards and District Industries Centres and banks. The objectives of this scheme are:

(a) To generate employment opportunities in rural as well as urban areas of the country, through setting up of new self-employment ventures or projects or micro enterprises;

(b) To bring together widely dispersed traditional artisans or rural and urban unemployed youth and give them self-employment opportunities to the extent possible, at their place;

(c) To provide continuous and sustainable employment to a large segment of traditional and prospective artisans and rural and urban unemployed youth in the country, so as to help arrest migration of rural youth to urban areas;

(d) To increase the wage earning capacity of artisans and contribute to increase in the growth rate of rural and urban employment.

Followings are the eligibility criteria for this scheme:

- i. Any individual, above 18 years of age;
- ii. There will be no income ceiling for assistance for setting up projects under **Prime Minister's Employment Generation Programme (PMEGP)**.
- iii. For setting up of project costing above Rs.10 lakh in the manufacturing sector and above Rs.5 lakh in the business or service sector, the beneficiaries should possess at least VIII standard pass as their educational qualification.
- iv. Assistance under the Scheme is available only for new projects sanctioned specifically under the **Prime Minister's Employment Generation Programme (PMEGP)**.
- v. Self Help Groups, including those belonging to BPL, provided that they have not availed benefits under any other Scheme, are also eligible for assistance under PMEGP.
- vi. Institutions registered under Societies Registration Act, 1860;
- vii. Production Cooperative Societies and Charitable Trust;
- viii. Existing Units under Prime Minister Rozgar Yojana, Rural Employment Guarantee Programme or any other scheme of Government of India or State Government and the units that have already availed Government Subsidy.

Maximum Project Cost is Rs.10.00 lakh for Business/Service Sector and Rs.25.00 lakh for Industrial Sector. The margin money is also provided at the rate of 5 percent for women, SC/ST, physically handicapped, ex-service man and backward class and at the rate of 10 percent for others.

Effectiveness of the Promotional Policies in Growth of Units and Employment

Perception of entrepreneurs: Dissatisfaction level among the entrepreneurs of the enterprises of almost all the sectors has been highly apparent in the matters of different promotional measures of government and other external bodies. In case of manufacturing enterprises, a fairly large proportion of over 89 percent, closely followed by 84 percent, were dissatisfied in terms of lacking adequate facility of loan/subsidy and export subsidy/assistance from the part of Government during 2005-10.(Table 5.1). At the same time, it was also the matter that 47 percent and 43 percent enterprises in this sector were satisfied with the policies of tax holidays/concessions and promotional policies of Government for this sector during 2000-05, but their respective proportion has gone down to 18 percent and 40 percent during 2005-10. Cent percent enterprises of construction sector were dissatisfied with the lacking facility being provided by the Government in the matters of training of workers, export/subsidy/assistance and incentives on generation of employment. Similar dissatisfaction was expressed by

wholesale & retail traders against any facilities that were introduced by Government and other institutions for them. Exception was only that, 20 percent of them were satisfied with the facility of loan offered to them during 200-05 and such figure of whole sellers & retailers increased to 23 percent during 2005-10.

Table 5.1: Satisfaction with Government and other External Bodies

Loan/ subsidy for this sector	Manufacturing				Construction				Trade (retail & wholesale)			
	2000-2005		2005-2010		2000-2005		2005-2010		2000-2005		2005-2010	
	Satisfied	Dissatisfied	Satisfied	Dissatisfied	Satisfied	Dissatisfied	Satisfied	Dissatisfied	Satisfied	Dissatisfied	Satisfied	Dissatisfied
	99 (19.80)	401 (80.20)	53 (10.60)	447 (89.400)	-	20 (100.00)	5 (25.00)	15 (75.00)	6 (20.00)	24 (80.00)	7 (23.33)	23 (76.67)
Loan/ subsidy for sector closely related to this sector	102 (20.40)	398 (79.60)	79 (15.80)	421 (984.200)	-	20 (100.00)	5 (25.00)	15 (75.000)		30 (100.00)		30 (100.00)
Machinery/e quipment/ Procurement of products from other states	124 (24.80)	376 (75.20)	97 (19.40)	403 (81.600)	1 (5.00)	19 (95.00)	5 (25.000)	15 (75.00)		30 (100.00)		30 (100.00)
Training	119 (23.80)	381 (76.20)	90 (18.00)	410 (82.00)	-	20 (100.00)	-	20 (100.00)		30 (100.00)		30 (100.00)
Procurement of raw material from other countries	195 (39.00)	305 (61.00)	147 (29.40)	353 (70.60)	4 (20.00)	16 (80.00)	4 (20.00)	16 (80.00)		30 (100.00)		30 (100.00)
Export subsidy/ assistance	83 (16.60)	417 (83.400)	80 (16.00)	420 (84.00)		20 (100.00)	-	20 (100.00)		30 (100.00)		30 (100.00)
Incentive on Generation of Employment	149 (29.80)	351 (70.20)	109 (21.80)	391 (78.200)		20 (100.00)	-	20 (100.00)		30 (100.00)		30 (100.00)
Promotional policies for this sector	216 (43.20)	284 (56.80)	199 (39.80)	301 (60.20)	1 (5.00)	19 (95.00)	1 (5.00)	19 (95.00)		30 (100.00)		30 (100.00)
Tax holiday/ concessions	237 (47.40)	263 (52.60)	92 (18.40)	408	1 (5.00)	19 (95.00)	1 (5.00)	19 (95.00)		30 (100.00)		30 (100.00)

Source: Field Survey

The consequences of lacking initiatives from the part of Government and other agencies in extending any promotional measures for achieving growth in different non-farm

sectors, especially, in organized manufacturing sector, has been well recognized in terms of rather little adverse effects in the sector specific growth and growth in employment of different non-farm enterprises, as reflected in Table 5.2. At the same time, a fairly larger numbers of entrepreneurs were found dissatisfied with the lacking of various promotional policies in the state. In matters of access to different promotional policies of Government in the State, the proportion of satisfied entrepreneurs ranged highest from 36.36 percent to lowest at 11.82 percent in particular to sector specific promotional policies and the facility of loan/subsidy being extended for their sector by the financial institutions respectively. In fact, a second majority of 27 percent followed by 21 percent entrepreneurs were satisfied with the facility of procurement of raw material from other countries and the positive effects of incentives and measures of Government in generation of employment in their sector respectively. Similarly, it has been visualized that introduction of sector specific promotional policies and providing facility for procurement of raw material from other countries would be two important crucial factors for achieving increasing growth of manufacturing sector and employment in this sector. Since, a highest proportion of 40 percent and 29 percent entrepreneurs of different manufacturing enterprises reported positive effects of promotional policies and facilities available for procurement of raw materials from other countries on the sector specific growth and growth of employment in their sector as well. Introduction of the facility of subsidized loan alone would be a most important measure for growth of trading sector and its employment segment. However, in addition to the facility of subsidized loan, the facility of subsidy on purchase of machinery and measures related to increasing employment are expected would be other important measures for achieving growth of construction sector.

Table 5.2: Effectiveness of the Promotional Policies in Growth of Units and Employment

Indicators	Satisfaction Level		Positively effected the growth			Positively affected the growth of employment		
	Yes	No	Manufacturing	Construction	Trade	Manufacturing	Construction	Trade
Loan/subsidy for this sector	65 (11.82)	485 (89.18)	53 (10.06)	5 (25.00)	7 (23.33)	53 (10.60)	5 (25.00)	7 (23.33)
Loan/subsidy for sector closely related to this sector	84 (15.27)	466 (84.73)	79 (15.08)	5 (25.00)	-	79 (15.80)	5 (25.00)	-
Machinery/equipment	102 (18.55)	448 (81.45)	97 (19.40)	5 (25.00)	-	97 (19.40)	5 (25.00)	-
Training	93 (16.91)	457 (83.09)	90 (18.00)	3 (15.00)	-	90 (18.000)	3 (15.00)	-
Procurement of raw material from other countries	151 (27.45)	399 (82.55)	147 (29.40)	4 (20.00)	-	147 (29.40)	4 (20.00)	-
Export subsidy/	86 (15.64)	464 (84.36)	80 (16.00)	1 (5.00)	-	80 (16.00)	6 (30.00)	-

assistance								
Incentive for Generation of Employment	114 (20.73)	436 (79.27)	109 (21.08)	5 (25.00)	-	109 (21.08)	5 (25.00)	-
Promotional policies for this sector	200 (36.36)	350 (63.64)	199 (39.80)	1 (5.00)	-	199 (39.80)	1 (5.00)	-
Tax holiday/concessions	93 (16.91)	457 (83.09)	92 (18.40)	1 (5.00)	-	92 (18.40)	1 (5.00)	-
Simple enterprises	550 (100.00)	550 (100.00)	500 (100.00)	20 (100.00)	30 (100.00)	500 (100.00)	20 (100.00)	30 (100.00)

Source: Field Survey

Table 5.3: Status of Offering Social Security

Sectors	Manufacturing enterprises	Enterprises offering social security		
		Yes	No	All
Manufacturing enterprises	Textile	36(50.70)	35 (49.30)	71(100.00)
	Wearing apparel, dressing & dyeing of fur	50 (86.21)	8(13.79)	58(100.00)
	Food products & beverages	58(81.69)	13(18.31)	71(100.00)
	Chemical and chemicals products	55(77.46)	24(22.54)	79(100.00)
	Other Non Metallic mineral products	54(73.97)	19(26.03)	73(100.00)
	Computer and related activities	64(87.67)	9(12.33)	73(100.00)
	Other business Activity)	73(94.81)	4(5.19)	77(100.00)
	Manufacturing sector	390(78.00)	110(22.00)	500(100.00)
Construction		10(50.00)	10(50.00)	20(100.00)
Trade (retail + wholesale)		20(66.67)	10(33.33)	30(100.00)
All enterprises		420(76.36)	130(23.64)	550(100.00)

Source: Field Survey

Existence of Social Security: The status of the provisions of social security made by enterprises has been presented in Table 5.3. As per the provisions under Company and Factory Act, the units which are registered with any authority have to adopt certain social security provisions for its workforce. Considering the facts that a very high proportion of 90 percent sample enterprises were registered with District Industry Center and other Government authority, a larger number of them were providing one or the other social security provisions to their workforce. But, as per data gathered from sample enterprises, the analysis presented in Table 5.3 reflected that a little over 76 percent enterprises that too registered as large enterprises were offering different social

securities to their workers. However, the proportion of such enterprises accounted for as large as 95, which are engaged in general business, followed by 88 percent computer and related activities and lowest at 50 percent construction activities.

It is further indicated in Table 5.4 that, out of 420 enterprises who were offering one or the other kinds of social security to their workers, a highest proportion of 79 percent enterprises were providing the benefits of compensation due to accident followed by over half of them who had the provision of providing benefits of provident fund to the workers. However, only 10 percent enterprises were offering the benefits of health insurance coverage, and old age pension. But the compensation due to accident was provided by all the construction and trading activities as against 77 percent manufacturing activities. The provision of old age pension and family pension was carried out in manufacturing enterprises only, cost being borne by concerned enterprises themselves. Similarly, remaining benefits of social security were provided by both the government and the enterprises. But, the contribution of government in extending different social security benefits to labourers was limited in relatively smaller numbers of enterprises, while a large number of enterprises was itself providing various social security to their labourers. Even the government has been no way bearing the cost of social security of labourers in trading sector.

It has further revealed in Table 5.5 that nearly three-fourths of enterprises were extending various social security facilities in matters of compensation due to accidents. However, such enterprises varied highest from 93 percent to 32 percent, which were engaged in manufacturing of wearing apparel, dressing and dyeing of fur and computer and related activities respectively. A second majority of 40 percent enterprises was following the provision of provident fund for its employees. Such enterprises were as large as 81 percent, which were engaged in manufacturing of chemical and chemical products as against none among retailers and wholesalers followed by 4 percent among the enterprises of general business activities. Even, none of the construction and trading enterprises was extending the facility of family pension and old age pension for its employees. The provision of gratuity was made in one-fourth of the enterprises.

Table 5.4: Contribution of Government in Providing Social Security

Type of Benefit under social security	Manufacturing			Construction			Trade (retail +wholesale)			Total enterprises
	From government	From Company/industry	All	From government	From Company/industry	All	From government	From Company/industry	All	
Compensation due to accident	30	271	301 (77.18)	1	9	10 (100.00)	0	20	20 (100.00)	332 (79.05)
Provident fund	37	183	220 (56.41)		1	1 (10.00)	0	-	-	221 (52.32)
Maternity leave/ women care	6	57	63 (16.150)		1	1 (10.00)	0	10	10 (50.000)	74 (17.62)
Family pension	38	-	38 (9.74)		-	-	0	-	-	38 (9.05)
Health insurance	2	23	25 (6.41)		5	5 (50.00)	0	1	1 (5.00)	31 (7.38)
Old age pension	36	-	36 (9.23)		-	-	0	-	-	36 (8.57)
Life insurance	-	61	61 (15.64)		2	2 (20.00)	0	3	3 (15.00)	66 (15.71)
Gratuity benefits	-	121	121 (31.02)		1	1 (10.00)	0	14	14 (70.00)	136 (32.38)
Enterprises offering social security	149	241	390 (100.00)	-1 (100.00)	9 (100.00)	10 (100.00)	-	20 (100.00)	20 (100.00)	420 (100.00)

Note: Due to multiple responses the total will not add to 100 percent.

Source: Field Survey

Table 5.5: Type of Social Security Provisions Adopted by Enterprises

Sector	Compensation due to accident	Provident fund	Maternity leave/ women care	Family pension	Health insurance	Old age pension	Life insurance	Gratuity benefits	All Unit
Food products and beverages	51 (73.91)	26 (37.68)	10 (14.49)	5 (7.24)	6 (8.70)	6 (8.70)	8 (11.59)	17 (24.64)	69 (100.00)
Textiles	53 (74.65)	45 (63.38)	14 (19.72)	6 (8.45)	3 (4.23)	6 (8.45)	12 (16.90)	15 (21.13)	71 (100.00)
Wearing apparel, dressing & dyeing fur	54 (93.10)	39 (67.24)	11 (18.97)	13 (22.41)	5 (8.62)	5 (8.62)	14 (24.14)	23 (39.66)	58 (100.00)
Chemical & chemical products	59 (74.68)	64 (81.01)	12 (15.19)	7 (8.86)	3 (3.80)	10 (12.66)	7 (8.86)	13 (16.46)	79 (100.00)
Other non-metallic mineral	42 (57.53)	38 (52.05)	9 (12.33)	4 (5.48)	2 (2.74)	5 (6.85)	2 (2.74)	22 (30.14)	73 (100.00)
Computer & related	23 (31.51)	5 (6.85)	2 (2.74)	0	2 (2.74)	3 (4.11)	10 (13.70)	10 (13.70)	73 (100.00)

activities									
Other business activities	19 (24.68)	3 (3.90)	5 (6.49)	3 (3.90)	4 (5.19)	1 (1.30)	8 (10.38)	21 (27.27)	77 (100.00)
Total Manufacturing	301 (60.20)	220 (44.00)	63 (12.60)	38 (7.60)	25 (5.00)	36 (7.20)	61 (12.20)	121 (24.20)	500 (100.00)
Construction	11 (55.00)	1 (5.00)	1 (5.00)	-	5 (25.00)	-	2 (10.00)	1 (5.00)	20 (100.00)
Trade	20 (66.67)	-	10 (33.33)	-	1 (3.33)	-	3 (10.00)	14 (46.67)	30 (100.00)
All groups	332 (60.36)	221 (40.18)	74 (13.45)	38 (6.91)	31 (5.64)	36 (6.55)	66 (12.00)	136 (24.73)	550 (100.00)

Source: Field Survey

Existence of trade unions: The existence of trade union was in a little over three-fourths proportion of sample enterprises (Table 5.6). However, its presence varied significantly among different sector of enterprises. As the proportion of enterprises having active trade union was accounted for the highest at over 83 percent, which are confined in general business activities to lowest at 17 percent among retail & wholesale trading activities. On the other hand, no presence of trade unions was found in construction sector.

Table 5.6: Presence of Trade Unions

Sector	Manufacturing enterprises	Firms having active trade union in their sector/industry		
		Yes	No	All
Manufacturing enterprises	Textile	50(70.42)	21(29.58)	71(100.00)
	Wearing apparel	36(62.07)	22(37.93)	58(100.00)
	Food	48 (69.57)	21(30.43)	69(100.00)
	Chemicals	54(68.35)	25(31.65)	79(100.00)
	Non Metallic	54(73.97)	19(26.03)	73(100.00)
	Computer activities	46(63.01)	27(36.99)	73(100.00)
	General business	64(83.17)	13(16.83)	77(100.00)
	All manufacturing enterprises	352(70.40)	148(29.60)	500(100.00)
Construction		-	20(100.00)	20(100.00)
Trade (retail + wholesale)		5 (16.67)	25(83.66)	30(100.00)
All enterprises		357(64.91)	193(35.09)	550(100.00)

Source: Field Survey

Effectiveness of labour unions/associations on the condition of employment: The effects of the presence of labour unions has been largely observed in the matters of increasing wages of labour in both manufacturing and construction sector. At the same time, a majority of 44 percent and 42 percent manufacturing enterprises reported that it helps in increasing overall employment growth (Table 5.7). On the other hand, the perceptions of a high proportion of over 63 percent and 60 percent wholesale & retail trading enterprises were that the presence of labour unions has been demanding increase

in skilled labour and resulting overall growth of employment in this sector respectively. Negative effects of the presence of labour unions has been marginal in true sense, as its effects reach to the extent of 22 percent manufacturing sector of enterprises in matters of decreasing demand of unskilled labour and 10 percent trading sector enterprises in matters of decreasing demand of skilled labour. In the case of construction sector, the effect of trade unions has been visualized only in increasing participation of labour force in work and employment rate in the concerned sector.

Table 5.7: Effects of Labour Unions/Associations on Condition of Employment

Condition of employment	Manufacturing		Construction		Trade (retail + wholesale)	
	Increased	Decreased	Increased	Decreased	Increased	Decreased
Demand for skilled labour	194(38.80)	78 (15.60)	-	-	19(63.33)	3 (10.00)
Demand for un-skilled labour	142(28.40)	112 (22.40)	-	-	16(53.33)	1(3.33)
Wages	329(65.80)	4 (0.80)	-	-	20(66.67)	-
Implementation of basic social benefits	123(24.60)	24 (4.80)	-	-	4(13.33)	2(6.67)
Labour productivity	159(31.80)	56(11.20)	-	-	11(36.67)	-
Employment growth	211(42.20)	39 (7.80)	-	-	18(60.00)	-
Sector's growth as a whole	221(44.20)	17 (3.40)	-	-	17(56.67)	-
Participation of Labour in work	-	-	8(40.00)	-	-	-
Employment Rate in particular sector	-	-	8(40.00)	-	-	-
Sample enterprises	500(100.00)	500(100.00)	20(100.00)	2-	30(100.00)	30(100.00)

Source: Field Survey

Effectiveness of Laws and Regulations on the condition of employment: The study further examine at the extent to which different laws and regulations enacted by the government in the past have been affecting the demand condition of different categories of employment, as presented in Table 5.8. In terms of regular employment, an overwhelming majority of 99.64 percent enterprises reported that they did not experience any change in the demand conditions of regular employment. However, to some extent, the labour laws, minimum Wages Acts and MGNREGA have been some of the most tangible factors, which have been adversely affecting the demand of regular employment in different sub-sectors of non-farm sector. For instance, the effect of Labour Laws and Wages Act has slightly decreased the demand of regular employment in nearly one-fourth of the enterprises and the effects in the same matter due to MGNREGA were revealed in another 22 percent enterprises. On the other hand, the Social Protection Act has been indicated as a most important factor positively affecting the increasing demand of regular employment.

Table 5.8: Effects of Laws and Regulations on Condition of Regular Employment

Factors	Effects on demand for regular employment					
	Sharp decrease	Slightly decreased	No effect	Slightly increased	Sharply increased	All units
Labour Laws	3 (0.55)	129 (23.45)	360 (65.45)	8 (1.46)	-	550 (100.00)
Safety Laws	1 (0.18)	20 (3.64)	499 (90.73)	30 (5.45)	-	550 (100.00)
Environmental Measures	-	5 (0.91)	541 (98.36)	4 (0.73)	-	550 (100.00)
Social Protection Acts	1 (0.18)	41 (7.46)	346 (62.91)	161 (29.27)	1 (0.18)	550 (100.00)
Wages Act	4 (0.73)	127 (23.09)	385 (70.00)	29 (5.27)	5 (0.91)	550 (100.00)
Taxation Policy	1 (0.18)	29 (5.27)	485 (88.18)	31 (5.64)	4 (0.73)	550 (100.00)
Custom Duties	-	1 (0.18)	546 (99.27)	3 (0.55)	-	550 (100.00)
Financial Regulations	-	5 (0.91)	540 (98.18)	4 (0.73)	1 (0.18)	550 (100.00)
MGNREGA	7 (1.27)	19 (3.45)	376 (68.36)	143 (26.00)	5 (0.91)	550 (100.00)
Land acquisition policy	-	-	533 (96.91)	13 (2.36)	4(0.73)	550 (100.00)
Trade Regulations	-	-	545 (99.09)	5 (0.91)	-	550 (100.00)
Export/import restrictions	-	-	548 (99.64)	2 (0.36)	-	550 (100.00)

Source: Field Survey

The data presented in Table 5.9 further revealed that the labour laws and the implementation of MGNREGA in rural areas have been quite instrumental in increasing the demand contractual labour. Implementation of MGNREGA has resulted in increasing the demand of contractual labour in 26 percent enterprises. Also, the existing labour laws and certain financial regulation have positively and slightly affected the demand of this category of labour in over 31 percent and 20 percent enterprises respectively. Furthermore, the introduction of various Wage Acts and Labour Laws and Regulations has been instrumental in sharply increasing the demand of contractual labour in other 10 percent and 7 percent enterprises respectively. Thus, the overall analysis reflected the facts that initiation of MGNREGA has caused the decreasing supply of unskilled labour which resulted in increasing demand of contractual labour in non-farm sector. At the same time, introduction of Wage Acts, Financial Regulations and enforcement of various social security provisions have consequently resulted in the demand of this category of labour, rather than regular labour in a sizeable number of enterprises. In all, it was noticed that, the factors such as labour laws followed by

WAGE Act and MGNREGA have been mainly determining the demand conditions of employment of contractual labour in the state.

Effects of various laws and regulations on labour productivity have been examined in Table 5.10. The labour productivity in this sector is also seen to be determined mainly by financial regulations followed by Wage Act and taxation policies. Since, the productivity of a highest proportion of 56 percent followed by 39 percent enterprises was affected by financial regulations and Wage Act respectively. In other words, the labour productivity slightly decreased in highest proportion of 37 percent enterprises due to financial regulations and due to Wages Act in 24 percent enterprises. Similarly, the adverse effects of Labour Laws and taxation policy in labour productivity were reported in 22 percent and 21 percent enterprises. A very negligible number of enterprises have reported any positive effects of different factors on the increase of labour productivity. Exception was that the Social Protection Act has positively affected in the increase of labour productivity in nearly 13 percent enterprises. Even, the Wage Act has also been a second-most factor in enhancing labour productivity.

Table 5.9: Effects of Various Laws and Regulations on Demand for Contractual Labour

Factors	Effects on demand of contractual labour					
	Sharp decrease	Slightly decreased	No effect	Slightly increased	Sharply increased	All units
Labour Laws	10 (1.83)	45 (8.18)	281 (51.09)	173 (31.45)	41 (7.45)	550 (100.00)
Safety Laws	4 (0.73)	8 (1.45)	478 (86.91)	56 (10.18)	4 (0.73)	550 (100.00)
Environmental Measures	1 (0.18)	1 (0.18)	540 (98.18)	6 (1.09)	2 (0.36)	550 (100.00)
Social Protection Acts	3 (0.55)	8 (1.45)	427 (77.64)	101 (18.36)	11 (2.00)	550 (100.00)
Wages Act	5 (0.91)	36 (6.55)	348 (63.27)	105 (19.09)	56 (10.18)	550 (100.00)
Taxation Policy	6 (1.09)	13 (2.36)	507 (92.18)	21 (3.82)	3 (0.55)	550 (100.00)
Custom Duties	-	-	544 (98.91)	6 (1.09)	-	550 (100.00)
Financial Regulations	-	3 (0.55)	436 (79.27)	111 (20.18)	-	550 (100.00)

NREGA	4 (0.73)	13 (2.36)	373 (67.82)	147 (26.73)	13 (2.36)	550 (100.00)
Land acquisition policy	-	-	542 (98.55)	8 (1.45)	-	550 (100.00)
Trade Regulations	-	-	548 (99.64)	2 (0.36)	-	550 (100.00)
Export/import restrictions	-	-	-	-	-	-

Source: Field Survey

Table 5.10: Effects of Various Laws and Regulations on Labour Productivity

Factors	Effects on labour productivity					
	Sharp decrease	Slightly decreased	No effect	Slightly increased	Sharply increased	All units
Labour Laws	35 (6.36)	123 (22.36)	355 (64.55)	37 (6.72)		550 (100.00)
Safety Laws	20 (3.64)	32 (5.81)	478 (86.91)	20 (3.64)	-	550 (100.00)
Environmental Measures	-	-	541 (98.36)	9 (1.64)	-	550 (100.00)
Social Protection Acts	4 (0.73)	7 (1.27)	464 (84.36)	75 (13.64)	-	550 (100.00)
Wages Act	11 (2.00)	130 (23.64)	338 (61.45)	66 (12.00)	5 (0.91)	550 (100.00)
Taxation Policy	3 (0.55)	115 (20.91)	413 (75.09)	19 (3.45)	-	550 (100.00)
Custom Duties	-	4 (0.73)	543 (98.73)	2 (0.36)	1 (0.18)	550 (100.00)
Financial Regulations	4 (0.73)	201 (36.55)	242 (44.00)	3 (0.55)	-	550 (100.00)
NREGA	43 (7.82)	58 (10.54)	423 (76.91)	26 (4.73)	-	550 (100.00)
Land acquisition policy	2 (0.36)	3 (0.55)	540 (98.18)	4 (0.73)	1 (0.18)	550 (100.00)
Trade Regulations	2 (0.36)	3 (0.55)	540 (98.18)	4 (0.73)	1 (0.18)	550 (100.00)
Export/import restrictions	-	-	548 (99.64)	2 (0.36)	-	550 (100.00)

Source: Field Survey

It is further revealed that the overall sectoral growth of this sector was seen largely influenced by the factors such as, labour laws followed by Wages Act, MGNREGA and taxation policies of the State Government. It has been reflected in Table 5.11 that the

labour laws and Wages Act have effected the sectoral growth of 44 percent and 26 percent enterprises respectively, while, the effects of MGNREGA and taxation policies on same matters was revealed in case of 25 percent and nearly half of the enterprises respectively. Social Protection Act and Safety Laws were the two most important determinants which were positively impacting the overall growth of 21 percent and 16 percent enterprises. Even, the Wages Act and safety laws have caused a sharp increase in overall growth of 2.36 percent and 1.45 percent enterprises respectively. Thus, the overall exercise in this context indicated that labour laws, Taxation Policies, Wages Act and MGNREGA have been an important determinant in declining overall growth of non-farm enterprises. As against it, the introduction of safety laws and Social Protection Acts has been positively impacting the growth of this sector to a certain level.

Table 5.11: Effects of Various Laws and Regulations on Overall Sector's Growth

Factors	Effect					
	Sharp decreased	Slightly decreased	No effect	Slightly increased	Sharply increased	All units
Labour Laws	7 (1.27)	236 (42.91)	297 (54.00)	10 (1.82)		550 (100.00)
Safety Laws	3 (0.55)	7 (1.27)	454 (82.55)	80 (14.55)	6 (1.09)	550 (100.00)
Environmental Measures	3 (0.55)	9 (1.63)	517 (94.00)	21 (3.82)	-	550 (100.00)
Social Protection Acts	2 (0.36)	8 (1.45)	422 (76.74)	110 (20.00)	8 (1.45)	550 (100.00)
Wages Act	5 (0.91)	138 (25.09)	367 (66.73)	27 (4.91)	13 (2.36)	550 (100.00)
Taxation Policy	4 (0.73)	133 (48.36)	413 (75.09)	-	-	550 (100.00)
Custom Duties	-	14 (2.54)	528 (96.00)	4 (0.73)	4 (0.73)	550 (100.00)
Financial Regulations	-	102 (18.55)	440 (80.00)	8 (1.45)	-	550 (100.00)
NREGA	9 (1.64)	130 (23.64)	396 (72.00)	7 (1.27)	8 (1.45)	550 (100.00)
Land acquisition policy	-	8 (1.45)	511 (92.91)	27 (4.91)	4 (0.73)	550 (100.00)
Trade Regulations	-	5 (0.91)	529 (96.18)	14 (2.55)	2 (0.36)	550 (100.00)
Export/import restrictions	-	2 (0.36)	532 (96.73)	14 (2.55)	2 (0.36)	550 (100.00)

Source: Field Survey

In terms of effects of various laws and regulations on out-migration of labour, the analysis referred in Table 5.12 shows very negligible effects of different factors in out-migration of labour. Exception was only that, the introduction of MGNREGA has caused the increasing out-migration of labour force from over 27 percent enterprises. Otherwise, the proportion of enterprises reported to have effected out-migration of

labour force due to several factors varied from 0.08 percent due to export/import restrictions to 7 percent due to each labour laws, safety laws and Wages Acts.

Table 5.12: Effects of Various Laws and Regulations on Out-migration of Labour

Factors	Effects on out-migration of labour					
	Sharp decrease	Slightly decreased	No effect	Slightly increased	Sharply increased	All units
Labour Laws	-	10 (1.82)	513 (93.27)	25 (4.55)	2 (0.36)	550 (100.00)
Safety Laws	-	9 (1.64)	516 (93.81)	25 (4.55)	-	550 (100.00)
Environmental Measures	-	1 (0.18)	547 (99.46)	2 (0.36)	-	550 (100.00)
Social Protection Acts	-	4 (0.73)	540 (98.18)	6 (1.09)	-	550 (100.00)
Wages Act	1 (0.18)	35 (6.36)	510 (92.73)	3 (0.55)	1 (0.18)	550 (100.00)
Taxation Policy	-	2 (0.36)	541 (98.37)	7 (1.27)	-	550 (100.00)
Custom Duties	-	-	548 (99.64)	2 (0.36)	-	550 (100.00)
Financial Regulations	-	-	547 (99.45)	3 (0.55)	-	550 (100.00)
NREGA	1 (0.18)	6 (1.09)	393 (71.45)	149 (27.09)	1 (0.18)	550 (100.00)
Land acquisition policy	-	2 (0.36)	547 (99.46)	1 (0.18)	-	550 (100.00)
Trade Regulations	-	2 (0.36)	548 (99.64)	-	-	550 (100.00)
Export/import restrictions	-	-	549 (99.82)	1 (0.18)	-	550 (100.00)

Source: Field Survey

As far as the effectiveness of different laws and regulations on the condition of in-migration of labour was concerned, the analysis presented in Table 5.12 revealed that MGNREGA and Social Protection Acts have been largely attributing the concerned condition. Very negligible effects of different factors were visualized in out-migration of labour. Exception was only that the introduction of MGNREGA has effected the increasing out-migration of labour force in over 27 percent enterprises. Otherwise, the effect on increase of out-migration of labour has been varying to the extent of 0.08

percent enterprises due to export/import restrictions to 7 percent of enterprises due to each labour law, safety laws and wages Acts. The former factor was seen in declining in-migration, while the latter factor was determining the increasing trend of in-migration of labour force from different origins. A remarkable number of 21 percent and 19 percent enterprises reported that implementation of MGNREGA has resulted in sharp decrease and slightly decrease of in-migration of labour force respectively. On the other hand, the Social Protection Act has attracted the trend of in-migration of labour force in a little over 19 percent enterprises. Safety laws and Wages Acts were noted as the second-most important factors in attracting in-migration of labour force from different locations.

Table 5.13: Effects of Various Laws and Regulations on Condition of In-migration of Labour

Factors	Effect					
	Sharp decrease	Slightly decreased	No effect	Slightly increased	Sharply increased	All units
Labour Laws	-	7 (1.27)	527 (95.82)	14 (2.55)	2 (0.36)	550 (100.00)
Safety Laws	-	7 (1.27)	504 (91.64)	39 (7.09)	-	550 (100.00)
Environmental Measures	-	-	549 (99.82)	1 (0.18)	-	550 (100.00)
Social Protection Acts	-	1 (0.18)	442 (80.36)	105 (19.09)	2 (0.36)	550 (100.00)
Wages Act	-	2 (0.36)	509 (92.54)	38 (6.91)	1 (0.18)	550 (100.00)
Taxation Policy	-	-	546 (99.27)	4 (0.73)	-	550 (100.00)
Custom Duties	-	-	550 (100.00)	-	-	550 (100.00)
Financial Regulations	-	-	549 (99.82)	1 (0.18)	-	550 (100.00)
NREGA	115 (20.91)	104 (18.91)	326 (59.27)	5 (4.55)	-	550 (100.00)
Land acquisition policy	-	-	550 (100.00)	-	-	550 (100.00)
Trade Regulations	-	2 (0.36)	548 (99.64)	-	-	550 (100.00)
Export/import restrictions	-	-	550 (100.00)	-	-	550 (100.00)
Any other (please specify)	-	-	550 (100.00)	-	-	550 (100.00)

Source: Field Survey

Table 5.14: Effects of Various Laws and Regulations on Condition of Wages

Factors	Effect					
	Sharp decrease	Slightly decreased	No effect	Slightly increased	Sharply increased	All units
Labour Laws	1 (0.18)	-	280 (50.91)	168 (30.55)	101 (18.36)	550 (100.00)
Safety Laws	-	-	427 (77.63)	58 (10.55)	65 (11.82)	550 (100.00)
Environmental Measures	-	-	532 (96.73)	12 (9.18)	6 (1.09)	550 (100.00)
Social Protection Acts	-	-	476 (86.55)	46 (8.36)	28 (4.09)	550 (100.00)
Wages Act			346 (62.91)	68 (12.36)	136 (24.73)	550 (100.00)
Taxation Policy	1 (0.18)	-	456 (82.91)	76 (13.82)	17 (3.09)	550 (100.00)
Custom Duties	-	-	537 (97.64)	11 (2.00)	2 (0.36)	550 (100.00)
Financial Regulations	-	-	539 (98.00)	6 (1.09)	5 (0.91)	550 (100.00)
NREGA	-	4 (0.73)	359 (65.27)	73 (13.27)	114 (20.73)	550 (100.00)
Land acquisition policy	-	-	533 (96.91)	13 (2.36)	4 (0.73)	550 (100.00)
Trade Regulations	-	-	539 (98.00)	8 (1.45)	3 (0.55)	550 (100.00)
Export/import restrictions	-	-	548 (99.64)	2 (0.36)	-	550 (100.00)
Any other (please specify)	-	-	-	550 (100.00)	-	550 (100.00)

Source: Field Survey

The analysis on the effects of different laws and regulations on the condition of increase and decrease wage rates was seen largely determined by labour laws, followed by Wage Acts, MGNREGA and safety laws. The data presented in Table 5.14 indicated that all these factors were found influencing the increase of wage rates in non-farm enterprises. Effectiveness of labour laws has been found in increasing wage rates in 49 percent

enterprises. Even, the concerned factor has been instrumental in a sharp increase of wage rates in over 18 percent enterprises. Implication of MGNREGA has been earlier indicted in declining supply of labour force from rural areas. Further, its effect has been reported in an increase of wages in 34 percent enterprises. The Wages Act has been instrumental for a sharp increase of wages in 25 percent enterprises and slight increase of wages in 12 percent enterprises. Even, the effectiveness of safety laws has increased wages sharply in 12 percent enterprises and slightly in 11 percent enterprises. The factor such as Wages Act has increased the trends of wages in 37 percent enterprises.

Conclusion: Initially, the State as well as the Central Government was quite serious in the promotion of industrial activities in the State through offering various financial incentives and subsidies, starting from the initiation of establishment of units to its operation periods, especially before 2006. The incentives were included as subsidy on the use of different physical infrastructure, mainly power and transportation of goods and materials, vocational advantages, capital investment, Research & Development etc. However, most of the schemes have been withdrawn so far, except Audhyogik Nivesh Protsahan Yojana: (ANPY), which was introduced for the large units during 2003 and Prime Minister's Employment Generation Programme for Small and Medium Enterprises and exemption from stamp duty, mandi tax and VAT for exporters for certain conditions.

As a result, over 89 percent enterprises did not avail any financial subsidy or incentives facility and were dissatisfied with lacking industrial promotional schemes, such as loan/subsidy and export subsidy/assistance from the part of Government. Despite this, 18 percent and 40 percent units were satisfied with the policies of tax holidays/concessions and promotional policies of Government respectively. Cent percent enterprises of construction sector were dissatisfied with the lacking facility of training of workers, export/subsidy/assistance and incentives on generation of employment. All the wholesalers and retailers were also dissatisfied against any facilities that were introduced by Government and other institutions for them.

The consequences of lacking initiatives from the part of Government and other agencies in extending any promotional measures for achieving growth in different non-farm sectors, especially in organized manufacturing sector, has been well recognized in terms of a fairly larger numbers of entrepreneurs who were dissatisfied with the lacking of various promotional policies in the State. In matters of access to different promotional policies of Government in the State, the proportion of satisfied entrepreneurs ranged highest from 36.36 percent to lowest at 11.82 percent, in particular to sector specific promotional policies and the facility of loan/subsidy being extended for their sector by the financial institutions respectively. Nearly 40 percent and 29 percent entrepreneurs of different manufacturing enterprises reported positive effects of promotional policies and facilities available for procurement of raw materials from other countries on the sector specific growth and growth of employment in their sector as well. Introduction of the facility of subsidized loan alone would be a most important measure for growth of

trading sector and its employment segment. However, in addition to the facility of subsidized loan, the facility of subsidy on purchase of machinery and measures related to increasing employment are expected to be responsible for achieving growth of construction sector.

Majority of enterprises were offering different types of social security to their workers. Such enterprises were highest at 95 among general business activities and lowest at 50 percent in construction activities. Out of them, 79 percent enterprises were providing the benefits of compensation due to accident and half of them had the provision of providing benefits of provident fund to the workers. However, only 10 percent enterprises were offering the benefits of health insurance and old age pension. But the compensation due to accident was provided by all the construction and trading activities as against 77 percent manufacturing activities. The provision of old age pension and family pension was carried out in manufacturing enterprises.

The existence of trade union was in three-fourths proportions of sample enterprises. Enterprises having active trade union were accounted for highest at 83 percent which are confined in general business activities to lowest at 17 percent among retail & wholesale trading activities. On the other hand, no presence of trade unions was found in construction sector. The effects of the presence of labour unions have been largely observed in matters of increasing wages of labour in both manufacturing and construction sectors. Negative effects of the presence of labour unions have been marginal in 22 percent manufacturing sector of enterprises in the form of decreasing demand of unskilled labour and in 10 percent trading sector enterprises in matters of declining demand of skilled labour.

Different laws and regulations enacted by Government in the past have large effects on the demand condition of different categories of employment. However, labour laws, Wages Acts and MGNREGA have been some of the most tangible factors, which have been adversely affecting the demand of regular employment in different sectors. The effect of labour laws and Wages Act has slightly decreased the demand of regular employment in nearly one-fourth of enterprises. The effects of MGNREGA were revealed in another 22 percent enterprises. The Social Protection Act has been indicated as the most important factor positively impacting the increasing demand of regular employment.

Implementation of MGNREGA has reduced the supply of unskilled workers and it resulted in the increasing demand of contractual labour in 26 percent enterprises. Existing labour laws and certain financial regulation have also positively impacted the demand of contractual labour in 31 percent and 20 percent enterprises respectively.

The labour productivity in this sector is seen determined mainly by financial regulations followed by Wages Act and taxation policies. The labour productivity slightly decreased in highest proportion of 37 percent and 24 percent enterprises due to financial regulations and Wage Act respectively. Similarly, the adverse effects of labour laws and

taxation policy in labour productivity were reported in 22 percent and 21 percent enterprises. Social Protection Act has positively impacted in the increase of labour productivity in nearly 13 percent enterprises. Even the Wages Act has been a second-most important factor in enhancing the labour productivity.

Sectoral growth was seen largely influenced by the factors such as labour laws, Wages Act, MGNREGA and taxation policies of the State Government. The labour laws and Wages Act have affected the sectoral growth of 44 percent and 26 percent enterprises respectively, while the effect of MGNREGA and taxation policies on the same matters was 25 percent and nearly half of the enterprises respectively. On the other hand, Social Protection Acts and safety laws had positive effects on the growth of 21 percent and 16 percent enterprises.

Very negligible effects of different factors were visualized in out-migration of labour. Exception was only that, MGNREGA has affected the increasing out-migration of labour force from over 27 percent enterprises. A remarkable number of 21 percent enterprises reported that, implementation of MGNREGA has resulted in sharp decrease in the in-migration of labour force. Social Protection Act has attracted in-migration of labour force in 19 percent enterprises. Safety laws and Wages Acts were noted as the second-most important factors for increasing in-migration of labour force.

Effectiveness of labour laws has been strong in increasing wage rates in 49 percent enterprises. The MGNREGA has increased wages in 34 percent enterprises. The Wages Act has been instrumental in sharply increasing of wages in 25 percent enterprises. Even, the effectiveness of safety laws has increased wages sharply in 12 percent enterprises and slightly in 11 percent enterprises. Thus, the overall analysis proved our hypothesis that, various laws and regulations, especially labour laws have been more or less instrumental for decreasing expansion of employment, more particularly for regular employment in organized manufacturing sector. Similarly, implementation of MGNREGA has declined the supply of un-skilled labour force from rural areas due to availability of employment in villages itself.

CHAPTER VI

Sectoral Problems, Future Investment Plans and Development Perspectives

Proceeding analysis looks into the kinds of problems existing in different stages of operating enterprises in matters related to problems with labour force, availability of infrastructure and political interferences. In addition, the study also attempts to incorporate the perception of entrepreneurs of different enterprises regarding their future plans, for undertaking expansion in their concerned enterprises.

(i) Problems with labour force: The analysis on kinds of problems the sample enterprises facing in regard to labour force have been presented in Table 6.1. It indicated that almost all the sectors of enterprises have been facing a variety of problems related to labour force which might have been adversely affecting the overall functioning and operation system of the enterprises. Short supply of skilled labour force has been noted as the major problem for a remarkable number of nearly 71 percent enterprises. It was pointed out by the entrepreneurs of almost all the sectors of enterprises in focus group discussions held in sample districts that there is abundance in the supply of managerial technical labour force but they lack in the supply of bottom level of technical labour force for primary production. Even, the proportions of enterprises facing such problem were as high as 95 percent which were engaged in computer & related activities, followed by 89 percent in manufacturing of textiles. Rising wages of non-managerial unskilled labour over the years have been reported as the second-most problem by over 65 percent enterprises. Such enterprises were, however, ranging between 94 percent in textiles sector to 32 percent in computer & related activities. The problem related to lacking in supply of unskilled labour force was forwarded by another 58 percent, which were highly concentrated in manufacturing of food & beverage products (87 percent), followed by 83 percent in textile products. The problem of rising salary of managerial and professional staff and lacking in adequate facility of training for labour force, in particular sector specific labour force has been reported by another 51 percent and 40 percent enterprise respectively.

Table 6.1: Difficulty Faced with Labour Force in Running Enterprises

Sector	Manufacturing	Effectiveness of labour unions in matters of					
		Short supply of Skilled Labour force	Lack of supply of Un-Skilled Labour force	Rising Wage Rate of Unskilled Labour Non - Managerial	Rising Salary of Managerial staff	Lack of Training in this sector	All units
Manufacturing	Textile	63(88.73)	59(83.09)	67(94.37)	40(56.34)	33(46.48)	71(100.00)
	Wearing apparel	35(60.34)	36(62.07)	48(82.76)	18(31.03)	13(22.41)	58(100.00)
	Food and Beverages	53(76.81)	60(86.96)	56(81.16)	29(42.02)	15(21.74)	69(100.00)
	Chemicals	50(63.29)	51(64.56)	59(74.68)	47(59.49)	28(35.44)	79(100.00)
	Non Metallic	50(68.49)	44(60.27)	45(61.64)	33(45.21)	38(52.05)	73(100.00)
	Computers and related activities	69(94.52)	12(16.43)	23(31.51)	71(97.26)	33(45.20)	73(100.00)
	General Business	45(58.44)	32(41.56)	40(51.95)	19(24.68)	51(66.23)	77(100.00)
	All Manufacturing	365(73.00)	294(58.80)	338(67.60)	257(51.40)	211(42.20)	500(100.00)
Construction		10(50.00)	12(60.00)	9(45.00)	10(50.00)	3(15.00)	20(100.00)
Trade (retail + wholesale)		15(50.00)	12(40.00)	11(36.67)	15(50.00)	8(26.67)	30(100.00)
All enterprises		390(70.91)	318(57.82)	358(65.09)	282(51.27)	222(40.36)	550(100.00)

Note: Due to multiple responses the total will not add to 100 percent.

Source: Field Survey

(ii) Problems faced in terms of infrastructure: The survey data analyzed in Table 6.2 depicted that inadequacy in supply of power has been experienced as a serious problem emerging in all over the state. Manufacturing sector is the main sufferer from power crisis. As indicated by our sample data, among the 5 top ranking infrastructure problems, the problem of power has been reported to be on the highest rank by nearly 64 enterprises and figure of such enterprises in manufacturing sector were over 66 percent. Even, the proportion of enterprises facing power related problems accounted for as large as 96 percent among the units manufacturing chemical products, followed by 86 percent units manufacturing food and related products.

Table 6.2: Kinds of Problems facing in Terms of Infrastructure

Sector	Manufacturing	Top five infrastructure problems by sector					
		Power supply	Road Network in locality	Availability of Transport	Lack of Technology upgradation	Access to finance/ Capital	All units
Manufacturing	Textile	46(64.79)	13(18.31)	16(22.53)	36(50.70)	58(81.69)	71(100.00)
	Wearing apparel	42(72.41)	9(15.52)	8(13.79)	26(44.82)	47(81.03)	58(100.00)
	Food and Beverages	59(85.51)	9(13.04)	13(18.84)	11(15.94)	17(24.64)	69(100.00)
	Chemicals	76(96.20)	11(13.92)	14(17.72)	49(62.03)	44(55.69)	79(100.00)
	Non Metallic	31(42.47)	50(68.49)	50(68.49)	47(64.38)	43(58.90)	73(100.00)
	Computers and related activities	60(82.19)	8(10.96)	8(10.96)	29(39.73)	68(93.15)	73(100.00)
	General Business activities	17(22.08)	63(81.82)	68(88.31)	51(66.23)	49(63.64)	77(100.00)
	Manufacturing	331(66.20)	163(32.60)	177(35.40)	249(49.80)	326(65.20)	500(100.00)
Construction		4(20.00)	6(30.00)	7(35.00)	12(60.00)	11(55.00)	20(100.00)
Trade (retail + wholesale)		16(53.33)	9(30.00)	17(56.67)	8 (26.67)	15(50.00)	30(100.00)
All enterprises		351(63.82)	178(32.36)	201(36.55)	269(48.91)	352(64.00)	550(100.00)

Note: Due to multiple responses the total will not add to 100 percent.

Source: Field Survey

Lacking in adequate finances and capital has been reported as the second-most problem by 64 percent sample enterprises. Among them, the figure of enterprises reaches to the extent of 93 percent for computer & related sector, followed by 82 percent each for manufacturing of textiles and wearing apparels. The problem of the adoption of new production technology was reported by 49 percent enterprises. Lacking in road network and the facility of local transport are the two other serious problems facing the 32 percent 37 percent enterprises respectively.

(iii) Political problems: In matters of political problems facing the entrepreneurs in proper operation of their enterprises, the data presented in Table 6.3 showed that instability of Government and domination of high level corruption among the political personality and Government employees, existence of multi-taxation system have been indicated as the major problems against for the growth of non-farm enterprises in the State. The problem of instability in Government has been reported by 63 percent enterprises, while 68 percent enterprises reported that multiple taxes imposed by the Government has limited the growth of this sector. Another 60 percent enterprises, mainly involved in manufacturing of textiles and chemical products reported existing high level corruption in the state has been a serious problem for this sector. Other major

political problems faced by the enterprises were in matters of changing Government policies in relation to the sector of their enterprises and time taken in the Government administration on various issues related to the concerns of their enterprises.

Perspective of expansion and growth: Perspective of growth of different sectors of non-farm enterprises has been examined through the perception of entrepreneurs for undertaking additional investment in particular sector during the next three years in Table 6.4. In this regard, the study found that 3.27 percent enterprises were expected to carry out additional investment through one or the other way. The striking features are that none of the larger size of enterprises was not planning in this regard, while only 17 small enterprises as against one medium size of enterprise was planning for additional investment in their sector. However, 30 percent of the construction activities were reluctant for undertaking additional investment in their sector.

Table 6.3: Kinds of Political Problems Facing by Enterprises

Sector	Manufacturing	Top five political problems by sector					
		Govt. Instability	Change in Govt. Policies	Corruption	Multiple Taxes	Lengthy procedure in Govt	Sample units
Manufacturing	Textile	47(66.20)	56(78.87)	61(85.92)	60(84.51)	36(50.70)	71(100.00)
	Wearing apparel	42(72.41)	37(63.79)	41(70.69)	55(94.83)	33(56.90)	58(100.00)
	Food and Beverages	41(68.33)	51(73.91)	55(79.71)	41(59.420)	33(47.83)	69(100.00)
	Chemical products	30(37.97)	49(62.03)	65(82.28)	60(75.95)	40(50.63)	79(100.00)
	Non Metallic mineral products	52(71.23)	30(41.10)	29(39.73)	43(58.90)	29(39.73)	73(100.00)
	Computers and related activities	43(58.90)	25(34.25)	33(45.21)	44(60.27)	24(32.88)	73(100.00)
	General Business activities	60(77.92)	43(55.84)	28(36.36)	52(67.53)	34(44.16)	77(100.00)
	All Manufacturing enterprises	315(63.00)	291(58.20)	312(62.40)	355(71.00)	229(45.80)	500(100.00)
Construction		11 (55.00)	3(15.00)	7(35.00)	10(50.00)	3(15.00)	20(100.00)
Trade (retail + wholesale)		19(63.33)	18(60.00)	13(43.00)	9(30.00)	14(46.67)	30(100.00)
		345(62.73)	312(56.73)	332(60.36)	374(68.00)	246(44.73)	550(100.00)

Source: Field Survey

Table 6.4: Number of Enterprises by Future Investment Plan in Next Three Years by Sector and Size of Enterprise

Sectors	Manufacturing	Small	Medium	Large	Sample units
Manufacturing	Textile	3(4.23)	-	-	71(100.00)
	Wearing apparel	-	-	-	58(100.00)
	Food and Beverages	2(2.90)	-	-	69(100.00)
	Chemicals	2(2.53)	1(1.26)	-	79(100.00)
	Non Metallic mineral products	2(2.73)	-	-	73(100.00)
	Computers and related activities	1(1.36)	-	-	73(100.00)
	Other Business activities	1(1.30)	-	-	77(100.00)
	All Manufacturing enterprises	11(2.20)	1(0.20)	-	500(100.00)
Construction		5 (20.00)	2(10.00)	-	20(100.00)
Trade (retail + wholesale)		1 (3.33)	-	-	30(100.00)
All enterprises		17(3.09)	1(0.18)	-	550(100.00)

Source: Field Survey

However, looking at the factors which will determine the expansion plan of enterprises, the data presented in Table 6.5 revealed that the expansion of these limited number of 18 enterprises, by way of undertaking additional investment in its expansion, is expected to be dependent on the availability of required skilled labour, finances and capital, physical infrastructure, financial assistance from the Government, introduction of industrial promotional policies and the taxation policies to be introduced in the future. However, access to finances & capital and various infrastructural as required for particular enterprise have been noted as the major determining factors for undertaking additional investment in different sectors. The expansion of all computer & related activities and other business activities will be however determined by the availability of capital and physical infrastructure. Such was not in the case of most of their manufacturing activities, especially, food & beverages, textiles and non-metallic mineral products, in which expansion will be determined by the availability situation of skilled labour force.

Table 6.5: Importance of Factors while Planning to Invest in Other Sector/State, by Sector

Sector	Manufacturing	Top five important factors when planning to invest					
		Availability of skilled labour	Availability of Capital	Physical Infrastructure	Govt. help about Policies	Taxes	Units planning for investment
Manufacturing	Textile	2(66.67)	1(33.33)	2(66.67)	3(100.00)	1(33.33)	3(100.00)
	Wearing apparel etc	-	-	-	-	-	
	Food and Beverages	1(50.00)	2(100.00)	1(50.00)	-	1(50.00)	2(100.00)
	Chemicals and related products	1(33.33)	2(66.67)	3(100.00)	1(33.33)	1(33.33)	3(100.00)
	Non -Metallic mineral products	1(50.00)	1(50.00)	-	-	2(100.00)	2(100.00)
	Computers and related activities	-	1(100.00)	1(100.00)	-	1(100.00)	1(100.00)
	Others Business	-	1(100.00)	1(100.00)	-	1(100.00)	1(100.00)
	All Manufacturing enterprises	5(11.67)	10(83.33)	8(66.67)	4(33.33)	7(58.33)	12(100.00)
Construction		2(28.57)	2(28.57)	3(42.86)	1(14.28)	1(14.28)	7(100.00)
Trade (retail + wholesale)		-	1(100.00)	1(100.00)	-	-	1(100.00)
All enterprises		7(38.89)	13(72.22)	12(66.67)	5(27.78)	8(44.44)	18(100.00)

Source: Field Survey

Future Expectation of the Sector: The data relating to perceptions of entrepreneurs in this context has been presented in Table 6.6. It revealed that the future prospect of various non-farm sectors in different matters in the next five years seems to be quite positive. Enquiring from the entrepreneurs of different manufacturing enterprises regarding their future expectation of their sector, it was noted that a very large proportion of 90 percent of entrepreneurs had the perception that employment of skilled labour will increase. The responses of other 87 percent and 84 percent entrepreneurs of manufacturing were also that there will be at least some increase in domestic competition and demand from domestic consumers for industrial goods respectively. Expectations of a remarkable proportion of 84 percent and 80 percent manufacturing enterprises were also that, the employment in general and the number of units in this sector will be in an increasing trend. In construction sector, a highest number of 65 percent enterprises were expecting for a larger increase in domestic competition in this sector in the future. At the same time a very high proportion of 70 percent of them were expecting that the number of units in this sector will increase. Even a very high proportion of 83 percent entrepreneurs in the wholesale and retail trade sector expected for an increase in employment skilled labour in this sector. Also, the expectations of another high majority of 87 percent and 90 percent

entrepreneurs of this sector were that the demand for their goods from domestic consumers and domestic competition will tend to increase respectively.

Table 6.6: Future Expectation of the Sector for Next 5 Years

In matters of	Manufacturing				Construction				Trade			
	Increase		Decrease		Increased		Decreased		Increase		Decrease	
	Large	Small	Large	Small	Large	Small	Large	Small	Large	Small	Large	Small
Employment in general	87 (17.40)	335 (67.00)	6 (1.20)	39 (7.80)	4 (20.00)	15 (75.00)	-	-	3 (10.00)	19 (63.33)	2 (6.67)	-
Employment of skilled labour	181 (36.20)	270 (54.00)	31 (6.20)	12 (2.40)	-	-	-	-	7 (23.33)	18 (60.00)	2 (6.67)	-
Employment of un-skilled labour	61 (12.20)	289 (57.80)	42 (8.40)	8 (1.60)	-	-	-	-	3 (10.00)	17 (56.67)	1 (3.33)	-
Employment of professionals/manager	89 (17.80)	279 (55.80)	15 (3.00)	31 (6.20)	-	-	-	-	2 (6.67)	20 (66.67)	-	-
Employment of regular employees	81 (16.20)	208 (41.60)	20 (4.00)	21 (4.20)	-	-	-	-	2 (6.67)	20 (66.67)	-	1 (3.33)
Employment of contractual employees	115 (23.00)	227 (45.40)	16 (3.20)	19 (3.80)	-	-	-	-	4 (13.33)	13 (43.33)	-	-
Demand from domestic consumers (within state)	211 (42.20)	208 (41.60)	26 (5.20)	14 (2.80)	-	-	-	-	8 (26.67)	18 (60.00)	-	-
Demand from domestic consumers (outside state)	29 (5.80)	106 (21.20)	2 (0.40)	4 (0.80)	-	-	-	-	2 (6.67)	7 (23.33)	-	-
Exports/international contracts	15 (3.00)	36 (7.20)	2 (0.40)	1 (0.20)	-	-	-	-	-	2 (6.67)	-	-
Foreign competition	20 (4.00)	42 (8.40)	-	1 (0.20)	-	-	-	-	-	3 (10.00)	-	-
Domestic competition	226 (45.20)	210 (42.00)	1 (0.40)	10 (2.00)	13 (65.00)	7 (35.00)	-	-	13 (43.33)	14 (46.67)	-	-
Number of units of enterprises	159 (31.80)	247 (49.40)	7 (1.40)	26 (5.20)	6 (30.00)	14 (70.00)	-	-	8 (26.67)	14 (46.67)	-	-
Foreign competition of raw material	-	-	-	-	2 (10.00)	2 (10.00)	-	-	-	-	-	-
Capital Intensity of Capital	-	-	-	-	6 (30.00)	10 (50.00)	-	-	-	-	-	-
Domestic Investment	-	-	-	-	12 (60.00)	8 (40.00)	-	-	-	-	-	-
Foreign direct Investment	-	-	-	-	-	-	-	-	-	-	-	-
Domestic Competition of raw material	-	-	-	-	9 (45.00)	7 (35.00)	-	-	-	-	-	-

Source: Field Survey

Further, an assessment into the future expectations in increase of employment in different sectors according to the size category of enterprises revealed (Table 6.7) that there is a very high possibility in larger or the small increase in general employment trends in all the three size categories of enterprises in the future. It reflected by the facts that the expectations of cent percent large enterprises, 86 percent medium enterprises and 82 percent small categories of enterprises are that there will be atleast some increase in employment in their enterprises in the near future. Even the expectations of a very remarkable proportion of 98 percent and 96 percent small enterprises were that there will be small or larger increase in domestic competition and demand of goods from domestic consumers.

Table 6.7: Future Expectations of the Sector by Size of Enterprises

In matters of	Small				Medium				Large			
	Increase		Decrease		Increased		Decreased		Increase		Decrease	
	Large	Small	Large 1	Small	Large	Small	Large	Small	Large	Small	Large	Small
Employment in general	81 (18.54)	277 (63.39)	6 (1.37)	33 (7.55)	10 (12.66)	58 (73.42)	9 (11.39)	-	14 (38.89)	22 (61.11)	-	-
Employment of skilled labour	80 (18.31)	260 (59.50)	30 (6.86)	63 (14.42)	18 (22.78)	38 (48.10)	3 (3.80)	14 (17.72)	6 (16.67)	9 (25.00)	-	-
Employment of unskilled labour	45 (10.30)	305 (69.79)	32 (7.32)	18 (4.11)	-	1 (1.27)	-	-	-	18 (50.00)	3 (8.33)	-
Employment of professionals/ manager	121 (27.69)	238 (54.46)	30 (6.86)	16 (3.66)	6 (7.59)	3 (3.80)	-	-	9 (25.00)	12 (33.33)	-	-
Employment of regular employees	74 (16.93)	209 (47.83)	19 (4.35)	22 (5.03)	3 (3.79)	1 (1.27)	4 (5.06)	4 (5.06)	5 (13.89)	16 (44.44)	1 (2.78)	3 (8.33)
Employment of contractual employees	104 (23.80)	231 (52.86)	21 (4.81)	12 (2.750)	5 (6.33)	4 (5.06)	-	-	7 (19.44)	10 (27.28)	-	-
Demand from domestic consumers (within state)	210 (48.05)	208 (47.59)	27 (6.18)	14 (3.200)	-	-	-	-	7 (19.44)	19 (52.78)	-	-
Demand from domestic consumers (outside state)	39 (8.92)	96 (21.97)	3 (0.69)	3 (0.69)	-	-	-	-	6 (16.67)	3 (8.33)	-	-
Exports/ international contracts	21 (4.81)	30 (6.86)	2 (0.45)	1 (0.23)	-	-	-	-	-	2 (5.56)	-	-
Foreign competition	18 (4.12)	42 (9.61)	-	3 (0.69)	-	-	-	-	-	3 (8.33)	-	-
Domestic competition	191 (43.71)	239 (54.69)	4 (0.90)	7 (1.60)	13 (16.46)	7 (8.86)	-	6 (7.59)	11 (30.56)	14 (38.89)	1 (2.78)	1 (2.78)
Number of units of enterprises	131 (29.98)	257 (58.81)	16 (3.66)	27 (6.18)	13 (16.46)	15 (18.99)	-	-	7 (19.44)	15 (41.67)	-	-
Foreign competition of raw material	-	-	-	-	1 (1.27)	3 (3.79)	-	-	-	-	-	-

Capital Intensity of Capital	-	-	-	-	7 (8.86)	9 (11.39)	-	-	-	-	-	-
Domestic Investment	-	-	-	-	9 (11.39)	11 (11.39)	-	-	-	-	-	-
Foreign direct Investment	-	-	-	-	-	-	-	-	-	-	-	-
Domestic Competition of raw material	-	-	-	-	5 (6.32)	11 (11.39)	-	-	-	-	-	-
Sample enterprises	437 (100.00)	437 (100.00)	437 (100.00)	437 (100.00)	79 (100.00)	79 (100.00)	79 (100.00)	79 (100.00)	36 (100.00)	36 (100.00)	36 (100.00)	36 (100.00)

Source: Field survey

In terms of the employment perspective of this sector in the future, the data presented in Table 6.8 shows that the entrepreneurs of sample enterprises did not have any concrete perception. Instead, they cited variety of factors which will determine the growth of employment in their sector in the near future. The perception of a larger number of 80 percent entrepreneurs was that, the increase in employment will depend on the condition of imposing different taxes, especially VAT on this sector. A second majority of 69 percent entrepreneurs had the perceptions that employment has decreased due to modernization undertaken in their sector and similar proportion of entrepreneurs felt that increase of employment will depend on reforms in power sector. Intra-unit competition, access to the supply of raw materials, measures to be initiated for attracting young generation towards adopting this sector, promotion of small industries and handicraft industry, and access to the facility of easy loan were cited as the other important determinants for growth of employment in this sector. In the case of growth of employment in manufacturing sector, taxation especially VAT, modernization of enterprises, intra-unit competition and access to the facility of raw material and power were cited as the main components of increasing employment. Access to the facility of loan will be the most important determining factor for growth in employment in the construction and trading activities in the near future. Perceptions of participants in Focus Group Discussions on general employment trend during last five years was that, although UP have been going through low growth of industry and employment during the last five years, yet the state had seen a better growth of industry and employment primarily because of growth in the construction (stone crushing and related work), chemical and non-metallic sectors. The entire construction sector had come up considerably during the last six/seven years.

Table 6.8: Perceptions of Entrepreneurs Regarding General Employment Trend

Perceptions	Manufacturing	Construction	Trade	All
Due to Modernization Employment Decreased	368(73.60)	10(50.00)	3(30.00)	381 (69.27)
Intra -unit Competition reducing employment	325(65.00)	14(70.00)	10(33.33)	359(65.27)
Facility Of Raw Material tending increasing employment	287(57.40)	4(20.00)	2(6.67)	293(53.27)
Labors at low wages	145(29.00)	16(80.00)	5(16.67)	166(30.18)
Increase employment will Depend on Tax(VAT)	414(82.80)	11(55.00)	13(43.33)	438(79.64)
Export promotion	210(42.00)	-	-	210(38.18)
Attraction of young generation to sector	295(59.00)	-	-	295(53.64)
Small Industries and Handicraft should be promoted	321(64.20)	-	-	321(58.36)
Depends on access to power	358(71.60)	9(45.00)	14(46.67)	381(69.27)
Corruption	147(29.40)	15(75.00)	4(13.33)	166(30.18)
Right kind of Training to labour	125(25.00)	2(10.00)	-	127(23.09)
Population	69(13.80)	2(10.00)	3(10.00)	74(13.45)
Environmental protection	222(44.40)	13(65.00)	2(6.67)	237(43.09)
Access to Easy Loan	331(66.20)	18(90.00)	22(73.33)	371(67.45)
Access to Transportation	147(29.40)	11(55.00)	2(6.67)	160(29.09)
Market should be provided	189(37.80)	2(10.00)	4(13.33)	195(35.45)
Access to Credit Card	150(30.00)	8(40.00)	7(23.33)	165(30.00)
Total	500(100.00)	20(100.00)	30(100.00)	550(100.00)

Source: Field Survey

Conclusions: A significant number of enterprises have been facing a variety of problems related to labour force which might have been adversely affecting their overall functioning and operation system of the enterprises. Short supply of skilled labour force have noted as the major problem by 71 percent enterprises. Such problem was faced by 95 percent computer & related activities and 89 percent by manufacturing of textiles. Rising wages of un-skilled non-managerial labour over the years have been the second-most problem for over two-thirds enterprises. The problem related to lack of supply of un-skilled labour force was faced by 58 percent enterprises, which were highly concentrated in manufacturing of food & beverages products (87 percent), followed by 83 percent in textile products.

Inadequacy in the supply of power has been a serious problem emerging in the manufacturing sector. The problem of power has been on the highest rank for 64 percent enterprises. Lacking in adequate finances and capital has been the second-most problem for 64 percent enterprises. The problem of the adoption of new production technology was reported by 49 percent enterprises. Lacking in road network and the facility of local transport were the two other serious problems faced by 32 percent 37 percent enterprises respectively.

Instability of government and domination of high level of corruption among the political personality and the government employees, existence of multi-taxation system have been indicated as the major problems for growth of this sector. The problem of instability in government and multiple taxes has been reported by 63 percent and 68 percent enterprises respectively. Another 60 percent enterprises, mainly involved in manufacturing of textiles and chemical products, reported the existing high level of corruption in the state as a serious problem for this sector. Other major political problems faced by the enterprises were in matters of changing government policies in relation to their sector and time taken in government administration on various issues related to the concerns of their enterprises.

Over 3 percent enterprises were expected to carry out additional investment through one or the other way. But, none of the larger size of enterprises as against 17 small enterprises was planning for additional investment in their sector. However, 30 percent of the construction activities were reluctant for undertaking additional investment in their sector. But, the expansion of these limited numbers of enterprises will depend on the availability of required skilled labour, finances and capital, physical infrastructure, assistance from government to be introduced as policies and the pattern of prevailing taxation in the future. However, access to finances and capital and basic infrastructures have been noted as the major determining factors for undertaking additional investment in different sectors.

A very large proportion of 90 percent of entrepreneurs had the perceptions that employment of skilled labour will increase in this sector. Perceptions of another 87 percent and 84 percent entrepreneur of manufacturing were that there will be some increase in domestic competition and demand from domestic consumers for industrial goods respectively. Expectations of 84 percent and 80 percent manufacturing enterprises were that, employment in general and the number of units in this sector will be in an increasing trend. In construction sector, 65 percent enterprises were expecting for a larger increase in domestic competition in this sector in the future. Nearly 83 percent entrepreneurs in wholesale and retail trade sector expected for an increase in employment of the skilled labourers in this sector.

There seems to be a very high possibility in the increase in general employment trends in all the three size categories of enterprises in the future. Expectations of an overwhelming majority of small enterprises were for a larger increase in domestic competition and demand of goods from domestic consumers. In terms of employment perspectives, the perceptions of 80 percent entrepreneurs was that the increase in employment will depend on the condition of imposing different taxes, especially VAT on this sector. But, 69 percent entrepreneurs had the perceptions that employment has decreased due to modernization undertaken in their sector. In the case of growth of employment in manufacturing sector, taxation especially VAT, modernization of enterprises, intra-unit competition, and access to the facility of raw material and power were cited as the main components of increasing employment. Access to the facility of loan will be the most

important determining factor for the growth in employment in construction & trading activities in the near future.

Thus, it would be necessary to review and reduce the burden of taxes like entry tax, VAT, high excise duties, service taxes and commercial taxes in the context of motivating entrepreneurs for planning expansion of enterprises and thereby enhancing the possibility of increasing employment. The industry products of an area are not taken into account while classifying products for taxes and this requires an urgent rationalization in the state. Similarly, the power infrastructure requires maximum attention to encourage investment and industry growth for the State. For the industrial areas, the municipality of urban development authorities must mandatorily provide and maintain industry effluence treatment. With respect to maintenance of pollution norms, the entrepreneurs opined that indecision on the part of courts and State Government is continuously affecting the industry. The introduction of GST and single window system for payment of various taxes in the line of rationalization of excise duties will reduce much of harassment of the entrepreneurs. One important point that came up during the deliberations in focus group discussions is that, the entrepreneurs who export their products, expressed irregularity in the orders with receiving countries, which require compulsory annual insurance of contract labourers for the whole transaction. Although this is in compliance with international norms of contractual labour, yet the members wanted the Central and State Governments to intervene and do away with it.

CHAPTER VII

Conclusions and Policy Recommendations

I. Introduction: Studies undertaken during the recent past and available data from different NSS rounds tend to indicate that the high growth has been accompanied by low employment growth, especially in organized manufacturing sector, both during pre- and post-liberalization. Strong arguments have been placed further when the employment in manufacturing sector has declined drastically despite positive growth in economy during the last decade. During the period 1999-2000 to 2004-05 the growth of employment was only 3.06 percent as against 4.88 percent growth of economy. More striking features which emerged during 2005-10 were that the national economy was grown at the rate of 8.4 percent but the growth of employment remained less than one percent point. The manufacturing employment grown at the rate of 3 percent during 1999-2000 to 2004-05, but it declined to over 9 percent during 2004-05 to 2010-11.

Similarly, employment in both organized and unorganized manufacturing sector has declined but this decrease was remarkably much higher in organized sector during 2000 to 2005 at national level. However, UP was initially lagging far behind the national average, both in growth of economy and employment during 2000 to 2005, but it has shown a remarkable progress in economic growth as well as in employment growth than India as a whole during the recent years. Employment has grown at the rate of 2.60 percent in UP as against 0.68 percent in the country as a whole, during 2005-10 as compared to that during 2000-05. Even the gap in the growth of GDP between UP and the country as a whole, has been reduced remarkably during 2005-10.

Various reasons have been put forward in the literature to explain the observed jobless growth. This included, but not limited to, labour market rigidity, growth of man day worked, and growth in wage rate and others. But the observed jobless growth has been coincided with an unprecedented increase in the rate of integration of Indian economy with the world market through trade liberation. In the light of differential types of conflicting explanations and reasons forwarded by various scholars in the matters of for stagnation in employment growth – despite a remarkable economic growth achieved during different periods of time – the present study attempted to put forward a clearer answer in this context. More specifically, the study examines the nature of stagnation in growth of employment and its reasons in relation to different size classes of both organized and unorganized manufacturing sector and services sector enterprises in UP. Following were the main objectives of the present study:

- To review the factors which are impacting employment growth in various industrial and services sectors, both organized and unorganized, which are showing stagnation in the growth of employment
- To examine the changes in supply of inputs, output and capital investment and its relationship with changing structure of employment

- Trends in sectoral and employment performance across the industries and factors affecting structure of employment
- To review the employment generation policies with a view to suggesting effective policies in the present economic environment
- To investigate why certain sub-sectors have performed well while others have witnessed absolute decline both in terms of employment and output; and
- Problems emerging in running of enterprises, future investment planning and development perspectives of this sector in the future.

Methodology and the Size of Sample: Classification of 70 districts of the State was first carried out into three categories i.e. High, Medium and Low, based on the basis of their enterprise concentration. Among them, 6 districts among high category districts and 3 districts each among medium and low category districts were selected to identify the sample districts from all the four geographical locations of the state. The enterprises covered for the study were 50 percent from high enterprise concentrated districts, 35 percent from medium concentrated districts and rest 15 percent from low concentrated districts. In all, we covered 500 manufacturing enterprises comprising 450 organized enterprises and 50 unorganized enterprises from 12 districts. In addition, the study also covered 20 construction related activities, 20 retail trading activities, 10 wholesale trade activities and 12 trade unions/associations. Focus group discussions were also organized in specific to different sectors of enterprises in five sample districts. The study is based on both secondary and primary data. Primary data were collected with the help of already developed structural questionnaires for different stakeholders.

UP is the most populous State in India. One-sixth of the world's population lives in India and one-sixth of India's population lives in UP. As per 2011 Census, the population of the State is 19.6 cores and it is growing at the rate of 2 percent annually. The density of population in UP is about 800 people per square kilometer which is way above the national average of about 380. The literacy rate is 70 percent which is below the national average of 74 percent. The sex ratio is almost at par with the national average and stands at about 900. Among the major states, birth rate is highest in the State of UP. The decline in birth rate has also been slow in the State. Total fertility rate for the year 2002 was 4.4 in UP as against 3.0 in India. Life expectancy in U.P. in 2002 was 63.5 years for males and 64 years for females, while the corresponding figures were 71.7 and 75 years respectively in Kerala, the best performing State in this respect.

Economically, UP is among the most backward states of India, being characterized by the pre-dominance of the agricultural sector with heavy dependence on Monsoon, high percentage of marginal and small landholdings, high population pressure, small manufacturing sector, structural deficiencies in infrastructure, glaring regional imbalances and sluggish economic growth. In terms of per capita income, U.P. is among the 'low income category' states along with Bihar, Madhya Pradesh and Odisha.

Moreover, during the first 25 years of planning, growth rates in U.P. were low and lagged behind the modest growth observed at the national level. In comparison to the growth performance of India as a whole, the growth of economy was lagging behind during 1999-2000 to 2004-05, while this gap has been narrowing down after 2004-05. In Gross State Domestic Production, the share of both manufacturing and services sector was almost the same at nearly 14 percent during 2004-05, but this share of manufacturing sector went down to 13 percent, while it increased to 15 percent for the service sector during 2009-10. In terms of growth of the GDP, UP has been showing a better performance as compared to the rest of the states taken together. Among different sectors, the growth rate of GDP was highest at 13.55 percent for transport, storage and communication, followed by 11.19 percent for construction during the periods 2004-05 to 2011-12.

Among the 10 sample sectors, the growth in employment has been far better in computer & related activities than the other sectors. But, its share in total employment accounted for very low, at less than 1 percent points during the last five years. A very remarkable growth in employment (of 22.32 percent) has been further visualized in the construction sector. Even the positive growth rate of 4.19 percent and 1.45 percent was in manufacturing of other non-metallic mineral products and construction sector during these periods. Otherwise, in the remaining manufacturing sectors the growth in employment was negative, which varied from 10.91 percent in manufacturing of chemical & chemical products to 2.80 percent in manufacturing of food products & beverages.

The regional profile revealed that the Western region is relatively most developed region of the state in terms of economic prosperity. The agricultural productivity is higher in this region. The region has a more diversified economy with almost half of the industry in the state being located in this region. NOIDA and Ghaziabad districts located in this region are emerging as the industrial hub of the State. Central U.P. falls in the middle category in terms of economic development. It was industrially more developed with Kanpur as a major textile centre of northern India. However, the region has witnessed industrial decline in recent years. The other two regions, namely, East U.P. and Bundelkhand are most densely populated with a heavy dependence on land. It is marked by low level of diversification, low productivity and low per capita income. Most of the poor in the state are concentrated in this region.

The manufacturing units are highly concentrated in western region while their concentration is lowest in Bundelkhand region. Even, these are remarkably growing in western region followed by central region, accounting a growth rate of 37 percent and 34 percent respectively, as against 9 percent in Bundelkhand region during 2000-01 to 2006-07. Similarly, the western region has been highly dominating among all the regions of the state in providing employment in its manufacturing sector, since over 63 percent and 66 percent of industrial employment was alone provided in this region

during 2000-01 and 2006-07 respectively. However, the growth in manufacturing employment has been picking more sharply in the central region than in western region.

II. Capital Investment, Supply of Inputs and Output: The manufacturing industries, especially, organized industries of the State have been experiencing remarkable growth during the last decade. With such experiences, the hypothesis was that, the level of capital investment, inputs used in production of industrial production and output, would have positively increased over the years in the state. The value of capital investment includes the gross value of fixed capital, working capital and invested capital on training, research and development of an enterprise. Based on survey data, invested capital per unit in this sector was Rs.129.24 lakh during 2010-11. However, it varied extensively across different sub-sectors. In all, the capital investment in almost all the sectors has been consistently increasing over the years but its pace and trends have shown significant variations for different sub-sectors of enterprises. But, the size of capital investment per unit has been positively related with the size of employment of the enterprises. In both construction and trading sector of enterprises, which represent mainly small and medium size class of employment, the capital investment has grown to a little extent. There have been many upward shifts of these enterprises from low investment group to relatively higher investment groups during the reference periods. In fact, all the large sized enterprises have been remaining in larger investment group beginning from 2008.

Therefore, theoretically, the investment level of an enterprise is consistently and more positively associated with the increasing profit margin in the concerned enterprise. Increasing profit enables entrepreneurs to invest at least a part of it in capital formation, which in turn increases the overall size of the capital investment. At the same time, increasing investment might have been a factor for decreasing employment in larger size of enterprises. Reflections are well depicted in the analysis that there is a significant movement of enterprises from lower investment cadre to higher investment groups and from lower output group to relatively higher output groups.

Majority of manufacturing enterprises was procuring raw materials from more than one source. However, a high proportion of 73 percent enterprises were getting its supply from the same state. Proportion of industries procuring raw materials from outside the state has been increasing over the years due to its availability in low prices and better quality in adequate quantity. These enterprises constituted mainly in products of: non-metallic mineral products, food & beverages, textiles and construction sector. Only 2 percent enterprises in product groups of food products & beverages, wearing apparel, dressing & dyeing of fur, chemical & chemical products, other non-metallic mineral products and in computer & related activities were importing raw materials because of non-availability of particular brands of raw material in adequate quantity within the country.

Average value of output per enterprises accounted for at Rs. 131 lakh during 2008-09, which increased to Rs. 167.53 lakh during 2010-11 with a certain level of variation in its level and pattern for different sub-sectors. Initially, during 2008-09, over half of enterprises were in the middle size category of output of Rs.10 lakh to Rs.50 lakh and one-third of them were in the highest size category of output value of Rs. 50 lakh and above. However, over the years, the proportion of enterprises in both middle and highest size categories of output have been consistently increasing as against the decrease of enterprises in lowest size category of output. The growth of output increased nearly 28 percent during the last three years. The sectors like chemical & chemical products, computer & related activities, construction and wholesale & retail trading activities have been showing positive progress, while most setback has been shown by food products & beverages followed by non-metallic and mineral products, as far as the trend in growth of output was concerned. On the whole, it may be argued that increasing output in the unit has been providing an additional opportunity to its entrepreneurs to go for additional capital investment. Therefore, a strong positive relationship has been emerging in the shifting pattern of units from lower investment to higher investment groups in proportionate to the shift of unit from lower output groups to higher output groups.

III. Changes in Structure of Employment: Looking into the structure of employment through grouping of enterprises into three size categories of employment as large, medium and small, the study revealed a high proportion of 79 percent of enterprises concentrated in lowest employment group (below 25 workers) while large enterprises with above 100 workers were nearly 7 percent and remaining 14 percent were as medium enterprises. The small enterprises were largely dominated in computer & related activities, followed by general business activities, construction and trading activities. Medium employment sizes of enterprises were highest in food products & beverages. Enterprises with larger size of employment were confined in the product group of wearing apparel, dressing and dyeing of fur and manufacturing of other non-metallic mineral products.

Size of employment per enterprise was 37 workers during 2008-09 and it increased to 40 workers in 2009-10 and 41 workers in 2010-11. Such stagnation in the increase of employment during the recent years was visualized due to decline in per enterprise regular employment of both male and female workers and increasing employment of casual and contractual labour force. But, employment in the non-farm sector was dominated by regular workforce. But, it has been narrowing down largely on the cost of contractual employment and casual employment. However, a near-stagnation type of situation was noted in the share of women in regular employment, but their share has been remarkably moving up in contractual employment during the reference periods.

The employment has been growing at the rate of 3.52 percent largely due to an unprecedented increase of casual employment and to some extent contractual employment. However, the growth of regular employment has narrowed down from

5.03 percent during 2008-09 and 2009-10 to 3.25 percent during the periods 2009-10 and 2010-11. The women employment has been increasing at a more remarkable level than the men employment. But, this increasing trend of employment for both the sexes has narrowed down from 7.50 percent to 1.70 percent for men and from 21.58 percent to 3.47 percent for women during 2008-09 to 2009-10 and 2009-10 to 2010-11 respectively.

In the total size of employment, the share was highest for regular workers, followed by contractual workers. This share accounted for the highest at 74 percent in textile sector, followed by 51 percent in wholesale & retail trades. Casual employment was being provided largely in construction sector and wholesale & retail trading activities. In manufacturing sector as a whole, the share of regular workers in total workforce was 43 percent. Regular workforce has been increasingly declining in the sectors like food beverages, textiles and general business activities largely, as these sectors have been employing contractual and casual labour. It was also evident that these sectors were increasing employing women on contract basis due to increased wages during the recent years. On the whole, the trend of regular employment has been declining both in the manufacturing and non-manufacturing sectors on the cost of increasing casual and contractual form of employment.

Domination of men workforce has been highly visualized in all the sectors, though the trend in their domination has been declined due to the increasing share of women workforce. The proportionate share of men workforce in different sectors of employment was above 90 percent. The concentration of women workforce accounted for the highest of 8 percent in computer & related activities. But, their share has been consistently increasing in all the sectors. In fact,, women workforce in almost all the sectors has been remarkably increasing over the years. Even the trend in the growth of women's employment reported two and half folds higher than their men counterparts between the periods 2008-09 to 2010-11.

In terms of changes in the quality of employment, different categories of employment were on the increase, but a highest increase was for casual employment, followed by contractual employment. However in specific to employment in manufacturing sector, a decline in regular employment revealed in food & beverages, ad-hoc employment; in food & beverages and non-metallic mineral products and contractual employment in non-metallic & mineral products. Casual employment increased at 70 percent in manufacturing sector, cent per cent in textiles and 39 percent in construction sector. Contractual labourers were employed by 81.27 percent enterprises and their proportion has increased to 5 percent during 2005-10. The proportion of enterprises employing women workers on contract basis have also been increased from 56 percent in 2008 to 72 percent in 2011.

The wage rate of every category of workers has been consistently increasing over the years. Average wages per worker for all the categories together were Rs. 4004 during 2008-09, which increased to Rs. 4625 during 2009-10 and Rs. 5410 during 2010-11,

accounting for a growth rate of nearly 12 percent during the last three years. However, a remarkable increase in wages was noted for regular workers, followed by ad-hoc and casual workers and it was least for the contractual workers. Average working hour per worker was 8.30 hrs. during 2008-09, which increased to 9.15 hrs. during 2009-10, and the same declined to 8.45 hrs. during 2010-11.

In this sense, the hypothesis that increasing wages of different categories of workforce has resulted in declining overall employment and especially, in the case of manufacturing employment, seems to be holding a sound argument. But, at the same time, the analysis based on our field survey also presents that lower level of increase in wages of contractual workers, followed by casual workers as compared to regular workers might have been the reason that the entrepreneurs have been increasingly appointing labour force on contractual and casual basis, rather than on regular basis.

Another hypothesis, as forwarded by many scholars, is that, increasing hours of work has been the reason for declining employment has been tested in the study, which revealed that average working hours per worker were 8.30 hrs. during 2008-09, which increased to 9.15 hrs. during 2009-10 and the same declined to 8.45 hrs. during 2010-11. To begin with, during 2008-09, per day hours of work were the highest for contractual workers and lowest for ad-hoc workers during 2009-10, but it jumped to 12 hrs. for the latter categories of workers as against a lowest to 8 hrs. for regular workers during 2009-10. During 2010-11, the same accounted for the highest for regular workers and lowest for contractual workers. In this sense, the argument does not hold a strong case in the matter of any large relationship between the increase in working hours of workers and the declining employment, especially for the regular workforce, at least till 2009-10. However, the facts are that, the working hours of both the casual and contractual workforce have consistently been increasing over the years.

IV. Factors affecting Changes in Structure of Employment: Easy supply of required category of labour force at lower wages/salary, increased demand of labour due to increase in production, increase in sector-specific training, increased mutual competition among enterprises have been positively affecting the increasing trends in different categories of employment. Increasing market demands of goods produced by enterprises have been noted as the most important factor among all the five main factors in increasing demand of all types of labour force, more especially for non-managerial skilled labour, followed by managerial and professional occupations and non-managerial un-skilled labour, followed by contractual and non-managerial un-skilled labour. But, the increase in women employment was largely due to the increasing availability of sector-specific skill among women, followed by increasing demand of production during both 2000-05 & 2009-11.

The second-most important factor for increasing employment has been reflected due to the availability of labour in low wages/salary for regular employment, managerial/professional employment, contractual labour, female employment and non-

managerial skilled labour during 2009-10. In all, increasing production demand followed by availability of sector-specific skilled labour were noted as important factors determining the demand of labour in this sector during both the reference periods (2000-05 and 2005-11).

In terms of sectoral effects in the changing demand of employment, the analysis found that, access to better quality raw material, import of intermediate materials, domestic investment and increase of overall production have been noted as the important elements positively affecting the increase in employment. Existence of similar product groups of enterprises, capital intensity and increase in wages of labour have been reported as most crucial elements in decreasing the employment.

Furthermore, domestic capital investment has been largely influencing the growth of managerial and professional staff, followed by unskilled workers, while the effects of domestic investment have resulted in increasing the employment for skilled workers, followed by attracting in-migration of labour force from other states and increasing rural-urban migration of labour force. The increase in online sales/marketing of produces has been positively and largely affecting the growth of skilled workforce, followed by the regular employment. Adverse effects of increase in the number of units have been largely seen in the decreasing trend of regular employment, followed by skilled labour. Similarly, domestic competition of the products has been largely affecting the decrease in employment of contractual labour, followed by un-skilled labour. Initiation of MGNREGA has been a crucial factor in decreasing the supply of labour in 75 percent enterprises. Its adverse effects were seen mainly in declining rural-urban migration and migration of labour force from other states of the country.

V. Effects of Government Policies and Regulations in Sectoral and Employment

Change: The fiscal and financial incentives and subsidies are provided to industries to offset their cost disadvantage that may arise due to the following reasons. One, a new industry has a high unit cost due to heavy initial investment and low unit revenue due to un-established market. Two, the size of the units may be relatively small, limiting their access to various inputs on the one hand and capacity to compete in the market with relatively larger sized units on the other. Three, the location of the industrial unit may be disadvantageous in terms of access and availability of inputs and proximity to the markets as well as undeveloped infrastructure.

The states as well Central Government were quite serious in the promotion of industrial activities in the state through various financial incentives and subsidies, starting from the initiation of establishment of units to its operation periods. The incentives included as subsidy on the use of different physical infrastructure, mainly power and transportation of goods and materials, vocational advantages, capital investment, R&D etc. However, most of the schemes have been withdrawn so far, except the Audhyogik Nivesh Protsahan Yojana: (ANPY), introduced for large units during 2003 and Prime

Ministers Rojagar Guarantee Scheme for Small Medium Enterprises and exemption from stamp duty, *mandi* tax and VAT for exporters on certain conditions.

Therefore, over 89 percent enterprises had not availed any financial subsidy or incentives facility and were dissatisfied with the lacking in industrial promotional schemes such as loan/subsidy and export subsidy/assistance from the part of the Government. Despite not availing any industrial promotion facility by a large number of units, 18 percent and 40 percent units were satisfied with the policies of tax holidays/concessions and promotional policies of the Government respectively. Cent percent enterprises of construction sector were dissatisfied with the lacking in facility of training of workers, export/subsidy/assistance and incentives on the generation of employment.

On the whole, it has been visualized that introduction of sector-specific promotional policies and providing facility for procurement of raw material from other countries would be the two important and crucial factors for achieving the increasing growth of manufacturing sector and employment in this sector. Introduction of the facility of subsidized loan alone would be a most important measure for the growth of trading sector and its employment segment. However, in addition to the facility of subsidized loan, the facility of subsidy on the purchase of machinery and measures are expected, would be as an important instrument for achieving growth of employment in construction sector.

The provision of Social Security for labourers was available in 76 percent enterprises. Such enterprises accounted for as large as 95; among those which are engaged in general business, followed by 88 percent computer & related activities and lowest at 50 percent construction activities. In all, 79 percent enterprises were providing the benefits of compensation due to accident, followed by over half of them who had the provision of providing benefits of provident fund to the workers. However, only 10 percent enterprises were offering the benefits of health insurance coverage and old age pension. But the compensation due to accident was provided by all the construction and trading activities, as against 77 percent manufacturing activities. The provision of old age pension and family pension was carried out in manufacturing enterprises only, for which cost is borne by the concerned enterprises themselves. Similarly, remaining benefits of social security were provided commonly by both the Government and the enterprises.

Existence of trade union was in over the three-fourths proportions of enterprises. The proportion of enterprises having active trade union was highest at 83 among general business activities, to lowest at 17 percent among retail & wholesale trading activities. On the other hand, no presence of trade unions was found in construction sector. The effects of the presence of labour unions have been largely observed in matters of increasing wages of labour and overall employment growth in both manufacturing and construction sector. The perceptions of wholesale & retail trading enterprises were that the presence of labour unions has been affecting the increase of skilled labour and

growth of employment in this sector respectively. Negative effects of the presence of labour unions has been marginal in the true sense, as its effects reaches to the extent of 22 percent in the manufacturing enterprises in matters of decreasing demand of unskilled labour and 10 percent in the trading sector enterprises in declining demand of skilled labour. In the case of construction sector, the effect of trade unions has been visualized only in the increasing participation of labour force in work.

The Labour Laws, minimum Wages Acts and MGNREGA, have been some of the most tangible factors which have been adversely affecting the demand of regular employment in different sectors. Existence of Labour Laws and Wages Acts has slightly decreased the demand of regular employment in nearly one-fourth of the enterprises and the effect on the same matter due to MGNREGA was revealed in another 22 percent enterprises. On the other hand, the Social Protection Act has been indicated as a most important factor, positively affecting the increasing demand of regular employment. Introduction of MGNREGA has caused the decreasing supply of unskilled labour, which resulted in the increasing demand of contractual labour in different sectors. At the same time, introduction of Wages Acts, Financial Regulations and enforcement of various social security provisions have consequently resulted in the demand of this category of labour rather than regular labour in a sizeable number of enterprises. In all, the factors such as labour laws, followed by Wages Act and MGNREG, have been mainly determining the demand conditions of the employment of contractual labour in the state.

The labour productivity in this sector is also seen determined, mainly by the financial regulations followed by Wages Act and taxation policies. Since, the productivity of a highest proportion of 56 percent followed by 39 percent enterprises was affected by the financial regulations and Wages Act respectively. In other words, the labour productivity was slightly decreased in the highest proportion of 37 percent enterprises due to financial regulations and due to Wages Act in 24 percent enterprises. Similarly, the adverse effects of labour laws and taxation policy in labour productivity was reported in 22 percent and 21 percent enterprises. A very negligible number of enterprises has reported any positive effects of different factors on the increase of labour productivity. In this sense, labour regulations and wages Acts have been the major factors responsible for the declining employment in the organized manufacturing sector. Exception was that the Social Protection Acts have positively affected the increase of labour productivity in nearly 13 percent enterprises.

Overall growth of this sector seems to be adversely influenced by labour laws, followed by Wages Acts, MGNREGA and taxation policies of the State Government. Social Protection Acts and safety laws were the two most important determinants that were positively affecting the overall growth of a significant numbers of enterprises, especially the manufacturing enterprises. Even, the Wages Act and safety laws have affected in the form of a sharp increase in the overall growth of 2.36 percent and 1.45 percent enterprises respectively.

Very negligible effects of different factors were visualized in the out-migration of labour. Exception was only that the introduction of MGNREGA has affected the increasing out-migration of labour force from over 27 percent enterprises. However, 21 percent and 19 percent enterprises reported that implementation of MGNREGA has resulted in a sharp decrease and slight decrease of in-migration of labour force respectively. On the other hand, the Social Protection Act has attracted the trend of in-migration of labour force in over 19 percent enterprises. Safety laws and Wages Acts were the second-most important factors in attracting the in-migration of labour force from different locations.

The effects of different laws and regulations on changes in structure of wage rates were largely determined by the labour laws followed by the Wages Acts, MGNREGA and safety laws. Effectiveness of labour laws has been a major factor for increasing wage rates, especially in the manufacturing sector. Even, the concerned factor has been instrumental in the sharp increase of wage rates in over 18 percent enterprises. Initiation of MGNREGA has increased wages in 54 percent enterprises. The Wages Act has been instrumental in a sharp increase of wages in two-thirds of enterprises. Even, the effectiveness of safety laws has increased wages sharply in 23 percent enterprises. The factor such as Wages Act has increased the trends of wages in 37 percent enterprises. Thus, the overall analysis proves our hypothesis that, various laws and regulations, especially, labour laws have been more or less instrumental in decreasing the expansion of employment, more particularly for regular employment in organized manufacturing sector. Similarly, implementation of MGNREGA has declined the supply of unskilled labour force from rural areas due to availability of employment in villages itself.

VI. Sectoral Problems, Future Investment and Development Perspectives: Almost all the sectors of enterprises have been facing variety of problems related to labour force, which might have been adversely affecting their overall functioning and operation system of the enterprises. Short supply of skilled labour force has been noted as the major problem by a majority of enterprises. Even, the entrepreneurs in focus groups reported that there is abundance in the supply of managerial technical labour force but they lack in the supply of bottom level of technical labour force for primary production. Enterprises facing such problem were as high as 95 percent, which were engaged in computer & related activities, followed by 89 percent in textiles. Rising wages of unskilled, non-managerial unskilled labour force have reported as the second-most problem mainly in the textile sector and computer & related activities. Problem related to lacking in the supply of unskilled labour force was cited mainly by the units like manufacturing food & beverages products and textile products.

Inadequacy in the supply of power has been a serious problem emerging in all over the state. Manufacturing sector is the main sufferer of power crisis. Among the five top ranking infrastructure problems, the problem of power has been on the highest rank. Proportion of such enterprises accounted for 96 percent among the units of chemical products, followed by 86 percent of food and related products. Lacking in adequate

finances and capital was the second-most problem. Such enterprises were 93 percent in computer and related activities, followed by 82 percent each in textiles and wearing apparels.

In terms of political problems, instability of the Government and domination of high level of corruption among the political personality and the Government employees, existence of multi-taxation system has been indicated as the major problems for the growth of non-farm enterprises in the State. A large number of enterprises mainly involved in manufacturing of textiles and chemical products reported the existing high level of corruption in the state as a serious problem for this sector. Other major political problems faced by the enterprises were in the matters of changing Government policies in relation to the sector of their enterprises and time taken in the Government administration on various issues related to the concerns of their enterprises.

In matters of future investment perspectives in this sector, 3.27 percent enterprises were expected to carry out additional investment through one or the other way. The striking features are that, none of the larger sized enterprises was planning in this regard, while only 17 small enterprises as against one medium sized enterprise was planning for additional investment. However, 30 percent of the construction activities were planning for undertaking additional investment in their sector. However, undertaking additional investment in its expansion will depend on the availability of required skilled labour, finances and capital, physical infrastructure, assistance from the Government to be introduced as policies and the pattern of prevailing taxation in the future.

The future prospect of this sector in different matters in the next five years seems to be quite positive. Since, majority of entrepreneurs had the perceptions that employment of skilled labour will increase. The responses of an overwhelming majority of entrepreneurs of manufacturing were also that there will be at least some increase in domestic competition, demand from domestic consumers for industrial goods, employment in general and the number of units in their sector. Construction enterprises were expecting a larger increase in the domestic competition in this sector. Even then, they were expecting that the number of units in this sector will increase. Also, a very high proportion of wholesale and retail trade sector enterprises expected an increase in employment of skilled labour and the demand for their goods from domestic consumers and domestic competition.

An assessment into the future expectations of different sectors, according to the size category of enterprises, revealed that there is a very high possibility in larger or the small increase in general employment trends in all the three size categories of enterprises in the future. Even the expectations of a very remarkable proportion of 98 percent and 96 percent small enterprises were that there will be small or larger increase in domestic competition and demand of goods from domestic consumers.

In terms of the employment perspective in the future, the entrepreneurs forwarded a variety of factors which will determine the growth of employment in their sector in the near future. The perceptions of a larger number of entrepreneurs were that, an increase in employment will depend on the condition of imposing different taxes, especially VAT on this sector, while two-thirds of entrepreneurs had the perceptions that employment might decrease due to modernization taking place in their sector and similar proportion of entrepreneurs felt that the increase of employment will depend on the reforms in power sector. Intra-unit competition, access to the supply of raw materials, measures to be initiated for attracting young generation towards adopting this sector, promotion of small industries and handicraft industry and access to the facility of easy loan, were cited as other important determinants for the growth of employment in this sector.

It would be necessary to review and reduce the burden of taxes like entry tax, VAT, high excise duties, service taxes and commercial taxes in the context of motivating entrepreneurs for undertaking planning expansion in their enterprises, thereby, enhancing the possibility of increasing employment. The industry products of an area are not taken into account while classifying the products for taxes and this requires an urgent rationalization in the state. Similarly, the power infrastructure requires the most attention to encourage the investment and industry growth for the state. For the industrial areas, the municipality of urban development authorities must mandatorily provide and maintain industry effluence treatment. With respect to the maintenance of pollution norms, the entrepreneurs opined that indecision on the part of courts and the state government is continuously affecting the industry. The introduction of GST and single window system for payment of various taxes in the line of rationalization of excise duties will reduce the harassment of the entrepreneurs immensely. One important point that came up during the deliberations in focus group discussions is that, the entrepreneurs who export their products in the sectors chosen for our survey expressed uneasiness in the orders receiving from the other countries which require compulsory annual insurance of contract labourers for the whole transaction. This is in compliance with international norms of contract labour but the members wanted the state and Central Government to intervene and do away with it.

VII. Suggestions for Policy Recommendations: It has been well recognised that employment in different manufacturing and non-manufacturing sectors has been consistently on the increase but its increasing pace and trend has been slowed down during the recent past, especially after 2005. The entrepreneurs of different sample enterprises had complaints regarding various problems prohibiting the proper operation of their enterprises which directly or indirectly adversely affecting the growth pattern of employment. Based on the findings of the present study, as presented in different chapters and FGD held with different stakeholders, the following suggestions may be recommended for achieving the increasing growth in different sectors and employment in the present as well as in the future:

- The State Government should introduce policies for providing subsidised financial incentives in the form of capital subsidy cum loan at the starting of the units, especially in the industrially backward districts.
- Introduction of schemes such as entrepreneurship training and apprenticeship for IIT diploma holders seems to be necessary for improving the capacity building for both the young generation willing to start unit and skilled labourers.
- The transportation subsidy on procurement of raw materials from different destination should be introduced for minimising the cost of production.
- The provision of social security for all the categories of workers at enterprise level should be made mandatory to attract rural-urban migration.
- There is a need for skill development programme for un-skilled labour from the labour department to increase the supply of skilled labour force.
- Retirement benefits scheme for workers can control the movement of workers from one to the other units as they leave their parent unit after acquiring basic skills and training.
- Free hand should be given to the units to remove nuisance creating workers in the unit.
- Vocational training courses in the form of apprentice scheme for skill formation among the students of ITI should be imparted through large units.
- New industrial estates should be developed by allotting land to new entrepreneurs on priority basis.
- Labour laws should be withdrawn on matters of removing non-productive and problem-creating labourers.
- Transparency among units, in employing labourers and its declaration to the government should be made mandatory.
- Pension scheme for traders against tax given to government should be introduced.
- There is a need to improve law and order situation in the industrial areas.
- In failure, sickness of units the government should provide its claim out of assets available/remained with the unit to the owners.

- A part of Value Added Tax paid by enterprises should be refunded to the units as incentives for making expansion in the unit.
- Exemption on VET on line of the old scheme as sales tax refund loan should be introduced by the state government.
- Multiple formalities of banks in extending loan should be reduced.
- Technology upgradation in certain matters of production processes which cannot reduce employment is required to make products more competitive.
- Product-specific industrial clusters should be promoted through providing various infrastructural facilities and developing market linkages.

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