

LABOUR IN SMALL-SCALE INDUSTRIES*

By

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The terms of reference of the National Commission on Labour appointed by the Government of India are wide enough to cover large sections of labour in the unorganised sector which embraces a vast segment of our economy. The present state of knowledge about this sector is neither complete nor can reliance be placed on such information as is available. This article analyses different aspects of his inquiry as far as they relate to the small-scale sector.

The National Commission on Labour was appointed in December 1966. One of its tasks is "to study and report in particular on measures for improving the conditions of rural labour and other categories of unorganised labour." "For the purposes of the Commission's work the term 'labour' will include in addition to rural labour all employees covered by the Industrial Disputes Act of 1947." The Industrial Disputes Act defines employee/workman as "any person (including an apprentice) employed in any industry to do any skilled or unskilled, manual, supervisory, technical or clerical work for hire or reward, whether the terms of employment be expressed or implied." It would be seen, therefore, that the terms of reference of the Commission though restricted by reference to Industrial Disputes Act, 1947, are wide enough to cover large sections of labour in the unorganised sector. In what follows, the task before the Commission in regard to employees in an important constituent of this sector is outlined together with an account of how the Commission proposes to complete the task.

The Unorganised Sector

The unorganised sector embraces a vast segment of our economy; in fact it could be defined as the total economic activity in the country minus that covered by the organised group, which will only include large-scale industry, organised transport, commerce, communications, banking, insurance, some areas of public service and the like. Apart from agriculture and allied activities, the unorganised sector would, therefore, include small-scale and rural industries, handicrafts, unorganised construction, transport, trading and marketing activities in rural areas. Both in terms of its contribution to employment and the national income, it is a major partner in the Indian economy. Important among the characteristics of this sector are: (i) the type and nature of organisation, and (ii) the techniques employed. Both these will influence the attitude of labour and its employe.

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employers, and in the process pose questions which the Commission will have to study.

To set a further limit to the area to be covered, it should be noted that a predominant section of workers engaged in the unorganised sector consists of self-employed persons. They work on a proprietary basis with or without assistance from members of their family. The cooperative form of organisation which extends to areas of small-scale industries and, in some cases, to industries for processing farm products for which the major raw material is supplied by the members of the cooperative is a more recent development. Barring cases where work relationship is on a family basis, labour management problems may arise and may require a thought in terms of the peaceful settlement of such relations. Among the unorganised activities of the economy, rural industries, handicrafts, rural transport, trading, marketing, etc., will predominantly fall into the self-employed category leaving for consideration the problem of small-scale industry.

Level of Technology

The level of technology is another factor which comes into play in a discussion of labour problems in this sector. The small-scale industry as currently defined merely on the basis of capital employed or workers engaged will not provide complete guidance for comprehending the problems involved in making recommendations. It may happen that taking one basis namely, employment, some sections of the organised sector will employ a smaller number of workers than some which are now classified as unorganised and will be covered under this sector by the employment criterion. By taking the other criterion of capital employed, problems like the date when the capital was invested may have to be settled for defining the character of a unit. However, for all practical purposes, in the absence of any better criterion for distinguishing between the scales, the unorganised sector of industry, according to the Commission, will comprise small-scale units which fall within the purview of the activities of the Development Commission of small-scale industries.

Phenomenal Growth

There has been a phenomenal growth of small-scale industries in the last decade. Taking the whole gamut of small industries in India, the role played by each section of it is conspicuous in its own way. In 1960, some 92 per cent of the registered factories in India with 38 per cent of their total employment were small-scale factories (those with capital of less than Rs.5 lakhs). In addition, small unregistered manufacturing units are estimated to have more employees than those engaged in all factories, both large and small but registered under the Factories Act, 1948. The 36,400 small factories registered under the Factories Act (having fixed capital of less than Rs. 5 lakhs) in 1960 employed over 13,30,000 persons and accounted for 17 per cent of fixed capital of all registered factories and produced 33 per cent of their gross output and 25 per cent of their value added by manufacture or net output. Besides the numerous units registered

with the various state directorates of industries, there are many unregistered small-scale units in the country which are manufacturing a variety of products and are substantially contributing to the industrial production of the country. They work on their own or, in many cases, as ancillaries to large-scale manufacturing establishments. While the latest data are not available, it is possible to guess that in terms of economic activity the current position of this sector may be even more impressive.

In terms of the perspective, the indications are that while developments in the large-scale sector will continue, small-scale units will also have their share of development. This is because the circumstances under which small industries had to be encouraged during the last decade will continue to operate in the years to come, possibly with greater force. Employment situation which was causing anxiety when the second plan was being framed, will continue to be watched even more carefully in future because of substantial additions to the labour force, from year to year, and the difficulties experienced by the economy in providing employment opportunities at least to an equivalent of new entrants to the labour force. Small-scale sector is reported to have shown resilience in recent years in the midst of difficulties which are well known. The confidence shown in their development as a decentralized sector and as one of the props which will provide regional balance in development does not seem to be misplaced. But how has all this affected labour?

By their very nature, small industries are expected to have a comparatively easy problem of labour management. The closer contact with the employer—very often the employer himself works with his employees on the shop floor—should help employees to understand management problems better. Psychologically workers in small enterprises are relatively free from the complexities of mechanised processes and routine operations connected with them. This freedom is expected to lead to better job satisfaction. There can even be a feeling in a small enterprise worker that his contribution counts: he is in a position to see that he contributes much better than the worker with a highly mechanised process where the workers contribution can only be the tightening of some screw which, in the final product, is invisible or watching dials in an automated process. But this mental satisfaction is not something which will answer fully his basic requirements, particularly, in a situation where he finds himself in a situation of rising prices and his reserves to meet such situations will always remain inadequate. Also, in terms of welfare facilities, which his colleagues working in larger establishments may get, he feels himself deprived merely because of the size of operation his employer has embarked upon. However, in terms of total satisfaction, the debate will always continue because of the subjective element involved in judging satisfaction.

Area of Darkness

As pointed out earlier it would not be safe to assume that all small enterprises could be treated alike; conditions and practices relating to employees will not be uniform. There can be differences according to the nature of production, type of organisation and the like. Labour conditions will be different, for instance, in a unit which will send its product for competition in a market as compared to another which manufactures ancillaries to a bigger firm. Cooperatives will face a different labour problem as compared to a proprietary form of organisation and so on. Nor will they be amenable to generalisation. There may be areas where advantages of labour organisations have reached some workers in the unorganised sector; there may be others where, because of their location, organisation of workers has not been possible. About conditions of service and the employer's attitude, the present state of knowledge is neither complete nor could reliance be placed on such information as may be available. Attempts made within the government to collect information on more vital aspects of small industries have not yielded results. So far as one can judge, the area of darkness which surrounds labour problems is much more extensive in the case of small industries than in the more organised sectors of employment.

Protection

In certain areas workers engaged in small-scale production have, more or less, the same protection as is available to the more organised groups of labour. In others, the former suffer in relation to the latter. Even where protection is available, in view of the large number of small-scale units, the machinery provided by government to inspect whether what is given by law is available to workers in practice, necessarily inadequate. Thus, partly because a major portion of small establishments does not fall within the purview of the Act itself-and in the remaining there is ineffective implementation-workers have a double disadvantage. The protection offered by the labour organisations does not reach them, nor does that available through the inspectorate. This situation requires to be realised by both parties in so far as the small units are concerned.

Limited Scope

With the terms of the National Commission on Labour, as drawn up, it would be unrealistic to expect that it would be able to draw up a complete framework for settling labour problems in every sector of employment. It will certainly lay down certain general principles on the basis of past experience and future development. The Commission will assess, for instance, what changes have taken place in the conditions of labour since Independence and to report on the existing conditions in most of the major areas of large-scale industries. A fair volume of information on the subject is available for analysis which will provide a basis to the Commission for posing further questions to witnesses who appear before it for tendering oral evidence. In the absence of similar data for small industries, the Commission recognises that even to prepare a ground for further analysis

will be difficult. By another term of reference the Commission is required to review the existing legislative and other provisions intended to protect the interests of labour. Here, perhaps, the task will be somewhat simpler because, except in certain matters, as stated earlier, the benefits of labour legislation have not reached the small-scale units. In this area of its enquiry, the Commission will project its thinking into the future and see whether and in what form the essence of protection afforded by the present legal framework could be reached to the hitherto unprotected groups.

By its next term of enquiry the Commission will be required to study and report on the levels of workers' earnings, the provisions relating to wages, the need for having minimum wage, including the national minimum, etc. Most of the enquiries undertaken about the levels of living, the standard of living and health, housing, etc., have followed the method of sampling from among workers by their income groups and not on the basis of the source from which such income is derived. This information will be areawise. But in choosing these areas, preference has been given for those where concentrations of the more organised type of industry have developed. The Commission may thus have to find a way of drawing conclusions for workers in small industries which perhaps will hold good for a mixed group of workers. In saying this the Commission will not rule out the utilisation of such data as are available for small industries but collected in recent years.

Industrial Relations

The Commission has to assess the state of industrial relations with reference to the small scale sector. As explained earlier, employer-employee relationship may not have been formalised with reference to such workers. Where it is, the information on yardsticks by which we are accustomed to assess the state of industrial relations does not appear to exist. This is something where it may be difficult for the Commission to offer comments. Its assessment will be based on reports collected by central and state governments regarding industrial unrest for collecting which less attention has been paid to unorganised groups of industries. Since the overall assessment is difficult, much less will it be possible to classify the volume of industrial unrest by causes. The emphasis again in this area of the Commission's enquiry will be to find out whether there could be any guidelines which it should follow in future for improving the total performance of such units on the assumption that this performance will depend on a closer cooperation within each unit.

Apart from legislation, good deal of informal acceptance of obligations exists on both sides for improving upon the human element in an industrial unit. The code of discipline, the industrial truce resolution and many other arrangements voluntarily entered into by the parties have to be assessed with reference to their

performance over the last few years. This, again, will be with reference to those units where there is a mutual acceptance of such arrangements. In small units it may be difficult to find formal arrangements for ratifying the code or industrial trade resolution but even without these formalities, human relations could be in better shape. There may, therefore, be scope for understanding more about how smaller units operate on a more personal level and whether their experience is such as could be transmitted to larger ones.

A special characteristic of development of small industries in recent years is the emergence of a large number of small entrepreneurs. Not long ago, they were working as turners, fitters or moulders in bigger concerns. Because of their hard work, sense of discipline and enterprise, and the manner in which they got on with their colleagues on the one hand and the employer on the other, they have been able to set up their own shops. The fact that many of them have been able to prosper in spite of difficulties shows that they have inspired confidence in those whom they employ. Maybe, they have higher expectations from workers because of their own rise to positions of importance in the country's economy; maybe these are not fulfilled and irritations come to the surface in their pleadings before the Commission. These will have to be probed into for establishing healthy relations in the future.

Response

How does the Commission propose to tackle the problem of drawing conclusions about labour engaged in small-scale industries and make recommendations for the future? At the outset it requires to be stated that there is, in this sector, a danger that, because of the inadequate notice taken by the small industrial units of the work of the Commission and also because of the paucity of organisations both on the employers' and workers' side in such units, it would be unrealistic for the Commission to expect adequate number of representations reaching it from either side. At the same time since the Commission is expected to attempt a critical and objective assessment of prevailing conditions and practices, it hopes that such of the leaders of small-scale industry who will appear before it will provide a fairly accurate diagnosis of the problem and indicate a suitable line of treatment. Irrespective of the availability of statistics over a period and also irrespective of the poor state of knowledge in this area, informed judgment of knowledgeable persons will help to come to impartial conclusions.

With regard to various subjects which the Commission will be covering and also different industries, the Commission has set up subjectwise and industrywise study groups. Here also it is apprehended that the situation obtaining in comparatively larger units will dominate in coming to conclusions. Small units, therefore, according to the Commission, will require a separate treatment though it is realised that there will be differences even in small units according to their line of manufacture. Units

engaged in consumer goods will have a different set of problems as compared to those which produce components for bigger units.** The Commission has decided, therefore, to prepare an analysis of the material available from the studies undertaken by the Development Commissioner for small industries, Government of India, together with the area studies organised under the auspices of the research programmes committee of the Planning Commission. These studies when supplemented by information for the lower income groups in industrial areas from the levels of living surveys undertaken by the Labour Bureau, Simla, as also surveys available for areas known for small industry may provide a framework of problems which the Commission may have to grapple with.

Seminar

In some important areas like powerlooms, bidi manufacture and small engineering units, it is proposed to invite experts to prepare documentation for consideration in the Commission. With the help of all this information it will be possible for the Commission to organise some time next year a seminar of interests concerned with small industry at which the main areas of the Commission's enquiry with reference to this sector will be discussed. In view of the fact that any scientific enquiry to be undertaken about labour conditions in small industries will not yield results for a very long time and also since the Commission expects to finish its work by the end of 1968, the procedure suggested above appears to be the next best.

All this does not minimise the responsibility which belongs to such loose organisations of employers as exist in small industries and also of labour leaders who champion the cause not of workers belonging to a particular unit but who have a hold over workers in a mixed area of small and big units. The Commission will be able to frame suitable recommendations only to the extent of fruitful cooperation between it and those who have faith in the development of small-scale industries its long-term interest at heart.

**The problem of ancillary units set up by large establishments will, again, be different.
