EMPLOYMENT, PRODUCTION AND WORKING CONDITIONS IN MSMES AFTER ECONOMIC REFORMS: INDIA AND GUJARAT

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This paper examines the performance of Indian Micro Small and Medium Enterprises (MSMEs) with respect to employment, production and working conditions after the economic reforms i.e. after 1991. For examining the growth trends concerning the employment and production, time series data from 1990-91 to 2012-13 was taken from Handbook of Statistics on Indian Economy published by RBI. Gujarat being an entrepreneurial hub, the primary data was collected through field survey and in-depth interviews with the employers and employees of the Small Scale Engineering Industries (SSEIs) of Gujarat during May-June 2013-14. In India, MSME sector is largely dominated by micro enterprises which accounts for most of the employment. It is interesting to note here that these enterprises prefer to remain small by under-reporting employment numbers (less than ten workers) to escape various statutory requirements. It is observed that in these enterprises, the attrition rate among workers is very high and the scope of training and social protection provided to these workers is little. Moreover, the work environment and working conditions are poor and unorganized and the amount of investment in skill development and quality improvement of workers is insignificant. These are concerning issues which are to some extent responsible for slow growth in employment, production and productivity of MSMEs in India. The paper concludes with policy measures which would help in improving the employment, production and working conditions in MSMEs.

INTRODUCTION

The Micro Small and Medium Enterprise (MSME) sector of India is largely dominated by micro and small enterprises most of which are part of the unorganized sector. The work environment and working conditions in these enterprises are poor and unorganized. According to the World Development Report 2013, in the developing countries, most people are employed in micro-enterprises which employs less than ten workers. It is also observed that to escape various regulations or statutory requirements, such enterprises prefer to remain small by under-reporting employment numbers. There is fast increase in the proportion of informal workers working in an easy to hire and fire mode and without any social security provisions.

Nagraj (1994) in his study pointed out that the low employment per enterprises partly reflects the increasing use of outsourcing in the emerging Indian economy. The scope of training and investment in skill development of these workers is inadequate due to which skill, quality and productivity of workers remain poor. In this background, this paper aims to explore the issues concerning the employment, production and working conditions in Small Scale Engineering Industries (SSEIs) of Gujarat and to look at it against the national backdrop.

METHODOLOGY

The study is based on primary as well as secondary data. In order to identify the issues related to nature of employment and problems of employees, the primary data was collected through field survey and in-depth interviews with 60 employers and 266 employees of SSEIs of Gujarat during May-June 2013-14. A separate questionnaire was designed for employers and employees of SSEIs

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of Gujarat. The secondary data (time series from 1990-91 to 2012-13) was taken from the Annual Reports of MSMEs and Handbook of Statistics on Indian Economy published by Reserve Bank of India (RBI). For the meaningful analysis and presentation of primary data, descriptive statistics has been used.

Definition of MSME

Recognizing the contribution and potential of the SSI sector, the definitions and coverage were broadened significantly under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 which recognized the concept of "enterprise" to include both manufacturing[1] and services[2] enterprises besides, defining the medium enterprises. Till, 2006, the medium and service sector enterprises were not defined.

As per MSME Act 2006, the ceiling on investment in plant and machinery for manufacturing enterprises is up to ₹ 25 lakh in Micro, between ₹ 25 lakh to ₹ 5 crore in Small and between ₹ 5 crore to ₹ 10 crore in Medium enterprises. While the ceiling on investment in equipment for service enterprises is up to ₹ 10 lakh in Micro, between ₹ 10 lakh to ₹ 2 crore in Small and between ₹ 2 crore to ₹ 5 crore in Medium enterprises.

In the Budget 2014-15, number of proposals for the development and promotion of the MSME sector were announced along with the review of definition. As per the draft MSME Development (Amendment) Bill, 2014, the proposed investment ceiling in plant and machinery for manufacturing enterprises is up to ₹ 50 lakh in Micro, between ₹ 50 lakh to ₹ 10 crore in Small and between ₹ 10 crore to ₹ 30 crore in Medium enterprises. While the ceiling on investment in equipment for service enterprises is up to ₹ 20 lakh in Micro, between ₹ 20 lakh to ₹ 5 crore in Small and between ₹ 5 crore to ₹ 15 crore in Medium enterprises. Thus, the proposed investment ceiling in micro and small enterprises has doubled compared to 2006 while in case of medium enterprises the proposed investment ceiling has tripled because of the significant increase in the price index and cost of inputs.

EMPLOYMENT AND PRODUCTION: POST-REFORM NATIONAL TRENDS

In India, it was expected that trade liberalization would encourage economic activity by increasing production and employment however it led to increase in foreign competition which in turn prompted closer of the less competitive firms and job loss thereby. Thus, in the initial phase, there was decrease in income however, in the long run it was expected that both production and employment would increase along with the growth in the economic activities.

Available evidence from the 1990s showed significant reduction in employment in organized manufacturing sector and rise in the employment in unorganized/informal sector activities due to change in government policies and technological up-gradation. The employment in organized manufacturing sector reduced at the rate of about 1.5 per cent per annum during 1995 to 2003. The scenario changed during 2003-04 to 2008-09 as there was an increase in the employment at the rate of 7.5 per cent per annum (Goldar 2011) however, the quality of employment deteriorated

[1] *The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule of the Industries (Development and Regulation) Act, 1951. The Manufacturing Enterprise is defined in terms of investment in Plant & Machinery.*

[2] *The enterprises engaged in providing or rendering of services are defined in terms of investment in equipment.*

because the share of casual labour in aggregate increased continuously thereafter (NSSO 66th round).

A study by Sen et. al. (2006) found deterioration in the quality of employment during the 1990s as the ratio of casual workers to total number of workers had gone up in most of the organized manufacturing sectors at the three-digit level. Also, in regular work, there was an increase in the number of temporary workers and decrease in the strength of permanent workers.

Ghosh (1994) found rising labour cost to be an important factor behind the slowdown in employment growth, he did not find evidence regarding employment security having adverse impact on employment growth. Papola (1994) found that increase in real wages was generally accompanied by a still higher increase in productivity across the industry groups, resulting in lower employment and unit cost across industry groups.

Rao (1998) opined that after the economic reforms, there was adverse impact on employment due to displacement of rural industries, shut down of inefficient enterprises and rise in capital intensity in the industrial and services sector.

Nambiar et. al. (1999) in their study concluded that trade has shrunk India's manufacturing base both in terms of value addition and employment. Though the calculations for the mid-1990s showed accelerated growth in general, the study was very critical about the reform process.

The studies by Dharmarajan (2010) and Ahsan and Pages (2008) for the organized manufacturing sector found the absence of labour flexibility as the main reason for the growth of informal employment in India. Both employers and neo-classical economists regarded rigidities in labour market as one of the reasons for increase in contract and casual labour.

The increase in employment growth during first half of the 2000s, i.e., 1999-2000 to 2004-05, was caused by the growth of export oriented industries like garments, textiles, leather and diamond cutting. However, during the second half of the 2000s, i.e., during 2004-05 to 2009-10, employment growth in export oriented industries suffered a sharp decline due to global recession. Thus, the worldwide economic slowdown since 2008-09 dealt a heavy blow to India's manufacturing units, specifically those catered to the export markets (Thomas 2009, 2011).

A study by Goswami (2014), suggested that to increase employment, we must focus on creating jobs with growth by increasing manufacturing sector's share in GDP from 15 per cent to 25 per cent by 2025. To achieve this goal, the principal goal of creating 100 million additional jobs must be achieved in the manufacturing sector by 2025.

It is observed that shortage of electricity, fluctuations in exchange rate and volatility in prices of raw material (such as steel and cotton) are the major hindrance to India's industrial growth while inadequate infrastructure, lack of innovation and high cost of raw material are the main reasons behind slow growth of SSIs. It is possible to boost the growth of manufacturing sector by concentrating on these issues.

EMPLOYMENT AND PRODUCTION IN MSMES: INDIA AND GUJARAT

Being predominantly micro in size, MSME sector is at the 'bottom of the pyramid'. There are large number of unregistered enterprises in India. The reason behind dominance of micro enterprises (both registered and unregistered) seems to be voluntary because that way employers can avoid regulations and taxes by manipulating their book of account.

A study by Ahluwalia (2000) regarding economic performance of states in post reforms period during 1991-98, found that in terms of economic growth, Gujarat was the best performing state among all other states. The encouragement given to the secondary sector activities in Gujarat was more as compared to the primary and tertiary sectors. Moreover, Gujarat is well connected to other states and has access to highly skilled technical and professional manpower and physical infrastructure like ports, airports and means of communications from the other states.

Dholakia & Dholakia (1994) were of the opinion that irrespective of the political party in power, Gujarat has followed "an open door" policy with regard to the factor mobility, particularly inside and outside the state. As far as possible, the Gujarat government provides the most conducive environment to promote business and industry in the state. Thus, in the wake of liberalization and policy reforms at the central level, Gujarat did not have to make any major shift in its basic strategy.

A study by Unni, Lalitha and Rani (2004) analyzed the trends in the growth and efficiency in the utilization of resources in the Indian manufacturing industry before and after the introduction of economic reforms. A comparative analysis of all India with Gujarat, stated that both the organized and unorganized sectors in Gujarat were performing better than the all-India average in terms of growth of value added. Growth in the manufacturing sector in Gujarat was also higher than all-India average after the reforms were implemented. The policy of physical infrastructure development was the main reason for the better growth of manufacturing sector in Gujarat. Table: I provides information about the number of enterprises, employment and production in registered and unregistered MSMEs in India and Gujarat.

Table 1

Total Number of Enterprises, Employment and production in MSMEs

Sr.No.	Description	India	Gujarat
1.	Total no. of enterprises (Reg. & UR.)* (In Lakh)	261.01 (100%)	10.97 (4.20%)
2.	No. of Reg. enterprises (In Lakh)	15.53 (5.95%)	2.30 (14.70%)
3.	No. of UR. Enterprises (In Lakh)	245.48 (94.05%)	8.67 (3.53%)
4.	Total no. of people employed (Reg. & UR.) In Lakh	594.61 (100%)	30.61 (5.15%)
5.	No. of people employed in Reg. ent. (In Lakh)	92.04 (15.48%)	12.45 (13.37%)
6.	No. of people employed in UR. ent. (In Lakh)	502.57 (84.52%)	18.16 (3.61%)
7.	Average employment in Reg. & UR. enterprises	2.28 persons	2.78 persons
8.	Average employment in Reg. enterprises	5.93 persons	5.42 persons
9.	Average employment in UR. Enterprises	2.06 persons	2.09 persons
10.	Total Gross Output in Reg. and UR enterprise (₹ Crore)	709468 (Reg.) 369702.59(UR.)	38452 (Reg.) 16868.47(UR)
11.	Per unit Gross Output in Registered and Unregistered enterprise (₹ Lakh)	45.69 (Reg.) 1.86 (UR.)	16.73 (Reg.) 1.95 (UR.)

Source: MSME 4th All India Census 2006-07, *Reg. is Registered and *UR is Unregistered

As shown in the Table I, on an average 6 workers were employed in registered enterprises as compared to 2 workers in unregistered enterprises. The average employment in registered enterprises is three times larger than the unregistered enterprises because of the fact that the

unregistered enterprises have greater number of casual workers who might not show up on the pay rolls. There is wide difference in per unit gross output in registered and unregistered enterprises both in India and Gujarat. In case of unregistered enterprises, the gross output per unit is almost similar in India and Gujarat.

The growth of MSMEs in terms of employment generation has been impressive. Such enterprises can be set up in any region of the country by different classes of workers. Development of such enterprises in backward areas helps in the creation of employment for a large workforce and balanced regional development of the economy. The government of India has announced various schemes and also set up 100 growth centers throughout the country for attracting industries in backward districts where number of industries are less. Setting up small enterprises in the backward areas serves as a platform to large number of young people mainly illiterate and unskilled, who have just entered the labour force and searching for job. It also attracts a large number of migrant workers in labour deficit areas.

The study based on ASI data by Prof. Hirway (2011, 2014) on Gujarat industrial sector indicates that the employment generated per crore of capital investment and employment generated per crore of output has consistently fallen during 1998-2008. In the factory sector, fixed capital investment grew by 7.7 per cent annually and the total invested capital grew by 9.1 per cent, while the number of workers increased only by 2.8 per cent during 1998-2008. This implies that most of the people shifting from agriculture sector do not find employment in the organized industrial sector due to which they seek employment in the unorganized sector. Thus, the organized sector of the industry has failed to generate higher employment in Gujarat. While, in case of unorganized sector, there is absence of unionization and enforcement of minimum labour standards due to which this sector is inevitably caught in the conundrum of low productivity and low wage equilibrium. This in turn has led to poor socio-economic conditions of informal workers. Therefore, employers must think about promoting the welfare of such workers in order to attract and retain them in their enterprise. Moreover, such units are gradually shifting to capital intensive method of production and use of skilled workers in order to tackle the shortage of labour problems.

EMPLOYMENT RETENTION: A MAJOR CONCERN

With the increasing amount of attrition rate among workers in MSMEs, it is important to think about the strategies which helps in employment retentions along with employment creation. However, retaining the trained workers and getting the new one is very difficult in the unregistered enterprises. Such enterprises play critical role in employment creation however the wage rate of workers and standard of living have not increased substantially as compared to increase in the cost of living. Table 2 gives information about the performance of Indian MSMEs since 1990-1991with respect to growth in employment and production. It is observed from the Table 2 that growth in employment has remained steady at around 4 per cent except for 2006-07 (during which it was highest at 173.04 per cent) due to change in the investment ceiling. The coverage of MSME was also broadened significantly under MSME Development Act, 2006 which recognized the concept of “enterprise” to include both manufacturing and services sector besides, defining the medium enterprises. Employment per unit has declined slightly from 2.33 persons per unit in 1991 to 2.27 persons per unit which indicates that the size of enterprise has remained small or

unchanged and majority of the employment has created in the unorganised micro enterprises only. Such enterprises tend to stay small without displaying much variation in employment over their life cycle in order to escape labour regulations and also due to fear of losing incentives that are exclusively enjoyed by them.Growth in production per unit was highest at 47.11 percent in 2001-02 due to economic boom while it was lowest at -0.32 in 2008-09 due to the global recession. During the first phase of 2000s i.e. during 1999-00 to 2005-06, the average growth in production per unit remained highest at 11.33 per cent. This shows that despite slow growth in employment during this time period, the growth in average labour productivity remained highest due to increase in the growth of capital productivity. Production per unit started rising faster in the in the first phase of 2000s due to economic boom experienced by the Indian economy and rise in the productivity of capital and labour while it reduced in 2008-2009 due to global financial crises. The production per employee has increased at a very slow pace after the reforms which indicates poor quality and skill of workers. There is high labour attrition rate and lack of training among workers.

Table 2

Performance of MSMEs since Economic Reforms

Year	Growth In Employment (%)	Employment per unit	Production per unit At Const. Prices (₹ Million)	Growth in production per unit (%)	Production Per Employee (₹ Million)
1990-91		2.33	0.124784		0.054
1991-92	4.86	2.35	0.123732	-0.84	0.053
1992-93	5.30	2.38	0.125505	1.43	0.053
1993-94	4.46	2.39	0.129145	2.90	0.054
1994-95	4.82	2.40	0.136651	5.81	0.057
1995-96	3.40	2.39	0.146347	7.10	0.061
1996-97	4.04	2.39	0.156487	6.93	0.066
1997-98	3.55	2.38	0.163058	4.20	0.069
1998-99	3.47	2.36	0.168656	3.43	0.071
1999-00	3.85	2.36	0.175287	3.93	0.074
2000-01	5.15	2.38	0.182395	4.06	0.077
2001-02	3.49	2.37	0.268317	47.11	0.113
2002-03	4.37	2.38	0.280156	4.41	0.118
2003-04	4.30	2.38	0.295039	5.31	0.124
2004-05	4.13	2.38	0.31445	6.58	0.132
2005-06	4.35	2.39	0.339452	7.95	0.142
2006-07	173.04	2.23	0.331348	-2.39	0.149
2007-08	4.57	2.23	0.350546	5.79	0.157
2008-09	4.61	2.24	0.349428	-0.32	0.156
2009-10	4.65	2.24	0.036231	3.69	0.161
2010-11	4.71	2.31	0.39541	9.13	0.172
2011-12	4.83	2.26	0.400001	1.16	0.177
2012-13	4.91	2.27		N.A.	N.A.

Source: Author's Calculation based on data from http://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications, Ministry of Micro, Small and Medium Enterprises, Government of India. Annual Reports MSMEs. *Data for 2006-07 onwards are projected. The data for the period up to 2005-06 is Small Scale Industries (SSI). Subsequent to 2005-06, data with reference to Micro, Small and Medium Enterprises are being compiled.*

For the fast growth of MSME, efforts should be made in making labour more efficient by improving wage rate, infrastructure, finance and technology. Moreover, innovation is required in the field of management, marketing and product diversification by forming strategic alliance with entrepreneurs of neighbouring countries.

EMPIRICAL ANALYSIS

The firms in the sample survey were SSEIs based in Gujarat employing less than ten labourers. It was observed during the survey that these enterprises were deprived of trained, efficient and sincere manpower due to which firm's capacity was underutilized.

RESULTS AND FINDINGS FROM THE SURVEY

The opinion of employers and employees regarding the employment, production and working conditions in SSEIs of Gujarat after the economic reforms have been presented in this section.

Greater Demand for Skilled Labour Compared to Supply

Economic reforms have generated stiff competition in the product market. Therefore, small entrepreneurs have devised different strategies and administrative approaches to minimize costs in order to survive in the competitive business. The enterprises prefer to employ skilled and trained workers. Over 83 per cent of the employers stated that the demand for skilled labourer has increased due to up gradation of technology and to produce better quality of products. 50 per cent stated that employment of casual and contract workers has increased in order to maintain the supply of products and to raise production if there is any increase in the demand in the short time period.

It is also observed that the shortage of skilled labour was greater as compared to unskilled labour. The actual availability of skilled labour was 46 per cent less than the required one while, in case of unskilled labour, the gap between available and required was 36 per cent. However, total labour gap (both skilled and unskilled) was 41 per cent. In the global market also the supply of highly skilled workers is not matching with the demand. As per the McKinsey Global Institute, there will be shortage of more than 40 million high-skill workers by 2020.

Decrease in the Demand of Permanent Labour

85 per cent respondent employers stated that that due to very stringent labour laws, the demand for permanent labour has declined after the economic reforms. Also, the sincerity and quality of labour has deteriorated which has adversely affected productivity. However, to tackle these problems, the employers hire only competent workers on permanent basis. Further, in the absence of required skilled workers, the firm will operate below capacity due to which cost of production increases and profit margin decreases.

Increase in Overall Employment Rate

Nearly, 77 per cent of the employers believed that after economic reforms, employment in SSEIs has increased. The reasons behind increase in employment were: Expansion and growth of the MSMEs; Changes in the business environment; Increase in the incentives given to workers; Increase in the production due to increase in the market demand and income level; Increase in contract labour and outsourcing; and, Increase in the investment in improved technology due to which the quality of products has improved leading to growth in the demand for SSEIs products.

Increase in Cost of Labour

About 90 per cent of the employers stated that there was increase in the total cost for imparting training to regular workers after reforms. The reasons were: Labour playing a key role in the expansion of business; New technology necessitates training of workers for increase in skills and performance on machines; Wages and allowances have increased to attract more labourers; To retain skilled and trained labour, employers give credit and loan facilities to the permanent workers. Productivity of labour has also increased the wages of workers and Labourers demands more facilities which are provided by their competitors. Because of the engagement in multiple activities the commitment level of workers in primary activity was very low. They often remain absent without any prior permission. This was also one of the reasons behind flexibilisation, casualisation and contractualisation of labour which has further worsen the conditions of work.

High Attrition Rate among Workers

Due to high attrition rate in the SSEIs, employers preferred to give the status of permanent employment which generally depended on the worker's desire and willingness to work with the enterprise. In most of the firms there were cases of workers leaving the organization within one or two years for a very small wage hike and majority of them were casual and contract workers as the presence of such type of workers was enormous in majority of the enterprises surveyed. Due to high labour attrition rate, employers had to constantly work under pressure.

Workers' Commitment towards Job

While analyzing the attitude of workers of different categories like permanent, temporary, contract and casual workers, it was found that permanent workers were more sincere, efficient and hardworking however, they were slow at work. Regarding temporary workers, it was observed that they worked with more commitment in the hope of becoming a permanent employee in the future. For contract workers, the employers had positive opinion while for the casual workers they gave negative feedback. Lack of education and training could be the reasons behind their irresponsible working style.

Shortage of Workers (both Skilled and Unskilled)

Employers had to constantly work under pressure because of scarcity of trained and efficient labour. If they leave the job, it was difficult for them to find the new labourers. Moreover, casual workers are less likely to be involved in training to improve their skills. Because of shortage of trained workers, it was difficult to fulfil the targets.

This clearly states that the labour market is not perfectly elastic. Neither the employers have full information about job seeking workers in the market nor do the unemployed workers know about job vacancies in the small enterprises. This has created opportunities for the growth of service sector in which the employers rely on the labour contractors to fulfil their short term labour demands.

Wages and Other Incentives

In the SSEIs, supervisors were paid higher wages when compared with payment to other employees. The wages of the supervisors varied with the size and the level of profit earned by the enterprises. Moreover, the employers also considered sincerity and performance of the supervisors while taking decisions about wage rates.

The average wage earned by the supervisor in the sampled industries was ₹ 490 per day while machine operator earned ₹ 342 per day. The casual worker earned ₹ 223 per day and helpers and fitters earned ₹ 228 per day which was little higher than what casual labour earned.

A study by Unni and Ravikiran (2014) revealed that though Per Capita Income (PCI) and output in all the three sectors in Gujarat has expanded faster compared to the rest of the country, the wage rate of the workers have remained more or less stagnant over the past few years and not linked to productivity. In spite of rapid income growth, there is no improvement in the worker's condition in the state. The important reasons behind this is relatively low wage in the small enterprises and weak bargaining power due to the high turnover of labour.

Worker's Opinion about Wages

A feedback of the workers about their wage earnings stated that large numbers of workers (80%) were not satisfied with their wages. The employers were not willing to pay higher wages because of the low level of skills and low commitment of the workers and also due to rising inflation and cost of the raw materials. The workers were dissatisfied with prevailing wage rate as it was not sufficient to meet the two ends. Moreover, there was a feeling that the benefits of high growth and profits were enjoyed by the employers alone while employees' wages remained at lower level.

Lack of transparency between employers and the employees

Although, most of the employees were not satisfied with their current wages and working conditions at the establishment, still 66.5 per cent of the respondents stated that they did not want to quit their current job. However, large number of workers (95.5 per cent) avoided open discussion and honest answers because they believed that someone from the group would leak the information to the supervisors or the employers. Even though some workers expressed dissatisfaction, still they did not like to talk to their employer or supervisor.

The employers also avoided having friendly relationship with the workers. It is a common practice that if a worker is not satisfied with the current job then he leaves the job as and when he gets a better job offer elsewhere.

Level of Respect and Recognition at Workplace

The analysis of the response of workers about level of respect at the workplace revealed that around 80 per cent workers in the SSEIs were getting high respect. It was observed that employers attitude towards workers was caring and took recognition of their talents. The employers believed that the workers play a very important role in the growth of the enterprises. Only 20 per cent workers said that they were getting low respect at their workplace which could be due to non-commitment and work avoidance by the casual workers.

Infrastructure Facilities at work place

The workers were not happy with the current infrastructure facilities at the work place. Based on field the survey, it was found that only 6 per cent workers found overall infrastructure facilities at work place excellent, while about 61 per cent employees rated overall infrastructure facilities as good, 25 per cent rated as very good and 8 percent workers rated as bad. This indicates that there was considerable scope for improvement in infrastructure. Diverse opinion about the facilities at work place emanated from the fact that the respondent workers belonged to different enterprises.

The basic facilities of light and ventilation as well as temperature and humidity control were also not adequate in some of the enterprises.

Satisfaction Level with respect to various other Facilities

Overall 55 per cent of the workers were satisfied with the facilities like medical care, accident benefits, training, technology, transportation, overtime compensation, wage rates, payment of bonus, working conditions, etc. Thus, majority of the workers have no complaint about the facilities provided by the employers. However, in case of wage rate, large number of workers were not satisfied. Thus, demand for higher wages by the workers on one hand and shortage of skilled workers on the other hand is one of the responsible factors for raising capital intensity in SSEIs.

Promotion and Recognition

In the SSEIs the promotion (in terms of wage rise) is based on the performance of workers. Qualification and job experience do not count much for promotion. Over 90 per cent workers said that their promotion was done on the basis of their performance. Moreover, the employers have started recognizing the contribution made by the employees towards the growth and development of the enterprise. The employers provide various incentives to competent workers like giving awards in cash and kind, certificate of appreciation, bonus, allowances, family welfare of workers like payment of school fees for children or giving loan, etc. The study revealed that almost all the enterprises provide incentives to competent workers.

Table 3

Growth of SSEIs in terms of Production

Annual Sales/Production*	Sales at the time of Establishment		Present Sales	
	Number of SSEIs	Percent	Number of SSEIs	Percent
Less than ₹ 5 Lakh	22	36.7	1	1.7
₹ 5 Lakh - ₹ 20 Lakh	16	26.7	4	6.7
₹ 20 Lakh - ₹ 50 Lakh	16	26.7	8	13.3
More than ₹ 50 Lakh	3	5	45	75
NA/NR	3	5	2	3.3
Total	60	100	60	100

Source: Calculation based on survey data (2013-14);

*Note: NA/NR indicates Not Applicable/No Response; *Estimated figures at current price*

Level of Capacity Utilization

Although, total production in small industries has increased, most of the SSEIs had problem of low capacity utilization due to shortage of workers, problems related to finance and delayed payments by the customers. The analyses revealed that only in 6 SSEIs which accounted for about 10 per cent of the total investigated SSEIs, the capacity utilization was more than 98 per cent. Out of these 6 SSEIs, four reported 100 per cent capacity utilization. While in the 36.7 percent industries, the level of capacity utilization remained between 51 per cent to 75 per cent and in 53 percent enterprises capacity utilization was more than 75 percent.

Based on the findings, it may be inferred that the low capacity utilization in SSEIs was due to negative attitude and insincerity and irregularity of workers towards their job.

Growth in terms of Production and Employment

The SSEIs have experienced significant growth in terms of production and employment since the time of their establishment. For instance, at the time of establishment, the total number of products that the selected SSEIs produced, varied in the range of 1 to 300 types (main and subsidiary units) which has increased up to 800 types of products (main and subsidiary). This indicates that over a period of time, the enterprises have expanded considerably due to improvement in technology and innovation.

Majority of the SSEIs (36.7 per cent) had estimated turnover of less than ₹5 lakh at the time of establishment while only 5 per cent of the units estimated production was more than ₹50 lakh. The number of SSEIs with estimated turnover between ₹5 lakh to ₹20 lakh was 26.7 per cent. Similarly 26.7 per cent of the SSEIs had estimated turnover of ₹20 lakh to ₹50 lakh. Table 3 also presents a comparative picture of the turnover at the time of establishment of the SSEIs and their present turnover. The table also reveals that majority of the SSEIs (75 per cent) have presently crossed the turnover of ₹50 lakh. This shows that most of the firms have progressed very fast in terms of increase in production and sales since its establishment. However, the benefits of increase in profits have not been percolated to workers because in developing countries, there is a huge supply of unskilled workers who are willing to work at the current wage rate.

Table 4

Relationship between Monthly Salary and Type of Education

Monthly Salary		Technical and Non-Technical Education		
		Non-Technical Education	Technical Education	Total
Up to ₹ 5,000	Number of Workers	39	0	39
	% within Technical and Non-Technical Education	22.7	0.0	14.7
₹ 5,001 – ₹ 10,000	Number of Workers	109	41	150
	% within Technical and Non-Technical Education	63.4	43.6	56.4
₹10,001 – ₹15,000	Number of Workers	12	31	43
	% within Technical and Non-Technical Education	7.0	33.0	16.2
More than ₹ 15,000	Number of Workers	12	22	34
	% within Technical and Non-Technical Education	7.0	23.4	12.8
Total	Number of Workers	172	94	266
	% within Technical and Non-Technical Education	100.0	100.0	100.0

Source: Calculation based on survey data (2013-14)

Relationship between Monthly Salary and Type of Education

Considering the information presented in Table 4, it was found that monthly salary was high among workers with technical education. 33 per cent of the workers with technical education and only 7 per cent employees with non-technical education were earning between ₹10001 to ₹15000 per month. About 23 per cent of the employees with technical education and only 7 per cent with

non-technical education were earning more than ₹ 15000 per month. The remaining i.e. 44 per cent were earning less than ₹10,000 per month.

When the relationship between monthly salary and type of education was tested through chi-square tests, a low significance value (less than 0.05) indicated that there might be some relationship between monthly salary of employees and type of education. The theory developed by Becker (1964) on human capital, states that education is an investment that will produce earnings in the future. This implies that there is a scopes to improve the wage rate of employees by encouraging them to obtain technical skills through technical education.

CONCLUSION AND RECOMMENDATIONS

The findings based on the analysis of survey data and general observations through informal discussions suggest that this sector has tremendous potential in terms of generating employment and fulfilling domestic demand. It is advantageous for the MSMEs to focus on the improvement in the quality and skill of workers to improve production and productivity. It was generally recognized that the healthy growth of MSMEs depends on skilled, efficient, sincere and hardworking manpower. Moreover, to attract competent workers towards this sector, it is also important to provide good facilities at the workplace along with various incentives. Concerted efforts are also required in order to make changes in the labour laws which are rigid in nature and have led to outsourcing and contracting of labour.

Recommendations

It is felt that there is a need to revise the wage structure in order to attract quality workforce to improve the performance of micro enterprises which are part of unorganised sector. Flexibility in labour laws is expected to ensure better quality of employment, higher levels of productivity and competitiveness. There is a need to strengthen safety rules to prevent accidents at the workplace and to avoid health related problems. The employers have to be very strict in the implementation of safety measures and hygiene standards to ensure better health of workers. To solve the shortage of skilled labour, the industry academia link must be strengthened in order to match the knowledge and skills as per the need of the market.

To survive in the competitive market, substantial restructuring is required through innovation, improvement in infrastructure and technological up gradation. This will help in improving quality of products, designs, consumer satisfaction and cost-effectiveness. There is need to infuse transparency into the system by making workers aware about various acts, government schemes and their rights. This will help in improving their confidence level and bargaining power. Micro enterprises need LIFT i.e. Labour (both skilled and unskilled), Innovations, Finance, Technology and Training in order to grow and achieve better performance.

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