

Factors Impacting Non-Agricultural Employment Growth: A Study in West Bengal



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**Institute of Applied Manpower Research
Planning Commission, Government of India**

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Executive Summary

Objective

The objective of the report is to find out the factors behind increase in non-agricultural employment in absolute terms during the period 2004-05 to 2009-10.

Methodology

Both primary and secondary data have been used for the Study. To understand the driver of employment manufacturing, wholesale & retail trade and construction sector was studied.

All districts of West Bengal were stratified as High, Medium and Low depending upon their industrial concentration selecting two districts from each. From this stratified sample, the enterprises were selected in random. Variables such as Enterprise concentration, Type of ownership of establishments, Sub-sectoral distribution of registered manufacturing establishments, Size of employment in the sample enterprises, employment trends, skill level, contractual work were taken from National Accounts Statistics, Census Data, Reports of the Planning Commission etc. Statistical tools such as Cross tabulations were used

Findings

The economy of West Bengal gains dynamism largely from the real estate and construction sector, not from the manufacturing sector. On the other hand, the agricultural sector in West Bengal is also witnessing a slowdown in growth. With the fall in the manufacturing sector in the state and the rising importance of the services sector, labour intensive production at a high rate is not taking place in West Bengal. What is happening is that people are opening up small shops or small workshops in both urban and rural West Bengal to make their ends meet. This is resulting in a situation where a proliferation of low productive activities becomes the hallmark of its economy.

Policy Implications

Over the years, the manufacturing sector in the state has suffered. This needs to be reversed in a manner that productive employment can be generated. In order to do so, it is important to strike a balance between large and small scale industries.

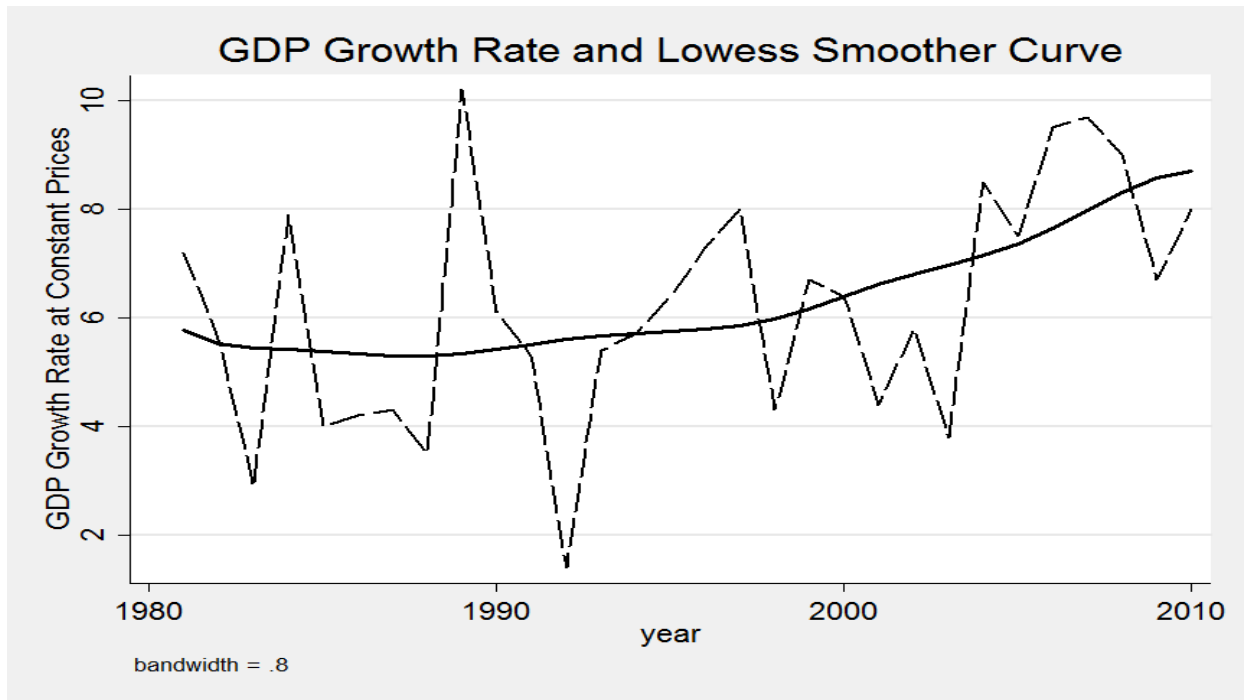
On the other hand, West Bengal already has a huge unorganized manufacturing industry. Steps should be taken to ensure that technology up-gradation can be done in these factories. Moreover, incentive schemes must be devised to encourage the sector to do well in the domestic as well as the international market.

Additionally, the government should try and uplift the agrarian economy in the state which can generate remunerative income for the peasants and other rural classes. Importantly, government services like health, education should be extended massively, which can provide employment to sections of the people and at the same time improve the social wage.

Introduction: Employment Problems in India

The high growth rate of Gross Domestic Product (GDP) of the Indian economy in the last few years has been commented upon by many academicians and policy makers.¹ The year-on-year growth rate of GDP of India is shown in the following figure.

Figure 1: GDP Growth of India



Source: Authors' calculations based on National Accounts Statistics of India, various issues

From the above figure, it is evident that between 1980 and 1990, the trend growth rate of GDP in India was more or less constant. After the reforms were introduced into the country, the growth rate increased but the most rapid increase in the trend in the growth takes place from around 2003 and continued till 2010, albeit, with a decline in the growth rate with the advent of the global financial crisis.

It was assumed that with the economy taking a high growth path, the problem of employment will be solved to a great extent. However, the data on employment and GDP growth in India show a different picture. If we look at the data for a long period of time, then the following picture emerges.

¹ For detailed discussion on the current growth phase of the Indian economy, see Economic Survey (2010-11), Basu (2009), Mazumdar (2008), Nagaraj (2008) etc. While there are differences of opinion regarding the exact nature of growth process in the country between various authors, the consensus is that India has witnessed a very high growth rate of GDP in the last decade or so.

Table 1: Employment and GDP Growth Rates in India

	1983 to 1993-94	1993-94 to 2004-05	1993-94 to 1999-2000	1999-00 to 2004-05
GDP Growth	5.03	5.86	6.29	5.76
Employment Growth	2.01	1.84	0.98	2.89

Source: Chowdhury (2011)

From the above table it is seen that growth rate of employment has always lagged behind the growth rate of GDP in India. More interestingly, it is seen that during the period 1993-94 to 1999-2000 when the growth rate of GDP was the highest (Table 1), the employment growth rate plummeted to less than 1 percent. However, in the period 1999-2000 to 2004-05, the employment growth rate increased to 2.89 percent.

This increase in the growth rate of employment between 1999-2000 and 2004-05 was seen as a period of employment growth, which broke out of the unsatisfactory growth rate of employment since the economic reforms were initiated in the country. However, many authors have argued that this increase in the growth rate of employment might have been distress driven, as the real wage rate across all the workers fell during this period.² Another line of argument points towards the fact that women, children and elderly were drawn into the labour market during this period along and there was an increase in the unemployment rate, suggesting that the growth rate of employment during this period was distress driven.³ A third line of argument which questioned the employment growth between 1999-2000 and 2004-05 pertained to the issue of low quality, informal jobs which increased the most during this period, suggesting again that, may be the growth rate in employment during this period was not a cause for great celebration.⁴

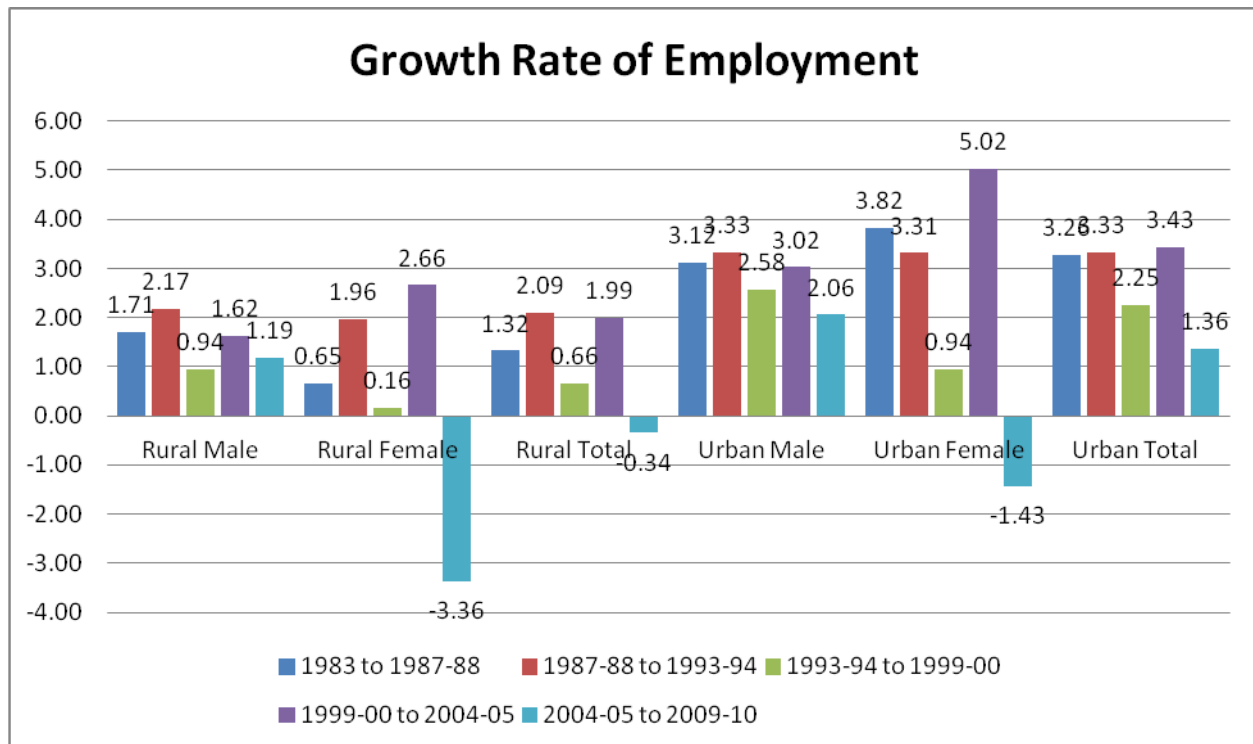
While the debate regarding the growth rate of employment in the period 1999-2000 to 2004-05 points towards a cautious approach in terms of arriving at a conclusion regarding the employment generating potential in the economy, the employment data for 2009-10 show a drastic fall in the growth rate of employment as compared to 2004-05. The growth rate of employment for various years is shown in the following figure.

²Unni and Ravindran (2007)

³Himanshu (2011)

⁴ For details see Chandrasekhar and Ghosh (2007), Abraham (2009) and Chowdhury (2011a)

Figure 2: Growth Rate of Employment

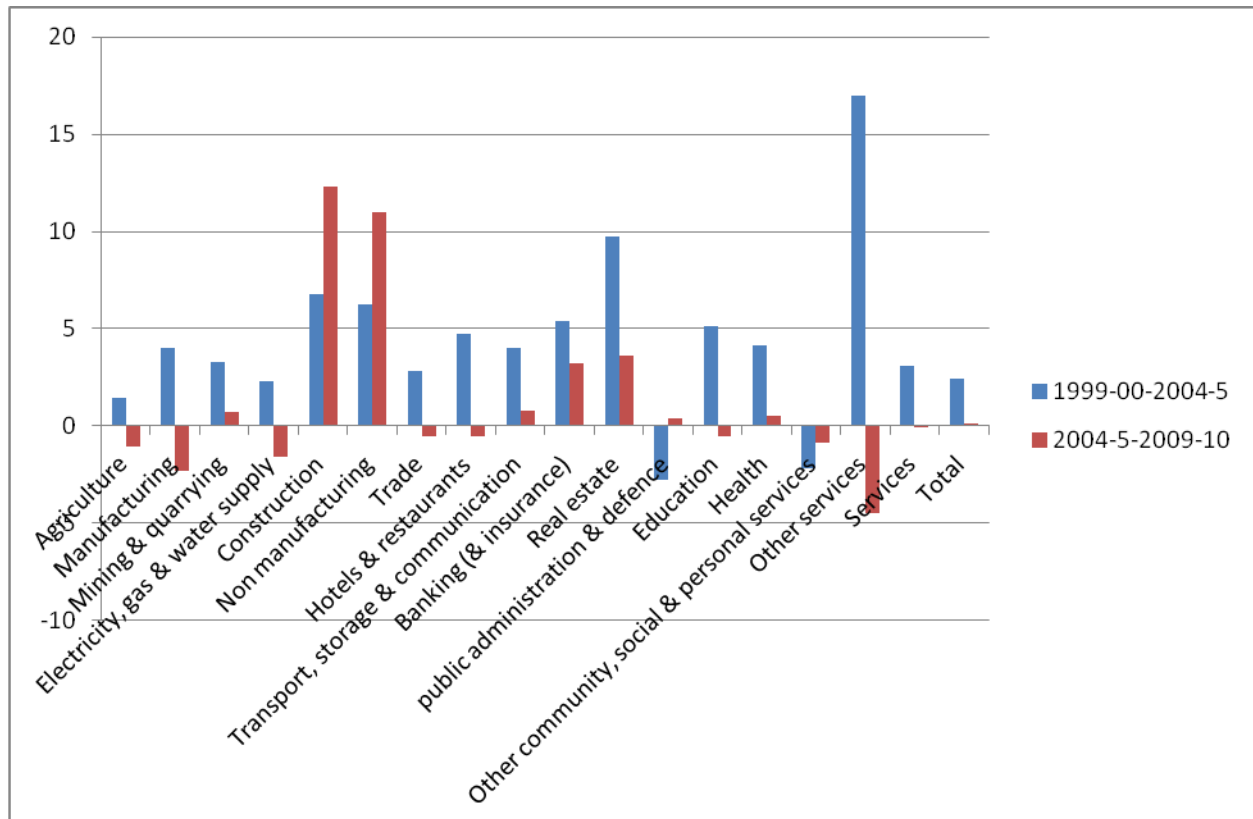


Source: Authors' calculations from Himanshu (2011)

From the above figure it is clearly seen that the growth rate of employment for all categories of workers have declined significantly between 2004-05 and 2009-10. However, the overall growth rate of GDP during this period did not witness any such drastic fall, apart from the year 2008-09. Therefore, clearly there is a divergence between the employment growth rate and GDP growth rate for India. As Himanshu (2011) points out, the changes in the employment pattern and workforce structure has been sluggish and do not conform to the growth rate of output in the economy.

If we look at a more disaggregated data pertaining to the periods 1999-2000 to 2004-05 and 2004-05 to 2009-10, then this change in the growth rate of employment can be analyzed better. The following figure shows the sectoral growth rate of employment between the abovementioned periods.

Figure 3: Sectoral Employment Growth Rate



Note: Non-manufacturing indicates the secondary sector without manufacturing.
Source: Table A2, Planning Commission (2011)

The above figure gives the remarkable picture that the growth rate of employment has not only gone down for the country as a whole but for every sector of the economy apart from the Construction sector that has witnessed a fall in the growth rate of employment. For certain industries like manufacturing, trade, hotels & restaurants, public administration etc., the growth rate of employment in the period 2004-05 to 2009-10 has actually been negative, denoting a net loss in the absolute number of employment in these industries.

This fall in the growth rate of the employment across sectors is a very worrying feature of the Indian economy. A debate started within the academia and the policy-makers regarding the cause of such a decline in the employment growth in the recent past. One line of argument looks at this fall in employment, which is again accompanied by a fall in the labour force itself, in a positive light. It is argued that there has been a decline in the labour force participation rate of the young since they are going to the educational institutions, which should be welcomed. Secondly, it is also pointed out that unemployment rates have come down between 2004-05 and 2009-10, more people have moved out of agriculture to join other activities and wages have increased.⁵ However, Rangarajan et al. (2012) also point out that as against a 60 million increase in jobs

⁵ See Rangarajan, Kaul, Seema (2011)

between 1999-2000 and 2004-05, only 1 million jobs were created between 2004-05 and 2009-10. Therefore, the fall in the number of jobs created remains an issue. Moreover, it is not entirely true to say that the entire population who withdrew from the labour force joined education, particularly for female, since a fall in labour force participation rate (LFPR) is witnessed for all female age groups, while for men the fall in LFPR is mainly concentrated for the young.⁶ Rangarajan et al. (2012) also point out that the question as to why there has been a decline in the labour force at a time when growth rate of GDP has been growing strongly remains unanswered.

Some Theoretical Issues

It is however important and worthwhile for the policy makers to understand why this fall in employment growth has taken place. At the outset, one brings into the analysis a simple formula to understand the problem. It is a mathematical truism that the growth rate of employment is the difference between the growth rate of output and the growth rate of labour productivity. In other words,

$$g_E = g_Y - g_P,$$

Where, g_E = growth rate of employment

g_Y = growth rate of GDP

g_P = growth rate of labour productivity

In the data that we have described above, it is clear that g_E has fallen in spite of the fact that g_Y has increased. This can happen only when g_P has increased more than g_Y . Therefore, the crucial question becomes as to why it is that the growth rate of labour productivity in the economy is increasing more than the growth rate of GDP.

Raveendran and Kannan (2009) look at the organized manufacturing data for India and find that the growth process has been essentially of a 'jobless' variety. According to them, there are industries which are job creating while there are industries which are job displacing. These two industries cancel each other out and result in a situation where there is no growth in employment, while the output is growing. They also point out that there has been a significant increase in the labour productivity as well as in capital intensity in the industries.

The question can however be posed as to whether there is a way to promote the employment creating industries and arrest the growth of employment displacing industries. This is directly linked with the demand pattern of the economy. It is a known fact that inequality in India has increased rapidly with the consumption of the rich tilting towards commodities which are not very employment intensive. Moreover, a significant portion of the consumption demand of the rich is met by imports, which again displaces the local industries and adversely affects the employment generation.⁷

⁶ See Chowdhury (2011b) and Raveendran and Kannan (2012)

⁷ For a detailed theoretical model and argument in this line see Patnaik (2011)

As opposed to this line of argument of a jobless growth in Indian industries, Goldar (2011) points out that in the recent past, there has been an increase in organized manufacturing employment in India. However, it must be noted, as shown in Figure 3, in the period 2004-05 and 2009-10, the overall growth rate of employment in manufacturing sector has turned negative.

Another argument which is often made with regard to a slowdown in employment is that, higher real wages have resulted in substituting labour for capital, which in turn has led to a fall in the overall employment generation in the economy. This line of argument is, however, suspected because the macroeconomics of wage-cut is being completely ignored. In a world with unemployment and unutilized capacity, any increase in real wage will give rise to an increase in effective demand in the economy through the multiplier and will result in more output and employment, as has been noted by Keynes and his followers.⁸ Moreover, if we look at the share of wages in Net Value Added in the factory sector, we will see a remarkable decline.⁹ Also, authors like Chandrasekhar and Ghosh (2012) have shown that the real wage in the manufacturing sector has been stagnant for a very long period of time.

State-wise Variations of Employment Generation

While a complex set of factors are at play in terms of the relation between growth of GDP and employment in India, it is remarkable that individual states have different experiences in this regard. In other words, this story is not the same for all the states in India. In the period 2004-05 to 2009-10, where the growth rate of employment in India fell drastically across all industries, apart from construction, there were significant variations in this regard across states.

Table 2: Sector-wise Change in Absolute Employment across States between 2004-05 and 2009-10 (in millions)

States	Agriculture	Manufacturing	non manufacturing	Services	Total
Andhra Pradesh	-0.1	-0.2	2.7	-1.2	1.1
Assam	-0.82	0.06	0.33	0.57	0.11
Bihar	-4.09	-0.02	2.02	1.21	-0.86
Chhattisgarh	-2.25	0.06	1.2	0.19	-0.82
Delhi	-0.04	0.34	-0.03	0.48	0.74
Gujarat	-2.81	0.17	0.5	1.5	-0.65
Haryana	-0.71	0.36	0.42	0.37	0.43
Himachal	0.06	-0.07	0.21	-0.14	0.05
Jammu and Kashmir	0.12	-0.05	0.12	0.31	0.49
Jharkhand	-2.74	-0.25	0.97	0.36	-1.66
Karnataka	-2.32	0.08	0.87	0.76	-0.61

⁸ Keynes (1936)

⁹Raveendran and Kannan (2009)

Kerala	-0.93	-0.1	0.64	0.66	0.26
Madhya Pradesh	0.39	-0.71	2.5	-1.93	0.34
Maharashtra	3.97	-1.81	0.17	-1.86	0.97
Orissa	-1.11	-0.13	0.84	-0.06	-0.47
Punjab	1.1	-0.38	-0.02	-1.06	-0.27
Rajasthan	-4.46	-0.6	4.96	0.83	0.74
Tamil Nadu	-2	-0.98	2.02	-0.41	-1.34
Uttar Pradesh	-3.56	-0.85	4.19	0.93	0.71
Uttarakhand	-0.32	0.08	0.17	0.07	0
West Bengal	-0.71	0.98	1.11	1.12	2.48
Total across states	-23.33	-4.02	25.89	2.7	1.74

Source: Table A10, Planning Commission (2011)

It is seen from the above table that there has been across the states an increase in the non-manufacturing industrial employment with the exception of Punjab and Delhi. On the other hand, many leading industrial states like Maharashtra and Tamil Nadu have witnessed an absolute decline in manufacturing employment. It is also remarkable that West Bengal, which is not known as the most dynamic state in the country, has witnessed the maximum increase in absolute employment. It is all the more significant because this increase in employment has been witnessed in the non-agricultural sector. While the entire country, as well as the industrially developed states like Tamil Nadu and Maharashtra have witnessed a fall in the absolute number of employed, the fact that West Bengal has witnessed such a significant increase in the number of employed calls for serious analysis. This is the main purpose of the remaining part of the report.

West Bengal: An Introduction

West Bengal is a major State in India located in the eastern region of the country. Some major demographic characteristics of West Bengal over the various census years are shown in the following table.

Table 3: Demographic Characteristics of West Bengal

	1981	1991	2001	2011
Total Population (lakhs)	545.81	680.78	801.76	913.47
Percentage of Male	52.33	52.16	51.72	51.37
Percentage of Female	47.67	47.84	48.28	48.63
Population Density	615	767	904	1029
Percentage of Urban population	26.47	27.48	27.97	31.89
Percentage of Rural population	73.53	72.52	72.03	68.11
Sex Ratio	911	917	934	947
Literacy Rate above 6 years	48.65	57.7	68.64	77.08

Source: Census of India, various years

From the above table it is seen that the population of West Bengal is more than 9 crore according to the latest census figures. However, it must be noted that the growth of population in West Bengal is among the lowest in the country (4th lowest among major states)¹⁰ while, the sex ratio in West Bengal has increased over the years, contrary to many other states. Although the state has witnessed an increase in the share of urban population, its population is predominantly rural in nature. However, the increase in the share of urban population between 2001 and 2011 has been quite significant. Another noteworthy feature of the demographic data on West Bengal is that the population density is rising continuously. Moreover, West Bengal has the second highest population density (after Bihar) amongst the major states in India.¹¹

Geographically, West Bengal is located on the eastern part of India having international borders with Bangladesh, Bhutan and Nepal. It has 19 districts under its jurisdiction. The following table gives the population share of the various districts of West Bengal.

Table 4: Share of Districts in Total Population of West Bengal in 2011

District	Population Share
Darjiling	2.02
Jalpaiguri	4.24
Koch Bihar	3.09
Uttar Dinajpur	3.29
Dakshin Dinajpur	1.83
Maldah	4.38
Murshidabad	7.78
Birbhum	3.83
Bardhaman	8.46
Nadia	5.66
North 24 Parganas	11.04
Hugli	6.04
Bankura	3.94
Puruliya	3.21
Haora	5.3
Kolkata	4.91
South 24 Parganas	8.93
Paschim Medinipur	6.5
Purba Medinipur	5.58

Source: Census of India, 2011

From the above table it is seen that North 24 Parganas district has the highest population in West Bengal, followed by South 24 Parganas district, while the most sparsely populated district is Dakshin Dinajpur.

Let us now turn to a discussion of the economy of West Bengal.

¹⁰ Census of India (2001)

¹¹ Census of India (2001)

Economy of West Bengal

Agriculture

West Bengal was the first territory to be colonized by the British in India. As a result, it suffered from one of the severest drain of wealth in the country.¹² The biggest sufferers of this drain of wealth were the peasants who were forced to pay an exorbitant amount of tribute to the local landlords, who were essentially agents of British colonialism. As a result, the agriculture of West Bengal witnessed a steady decline till the 1970s.¹³ With the Left Front government assuming office in 1977 a series of measures like land reforms and panchayati raj were adopted which resulted in a marked increase in the growth rate of agricultural products, particularly food-grains. For example, the growth rate of food-grains between 1970 and 1980 was only 0.96 percent. But in the next decade, the growth rate of food-grain production rose to 5.81 percent.¹⁴ If one looks at the growth rate of agriculture in West Bengal from a more rigorous statistical approach, then it is clear that the major structural break occurs in 1983 if we take the date from 1960 to 2004-05.¹⁵ This increase in the growth rate of agriculture was a major achievement of the state which was reeling under an agrarian impasse for many years. However, it also needs to be noted that the growth rate of agriculture started to come down from 1990s. Bhattacharyya and Bhattacharyya (2007) find a significant negative trend break in the year 1992-93. Also, there exists the problem of increasing cost of cultivation for West Bengal which has made the growth rate of agriculture come down during the 1990s.¹⁶ In short, therefore, there has been a slowdown in the growth rate of agriculture in West Bengal since the 1990s.

Industry and Manufacturing

The industrial sector has been a problematic area for West Bengal for a very long time. West Bengal during independence had one of the highest shares of total industrial output in India. But gradually with time, there has been a decline in the manufacturing output in West Bengal. If we look at the data on West Bengal's share in total number of factories in India, we will find that it was only 4.1 percent in 2006-07 and declined to 4.03 percent in 2008-09. West Bengal's share in total gross value added in the industrial sector however increased marginally from 3.01 percent in 2006-07 to 3.18 percent in 2008-09.¹⁷ The following table shows the share of industry sector (including mining and quarrying) in the Gross State Domestic Product (GSDP) of West Bengal.

¹² Bagchi (1989)

¹³ Rawal and Swaminathan (1998)

¹⁴ Rawal and Swaminathan (1998)

¹⁵ West Bengal Development Report, 2010

¹⁶ Khasnabis (2008)

¹⁷ Economic Review, 2011-12, Government of West Bengal

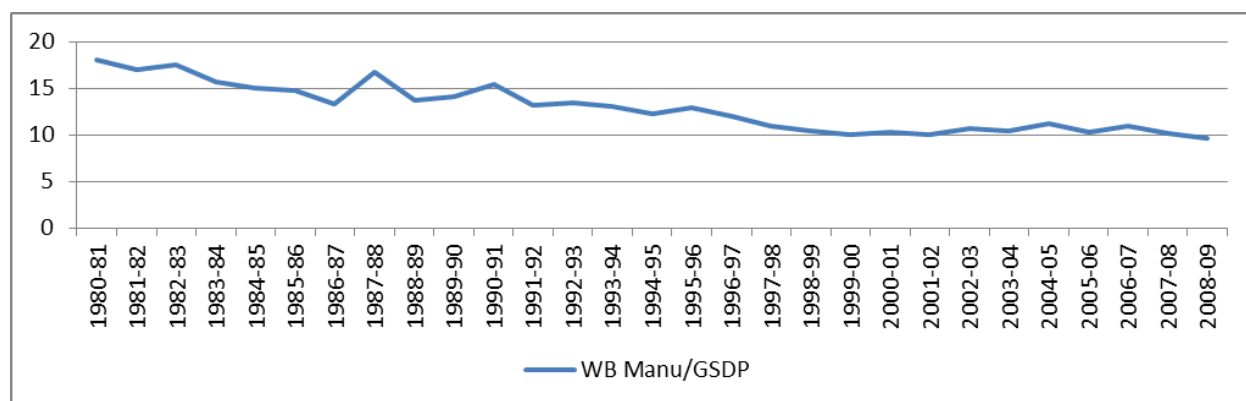
Table 5: Contribution of Secondary Sector including Mining and Quarrying in GSDP at Constant Prices (2004-05)

Year	Share of Secondary sector in GSDP	Share of Manufacturing in secondary sector
2004-05	21.66	51.47
2005-06	21.05	48.67
2006-07	21.23	50.11
2007-08	21.05	52.99
2008-09	19.72	54.41
2009-10	19.8	55.6
2010-11	19.64	56.08
2011-12	19.04	55.22

Source: Economic Review, 2011-12, Government of West Bengal

The above table shows that the weight of the industrial sector in the GSDP of West Bengal has declined in the recent period. However, the weight of the manufacturing sector in the industrial sector of West Bengal has increased. In order to get a wholesome picture, we plot below the share of manufacturing sector in West Bengal's GSDP over the years.

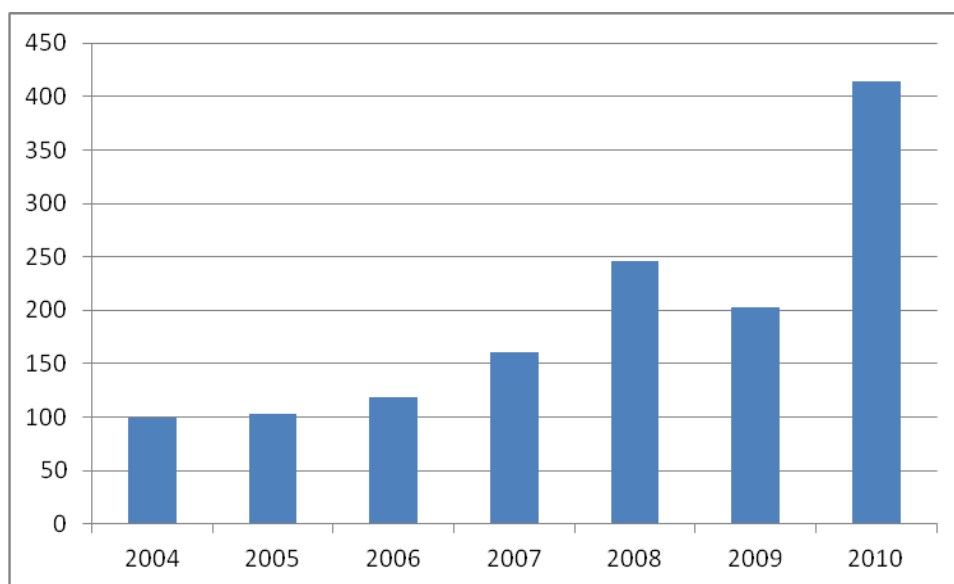
Figure 4: Share of Manufacturing in West Bengal GSDP



Source: *Economic Review*, Government of West Bengal, various issues

It is seen from the above chart that the share of manufacturing in West Bengal's GSDP has witnessed a secular decline over the years. However, if we look at the industrial investments in West Bengal in the last 5-6 years, we will see that there has been an increase in industrial investment in the state.

Figure 5: Index of Real Investment in Industrial Projects in West Bengal



Note: Wholesale Price Index (WPI) (2004-05 base) was used as the deflator.

Source: Authors' calculation based on Economic Survey, 2011-12, Statistical Appendix, Government of West Bengal

It is seen from the chart that the industrial investment in the state was improving in the recent past. However, this did not alter the industrial situation in the state in a dramatic manner, as is evident from Table 5. This can be explained by pointing out that Table 5 mainly caters to the secondary sector of the economy. However, Figure 5 gives investment figures, including those industries belonging to the services sector.¹⁸

Another very interesting feature of the manufacturing sector in West Bengal is that, the unregistered factories have a higher Net State Domestic Product (NSDP) compared to the registered factory sector.¹⁹ Moreover, West Bengal's share in total number of unregistered enterprises in the country is 16.13 percent, which is the highest in the country.²⁰ Such a high concentration of unregistered manufacturing enterprises, which mainly comprises of small scale unorganized enterprises, is a key feature of the West Bengal economy. As Khasnabis (2008) argues, the existence of such petty production has facilitated a peculiar condition in West Bengal, where even on the face of a decline in the importance of large scale manufacturing industries the economy has continued to grow quite significantly.²¹

The most important issue regarding the manufacturing sector in West Bengal has been its decline over the years. Number of reasons has been cited for this decline. One set of reasons pertains to the aftermath of independence and partition itself, where West Bengal State had to suffer from the fact that its main industry, the jute industry, was severely affected with the partition, since the

¹⁸ We will come back to the issue of services later.

¹⁹ Khasnabis (2008)

²⁰ Economic Review, 2011-12, Statistical Appendix, Government of West Bengal

²¹ We will come back to the issue of the unorganized sector in West Bengal in greater detail later on.

jute factories remained in West Bengal while the main jute producing areas were with the erstwhile East Pakistan (now Bangladesh).²² While indeed it is true that West Bengal suffered severely as a result of the partition of India, it does not necessarily imply a secular decline in the share of manufacturing in GSDP. There are other reasons for the decline, which needs to be looked into.

The most common reason that one comes across in the mainstream media and certain sections of the academia is the issue of labour militancy. It is argued that because of very strong and militant trade union movement in West Bengal under the leadership of the left parties, capital there has been flight of capital from the state. This is however not necessarily true. One of the indexes of trade union power is the number of industrial disputes involving strikes. In 1980, the total number of industrial disputes involving strikes was 78. However, the total number of industrial disputes involving strikes decreased to only 15 in 2010.²³ The other industrial dispute involving lock-outs has registered an increase in the same period. In 1980 total number of disputes related lock-outs was 130, which has increased to 269 in 2010.²⁴ While the number of strikes was decreasing in the state, the share of manufacturing in GSDP, far from improving, actually declined. But the number of lock-outs continued to rise.

It has also been argued that the industrial decline in West Bengal has been policy induced, particularly by the central government. With the freight equalization policy adopted by the central government, the entire eastern region of the country was adversely affected in terms of losing its advantage in the industrial sector. Moreover, with the licensing policy in place, there have been allegations of discrimination against the Centre in giving industrial licenses in West Bengal.²⁵ Khasnabis (2008) on the other hand argues that the labour productivity in West Bengal was very low, because of which the industrialists were not sure of earning a requisite profit rate on their investments in West Bengal, which prompted them to leave the state. The labour productivity of West Bengal and some selected states are shown in the following figure.

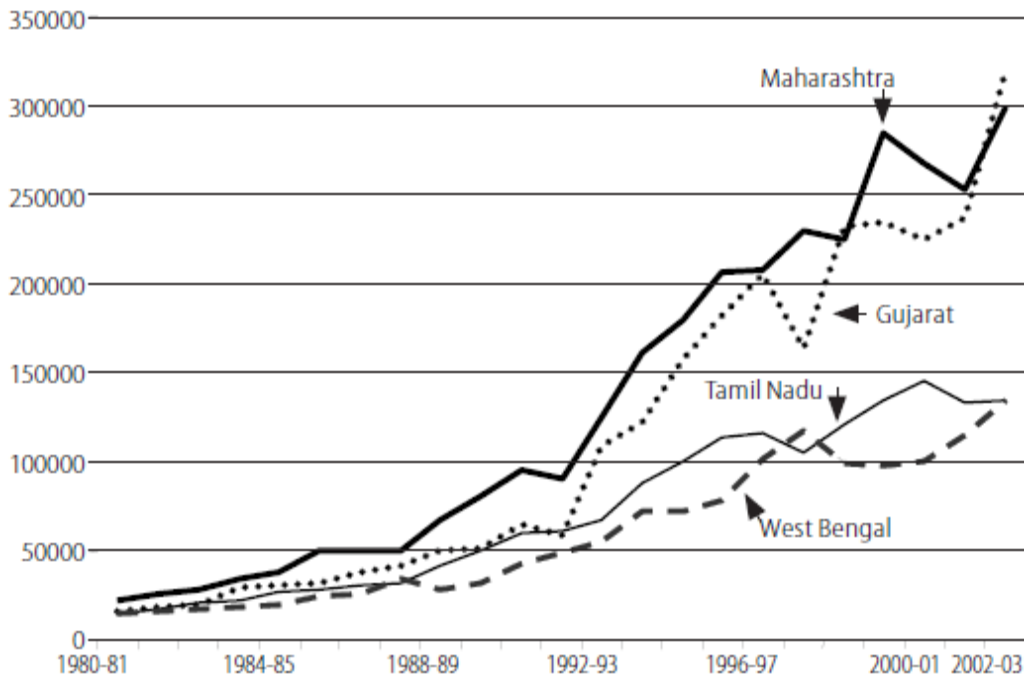
²²Bagchi (1998)

²³ Statistical Appendix, Economic Review, 2011-12, Government of West Bengal

²⁴ Statistical Appendix, Economic Review, 2011-12, Government of West Bengal

²⁵Chakravarty (2010)

Figure 6: Levels of Labour Productivity in Four Selected States

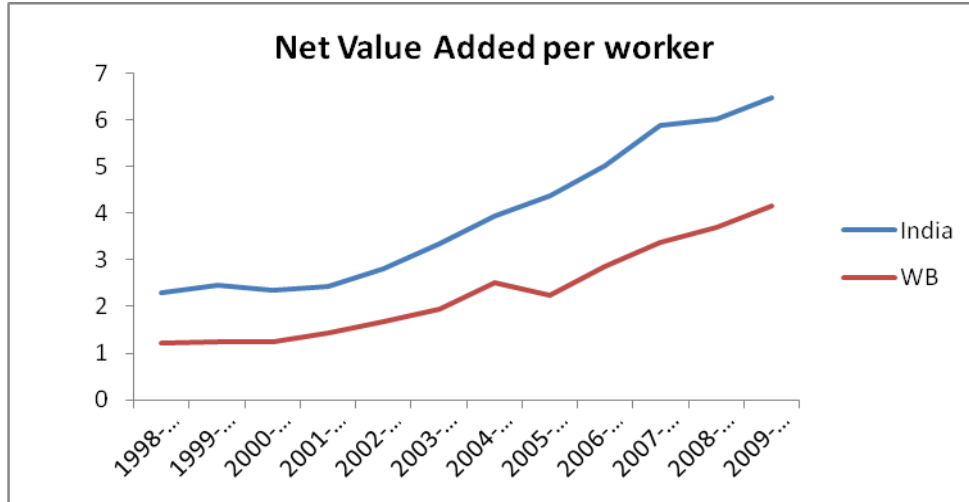


Source: Reproduced from Chakravarty (2010)

It is evident from the above figure that West Bengal has a low level of labour productivity as compared to states like Maharashtra, Gujarat and Tamil Nadu. This can be a possible impediment for the industrial growth in the state.

Even in comparison to the overall productivity in India, West Bengal's labour productivity is less. This is shown in the following figure.

Figure 7: Net Value Added per Worker



Source: Authors' calculations from the Annual Survey of Industries, various issues

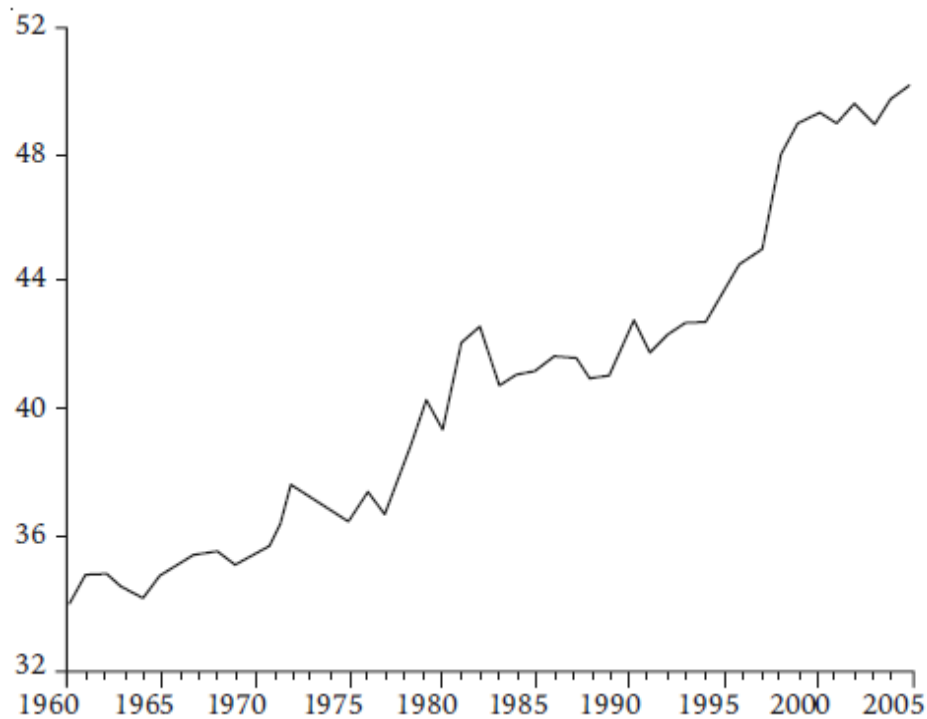
Banerjee (1998) points towards another set of reasons for the relative decline of the manufacturing sector in the state. He argues that the absence of a regionally loyal bourgeoisie having strong links with the state government might be a possible reason for the decline of industry in West Bengal.

In short, the reasons for the industrial decline in West Bengal are manifold. What is however relevant to us in the context of the current study are two facts. Firstly, there has been a decline in the manufacturing sector in West Bengal with the unorganized sector contributing more to the manufacturing output in the state than the organized sector. Secondly, the labour productivity in West Bengal is less than that of India.

Services

The services sector in West Bengal is perhaps the most important sector in the state, since its share in NSDP has increased consistently. This is shown in the following figure.

Figure 8: Share of Services in West Bengal NSDP



Source: Reproduced from West Bengal Development Report, 2010

While this increase in the share of the services sector in the NSDP of West Bengal can be seen in a positive light, it needs to be noted that, here again there is a proliferation of the unorganized sector.²⁶ However, it also needs to be noted that the proportion of enterprises which are expanding in West Bengal is much higher as compared to other states as well as India.²⁷

It is however not the case that every service activity is improving in the state. There are some activities which are growing at a much faster rate like real estate, finance etc.²⁸

Let us not try and analyze the overall performance of the West Bengal economy.

GSDP Growth and Sectoral Composition

The following table shows the growth rate of NSDP in West Bengal over various plan periods.

²⁶West Bengal Development Report, 2010

²⁷West Bengal Development Report, 2010

²⁸We will come back to this point later to understand the impact of this fact on the employment generating potential of West Bengal

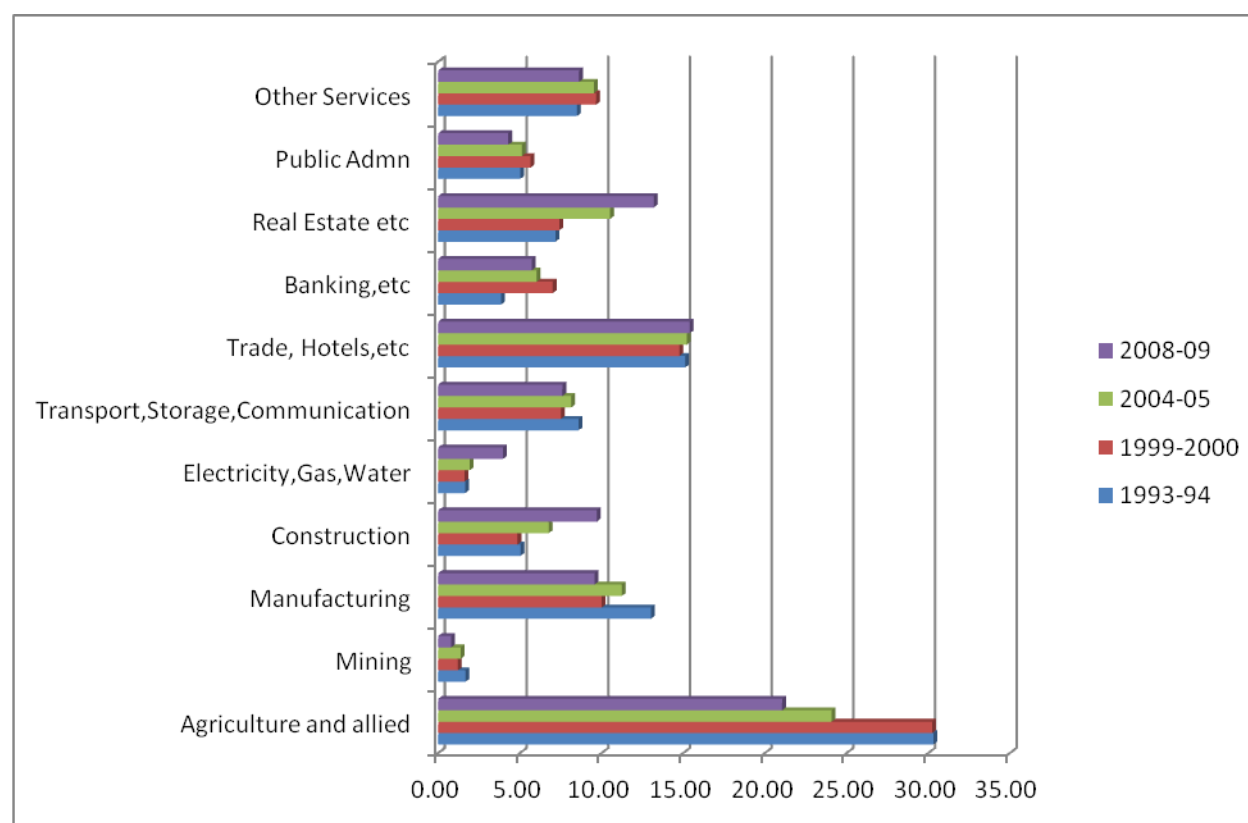
Table 6: Sector-wise Average Growth Rate of NSDP in West Bengal over Various Plan Periods

Sector	Ninth Plan (1997-2002)	Tenth Plan (2002-2007)	Eleventh Plan (2007-2012)
Agriculture & allied	3.29	1.63	2.76
Industry	6.64	8.01	5.08
Services	8.62	7.79	9.65
Total	6.53	6.19	7.32

Source: *Economic Review*, 2011-12, Government of West Bengal

From the above table it is clear that the services sector in West Bengal has witnessed the maximum rate of growth followed by industry, while agriculture has lagged behind. On the other hand, it is also seen that the growth rate of NSDP in West Bengal has been maintained at moderately high level over the entire 15-year period. In order to understand which sectors within agriculture, industry and services have contributed most to the GSDP of the state, we show the share of the various sectors in GSDP for West Bengal in the following figure.

Figure 9: Sectoral Shares in West Bengal's GSDP



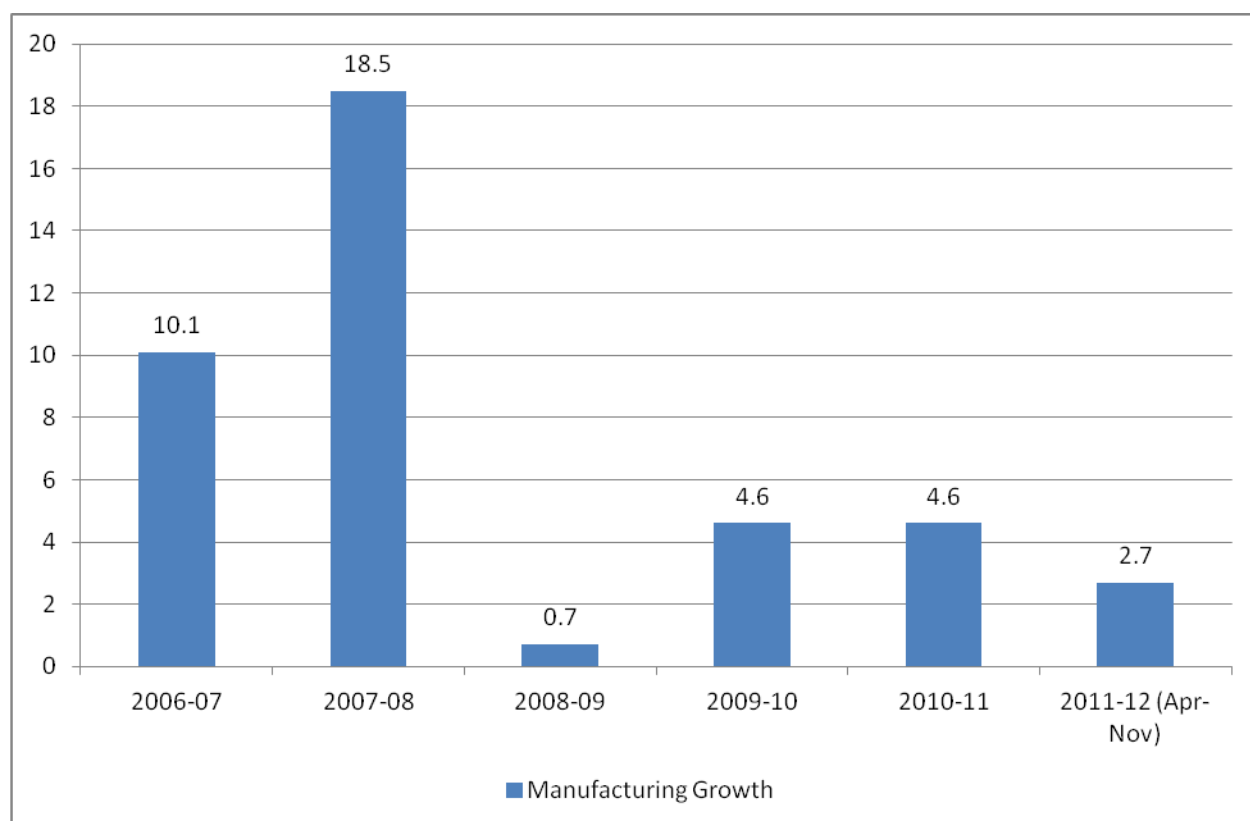
Source: *Economic Review*, Government of West Bengal, various issues

It is seen from the above figure that the share of all the sectors in GSDP has decreased (including manufacturing), except real estate, construction, electricity and a marginal improvement in trade and hotels. The most significant increase however has taken place in the share of the real estate and the construction sector. In other words, the real estate and construction sectors are growing

in the state at a rate faster than the GSDP, and hence, they are the prime movers of the growth process in the state.

In short, what we find in West Bengal is that, there has been considerable growth of NSDP in the state. This growth is however mainly a result of the growth of the service sector within which the real estate and construction sector are the fastest growing. The share of manufacturing sector, however, has been falling. This is mainly because of the fact that the growth rate of the manufacturing sector has been very low, particularly in the last 4-5 years. This is shown in the following figure.

Figure 10: Growth Rate of Manufacturing in West Bengal



Source: *Economic Review*, 2011-12, Government of West Bengal

This low growth rate of manufacturing in West Bengal is a cause of major concern, as has been mentioned above.

The discussion so far has provided the main stylized facts about the West Bengal economy. To sum up, the main features of the economy is that the growth rate of the state has been maintained at a moderately high level. However, the main impetus to the growth has been provided by the real estate and construction sector, while the growth rate of manufacturing and its share in the GSDP have declined over the years due to a variety of reasons. It is also noteworthy that the labour productivity in West Bengal (as measured by Net Value Added per worker) is less than

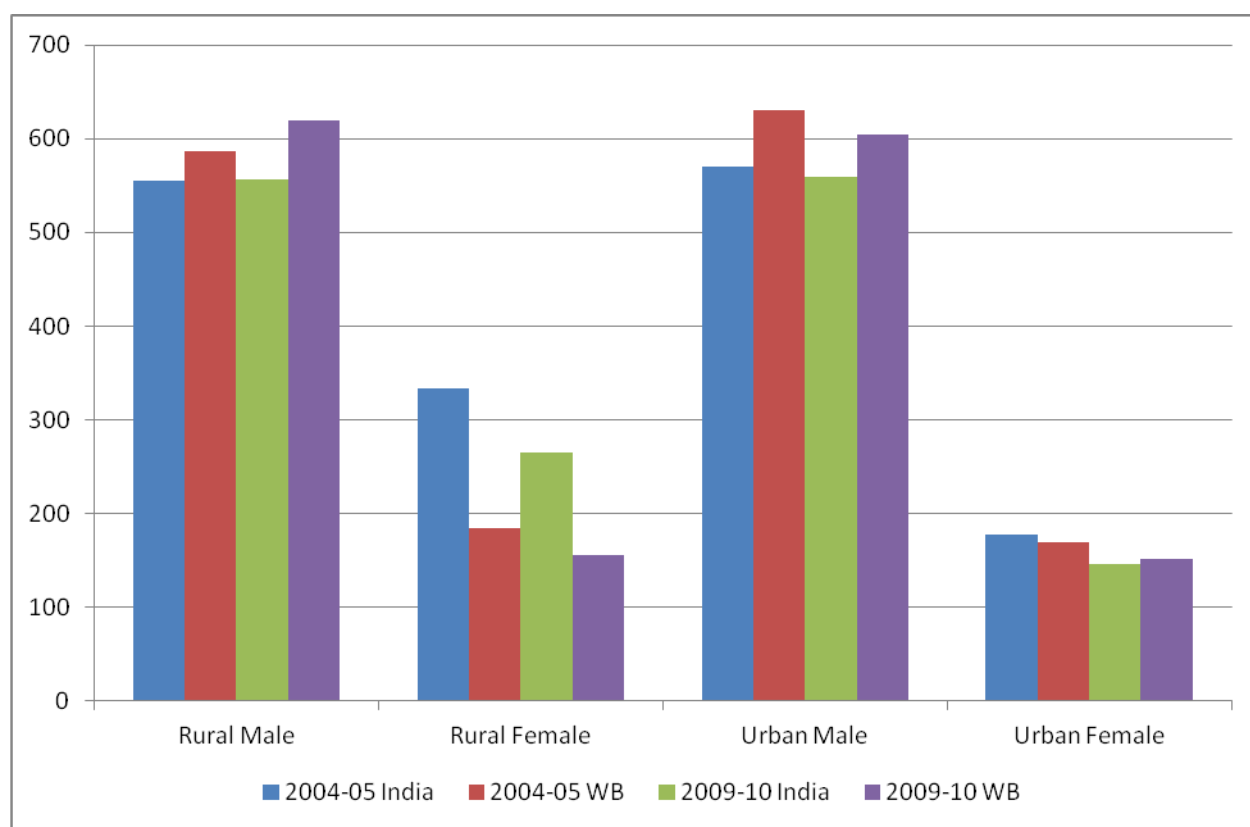
that of India and the state has the highest share of unorganized manufacturing in the country. In fact, the contribution of the unorganized sector to manufacturing NSDP is more than that of the organized sector. In this overall economic scenario we now turn to analyze the employment situation in the state.

Employment Situation in West Bengal

As has already been pointed out in Table 2, employment in West Bengal has increased the most among all the major states between 2004-05 and 2009-10. This increase in employment on the other hand has been mainly concentrated in the non-agricultural sector. Now, the analysis of the economy of West Bengal shows that the state is marked by a burgeoning unorganized sector and the dynamism of the manufacturing sector in the state has practically vanished, with the main growth impetus coming from the real estate and construction sector. It is a bit puzzling as to how an economy which is losing its manufacturing sector is still able to register a high non-agricultural employment. In order to understand the reasons for the increase in employment in West Bengal, we first need to analyze the overall employment situation in the state.

The labour force participation rate (LFPR) for West Bengal and India between the years 2004-05 and 2009-10 is shown in the following figure.

Figure 11: LFPR for West Bengal and India

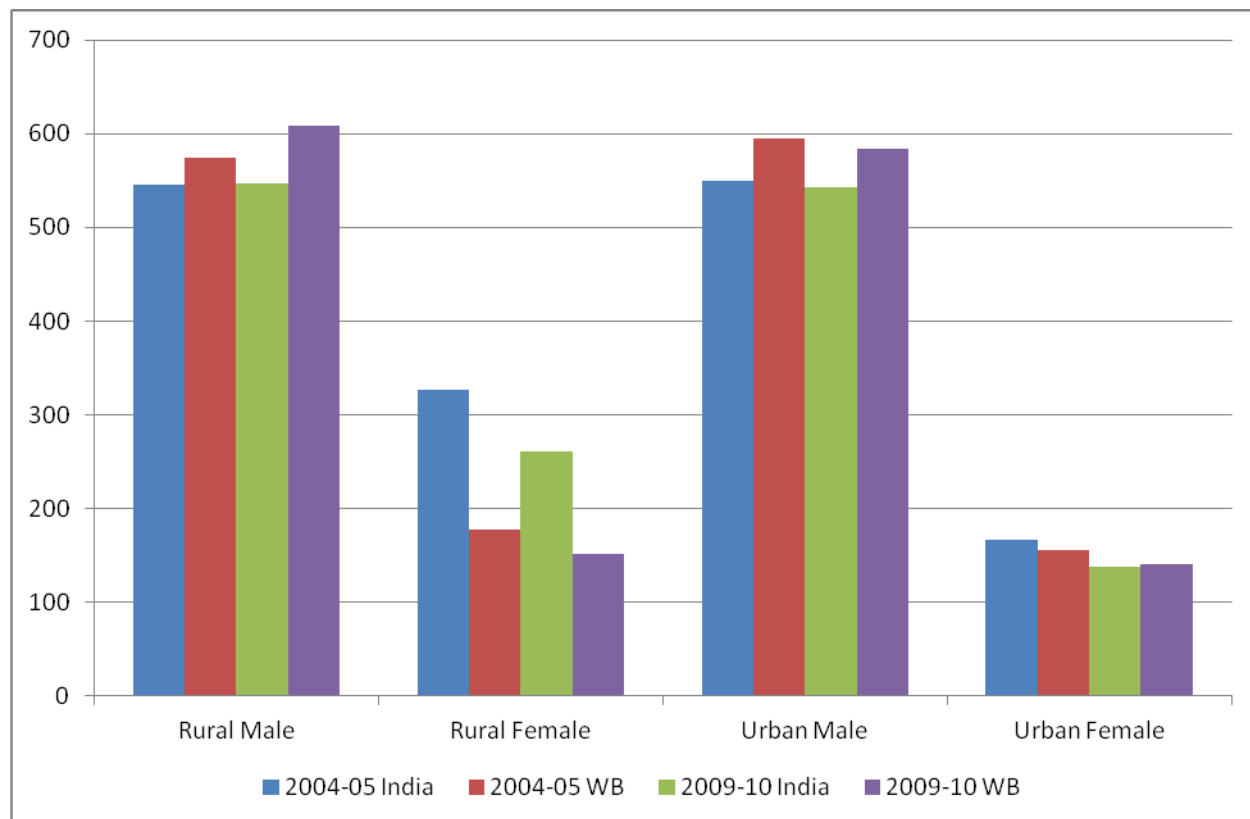


Source: NSS report on Employment and Unemployment in India, various rounds

It is seen from the above figure that the LFPR for male in West Bengal is higher than that of India for all the years in both urban and rural areas. However, the LFPR for rural female is significantly less than that of India. It is also noteworthy that the LFPR for all have decreased in West Bengal between 2004-05 and 2009-10, except for that of rural male.

The usual worker population ratio for West Bengal and India is shown in the following figure.

Figure 12: Usual Worker Population Ratio (WPR) for West Bengal and India



Source: Same as Figure 1.11

From the above figure it is seen that the WPR for West Bengal in the case of rural and urban male is higher than that of India for both the years. However, for rural female the WPR is significantly less than that of all India, while for urban female it is almost similar to that of all India. The other noteworthy feature is that, the WPR has increased for both the rural and urban male and decreased for rural and urban female between 2004-05 and 2009-10, for West Bengal.

From the above two graphs it is evident that the labour force as well as the workforce for the males in particular has increased for West Bengal, while for female it has witnessed a decline. Therefore, it can be said that feminization of employment is not happening in the state.

The second issue that we focus on is the category of employment for the usual status employed in West Bengal and India between the period 2004-05 and 2009-10. This is shown in the following table.

Table 7: Distribution of Usually Employed Persons by Category of Employment

	Rural			
	2004-05		2009-10	
	India	WB	India	WB
Self-employed	60.2	55.2	54.2	46.3
Regular Salaried	7.1	7.5	7.3	8.4
Casual Worker	32.8	37.3	38.6	45.3
	Urban			
Self-employed	45.4	46.2	41.1	48.1
Regular Salaried	39.5	37.2	41.4	37
Casual Worker	15	16.6	17.5	14.9

Source: Same as Figure 11

It is seen from the above table that in the rural areas, there has been a massive casualization of the workforce in West Bengal where the proportion of casual workers has increased by 8 percent between the period 2004-05 and 2009-10, while in the case of India, this increase has been around 6 percent. The other notable feature of employment in West Bengal has been that the proportion of regular salaried workers has declined in the urban areas and it is less than that of India. Thirdly, most of the workers in India as well as in West Bengal are self-employed. However, in the case of West Bengal, the proportion of self-employed workers has actually increased in the urban areas, while in the case of India it has decreased. The real issue is how do we look at the case of self-employment.

While it may seem at first hand that the increase in the self-employed category should be welcomed, it may not turn out to be so. This is because of the high degree of self-exploitation that exists within these workers. It has also been argued that an increase in self-employment category may be symptomatic of the fact that people are unable to find productive paid employment.²⁹ The NSSO do not give data on the remuneration of the self-employed workers. However, it gives some data regarding the degree of satisfaction of these sections of workers regarding their employment. Comparing the NSSO Employment-Unemployment reports of 2004-05 and 2009-10, it can be said that the degree of dissatisfaction with the remuneration received by the self-employed workers has increased over the period.³⁰ On the other hand, Sanyal and Bhattacharyya (2009) argue that the existence of massive urban informalized self-employed workers actually shows the exclusion of large segments of labour from the capitalist

²⁹Ghosh (2006)

³⁰Chowdhury (2012a)

growth process. Therefore, the fact that significant casualization of workers has taken place in rural West Bengal along with an increase in self-employment activities in the urban areas, with a concomitant decrease in regular salaried employment in the urban areas, may be a pointer towards the fact that informalization of the labour force is increasing in West Bengal. We now look into the quality of employment in West Bengal to try and ascertain the degree of informalization of workers that has taken place in the state.

Informalization of Workers in West Bengal

The first issue that we look into while dealing with the question of informalization of workers in West Bengal is the type of enterprises in which workers are working. This is shown in the following table.

Table 8: Distribution of Workers by Type of Enterprises in West Bengal (percent)

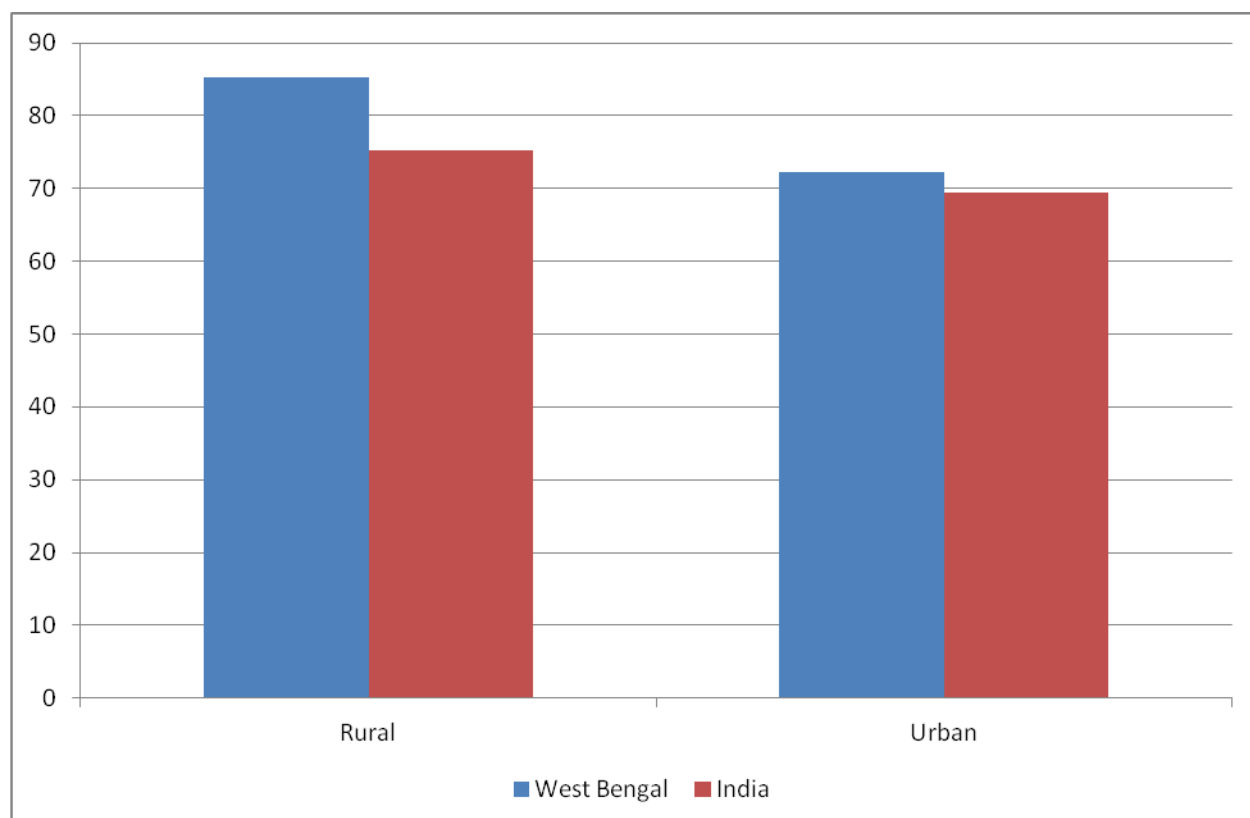
Type of Enterprises	2004-05			2009-10		
	Rural	Urban	Total	Rural	Urban	Total
Proprietary (P1)	82.75	65.86	74.88	79.12	63.49	72.68
Partnership (P2)	3.26	5.48	4.29	3.94	3.1	3.6
Public sector	7.29	14.94	10.85	5.47	15.66	9.66
Public/private ltd. Company	1.92	5.27	3.48	2.25	9.03	5.04
Co-operative society/trust/ non-profit inst.	0.52	0.81	0.65	0.17	0.94	0.49
employer's household (E)	2.18	5.68	3.81	2.46	4.39	3.25
Others	2.09	1.96	2.03	6.59	3.39	5.28

Source: Authors' calculation from NSS Employment and Unemployment unit level data

It is seen from the above table that a very large section of the workers in West Bengal are engaged in proprietary, partnership and employers' households. The total proportion of workers engaged in these three kinds of enterprises (P1, P2 and E) were 82.98 percent in 2004-05, which came down to 79.53 percent in 2009-10. These three kinds of enterprises are said to be belonging to the informal sector as per the NSS classification.³¹ If we however compare this scenario with India we will see that the proportion of enterprises belonging to the informal sector is much higher in the case of West Bengal than India. This is shown in the following figure.

³¹ Informal Sector and Conditions of Employment in India, NSS Report No. 539

Figure 13: Proportion of Enterprises belonging to Proprietary, Partnership and Employers' Household Category in 2009-10



Source: Informal Sector and Conditions of Employment in India, NSS report no. 539

From the above figure it is evident that informalization in West Bengal is higher than that of India in both urban and rural areas.

In terms of number of workers employed, enterprises which have less than 10 workers with electricity are regarded as unorganized while those enterprises which have less than 20 workers without electricity are also regarded as unorganized. In the following table we provide the percentage distribution of workers in various types of enterprises in West Bengal.

Table 9: Percentage Distribution of Workers by Size of Employment in Enterprise

No. of workers in enterprise	2004-05			2009-10		
	Rural	Urban	Total	Rural	Urban	Total
less than 6	75.01	60.32	68.16	70.31	56.83	64.74
6 to 9	6.49	5.77	6.15	8.64	7.64	8.23
10 to 20	5.13	5.85	5.47	4	5.45	4.6
20 and above	7.01	18.56	12.39	9.02	18.16	12.8
not known	6.36	9.5	7.83	8.03	11.91	9.64

Source: Same as Table 8

It is seen from the above table that around 74 percent of the workers were employed in enterprises employing less than 10 workers in 2004-05, which came down to around 73 percent in 2009-10. On the other hand, the proportion of workers employed in enterprises employing less than 20 workers was 79 percent in 2004-05, which marginally decreased to around 77 percent in 2009-10. This shows that an overwhelming majority of the workers in West Bengal are employed in small enterprises.

The issue of social security for workers has emerged as a major issue in the discussion of labour in India and the world. Without adequate social security the workers become more vulnerable to the caprices of the market. The following table shows the proportion of workers who receive social security benefits in West Bengal.

Table 10: Proportion of Workers Receiving Social Security Benefits in West Bengal

Social Security Benefits	2004-05			2009-10		
	Rural	Urban	Total	Rural	Urban	Total
only PF/pension	4.38	5.19	4.83	2.44	4.66	3.48
only gratuity	1.27	0.85	1.04	0.42	0.56	0.49
only health care and maternity benefits	0.88	1.01	0.95	0.64	1.96	1.26
PF and gratuity	1.28	2.22	1.8	0.88	2.21	1.51
PF, healthcare and maternity benefits	1.38	1.3	1.34	0.22	2.89	1.48
gratuity, healthcare and maternity benefits	0.21	0.3	0.26	0.25	1.51	0.85
PF, gratuity, healthcare and maternity benefits	11.22	25.69	19.26	6.24	27.27	16.14
not eligible for above soc securities	79.39	63.44	70.52	88.91	58.93	74.80

Source: Same as Table 8

From the above table, two important features are strikingly evident. Firstly, more than 70 percent of the workers did not receive any social security benefit in 2004-05 or 2009-10. Secondly, the proportion of workers who did not receive any social security benefit actually increased from 70.52 percent in 2004-05 to 74.8 percent in 2009-10. This shows that social security net has actually declined in West Bengal in this time period.

Related with the issue of social security is the question of job security. One of the mechanisms to gauge this issue is to look at the nature of job contract for the workers, which is shown in the following table.

Table 11: Nature of Job Contract for Regular Salaried and Casual Workers

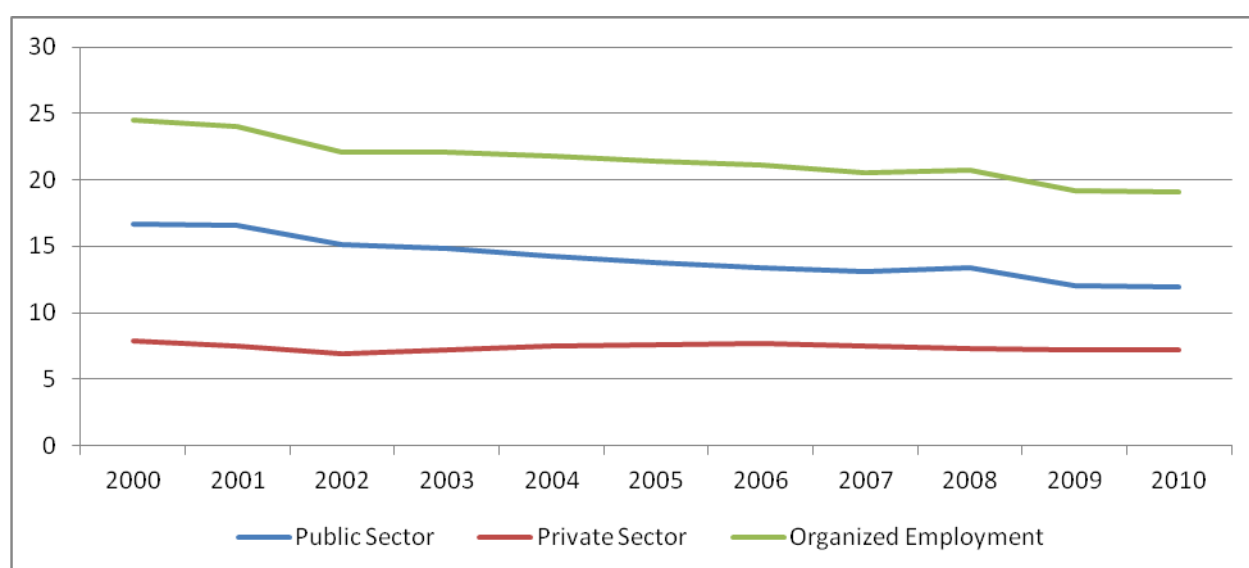
Nature of Job Contract	2004-05			2009-10		
	Rural	Urban	Total	Rural	Urban	Total
no written job contract	84.83	68.91	75.98	84.01	61.2	73.28
written contract for less than 1 year	1.41	2.14	1.82	1.91	2	1.95
written contract for 1 to 3 years	0.52	1.17	0.88	2.15	1.15	1.68
written contract for more than 3 years	13.24	27.78	21.32	11.93	35.65	23.09

Source: Same as Table 8

It is seen from the above table that almost three-fourths of the workers in West Bengal have no written job contract. This implies that they have little or no job security. In the absence of explicit written job contracts, if the workers are illegitimately thrown out of the job, they have no way to seek redressal from the government or the judiciary. This also denotes a very high level of informalization of workers in the state.

The burgeoning informalization of workers in West Bengal is a matter of great worry. It is clear from the above set of data that whatever employment growth has taken place in West Bengal has been in the nature of informal employment. In fact, employment in the organized sector in the state has declined in absolute terms. This is shown in the following figure.

Figure 14: Employment in Organized Sector in West Bengal (in lakhs)

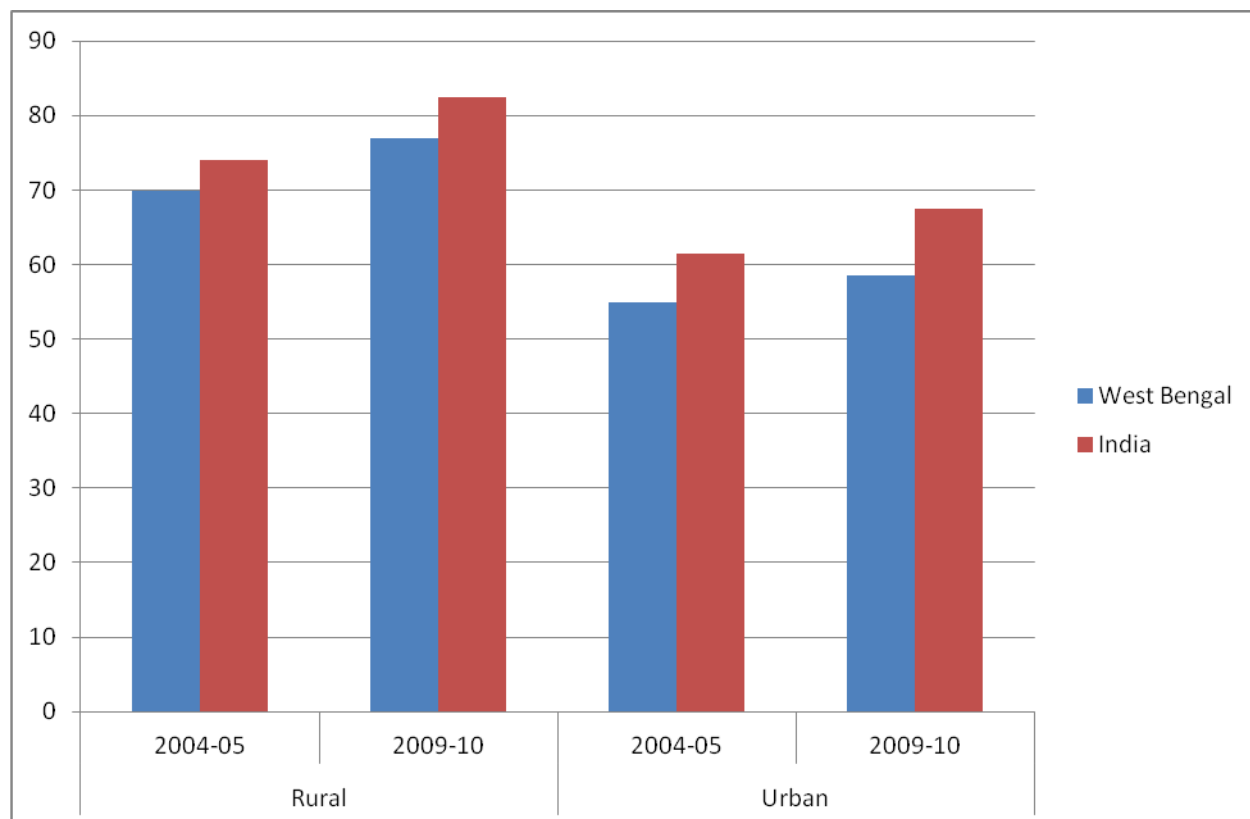


Source: Statistical Appendix, Economic Review, 2011-12, Government of West Bengal

The above figure shows that the decline in organized employment in the state is mainly led by the public sector. It however needs to be mentioned that private organized sector employment has practically stagnated in the state.

This fall in organized employment and burgeoning of unorganized employment also gets reflected in the presence of trade unions in the state. Trade unions in India have been traditionally involved in organizing the organized sector. Now, if the importance of the organized sector in terms of providing employment declines with a concomitant rise in the employment in the unorganized sector, trade union activities are adversely affected. At the same time, with the fall in the trade union action, the social security, job security and other benefits for the workers take a beating. This again leads to a further informalization of the workforce. In other words, the above data suggest that the trade union strength has declined in the state. This is shown in the following figure.

Figure 15: Workers reporting Absence of Trade Union in their Activities (percent)

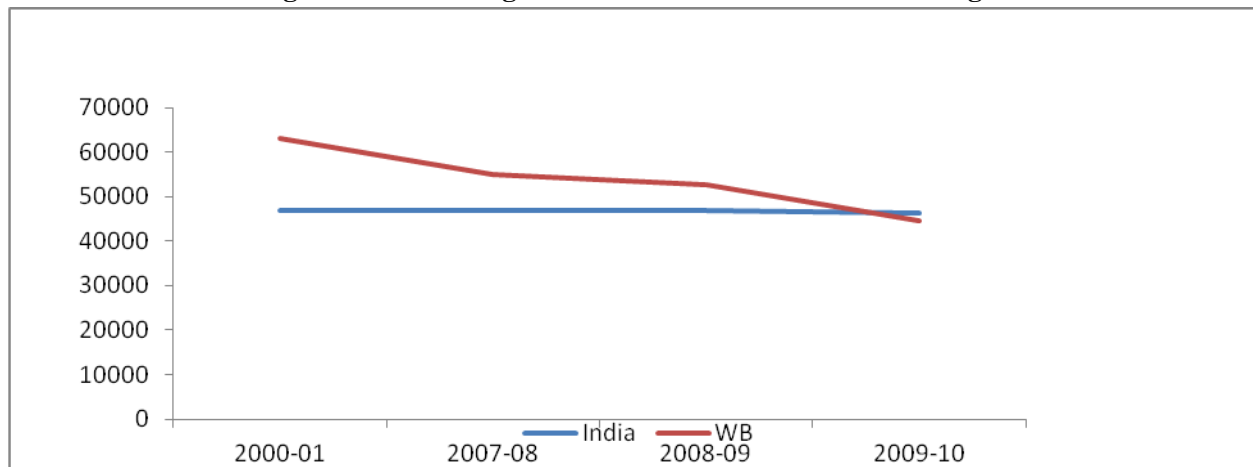


Source: Informal Sector and Conditions of Employment in India, NSS report no. 519 and 539

It is seen from the figure that the proportion of workers who have no trade union in their activities has increased in West Bengal in both rural and urban areas. However, this proportion is less than that of India.

The main purpose of trade unions is to organize the workers for collective bargaining in terms of employment and higher wages. It is a preliminary lesson of economics that the bargaining strength of the trade unions is directly related with the employment situation. If more workers are employed, the strength of the trade unions increases. In the case of West Bengal, however, even with an increase in the overall number of employed persons in the state, proportion of workers having no trade unions have increased. This itself denotes that the bargaining strength of the workers has declined in the state. This decrease in the bargaining strength of the workers is also evident if we look at the data on wages, which are shown in the following figure.

Figure 16: Real Wage of Workers in India and West Bengal



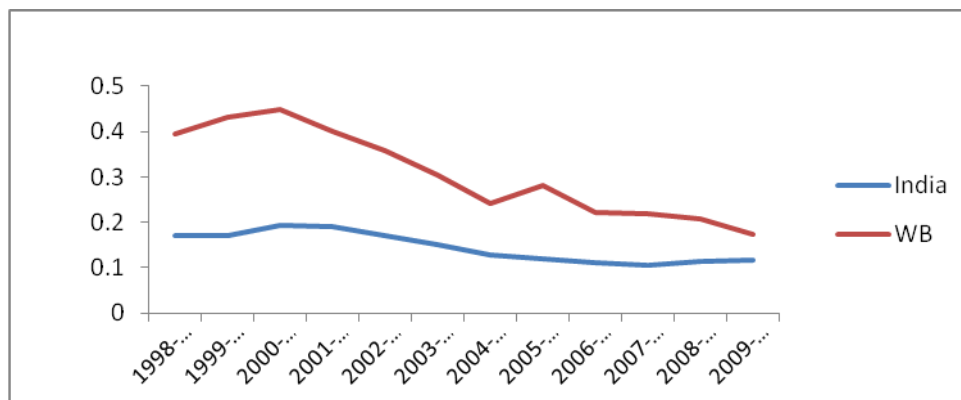
Note: Nominal Wage has been deflated by the Consumer Price Index for Industrial Workers

Source: Annual Survey of Industries, various issues

From the above figure, it is clear that the real wage of workers employed in the factory sector has witnessed a decline in West Bengal, while that of India has stagnated. This decrease in real wage shows that far from what many believe, over the last decade at least, trade unions in West Bengal has been unsuccessful in protecting or increasing the real wage of the workers in the state.

This fall in the real wage has also resulted in a decline in the share of wages in the net value added of the factory sector in West Bengal. This is shown in the following figure.

Figure 17: Share of Wages in Net Value Added for India and West Bengal



Source: Same as Figure 16

It is seen from the above figure that the share of wages in the Net Value Added (NVA) has witnessed a secular decline in both India and West Bengal. However, this share is higher in West Bengal than India.

From the above discussion it is seen that majority of the workers in West Bengal are essentially unorganized. Moreover, their job security and social security situation is also abysmal. Thirdly, their real wages and share in NVA is also declining. All this suggests that the increase in

employment in West Bengal that has taken place between the period of 2004-05 and 2009-10 is essentially of a low quality.

Another important feature of the employment situation in any economy is the sectoral employment profile. The economic sectors which are generating the maximum employment for West Bengal are the sectors that are lagging behind. This is shown in the following table.

Table 12: Distribution of Employed Persons by Broad Industry Divisions

	West Bengal				India			
	Rural		Urban		Rural		Urban	
	2004-05	2009-10	2004-05	2009-10	2004-05	2009-10	2004-05	2009-10
Agriculture	62.7	56.3	2.8	3.6	72.7	67.9	8.8	7.5
Mining & Quarrying	0.2	0.7	1	0.6	0.5	0.6	0.8	0.6
Manufacturing	13.5	16.6	27.6	26.7	8.1	7.2	24.6	23
Electricity, Water, etc.	0.1	0	0.5	0.6	0.2	0.2	0.7	0.6
Construction	3.9	5.9	6.2	6.2	4.9	9.4	8	10.2
Trade, Hotel, Restaurant	9.5	9.4	23.2	26.5	6.1	6.4	24.6	24.3
Transport	3.6	4.3	10.6	10	2.5	2.9	8.6	8.7
Finance, Business Activities	0.9	0.8	5.2	4.2	0.5	0.6	5.3	6.7
Public Admin. etc.	5.5	6.1	22.9	21.4	4.5	4.8	8.7	18.5

Source: NSS Employment and Unemployment Survey, various issues

From the above table it is seen that in West Bengal there has been a significant reduction in the proportions of people employed in agriculture. In fact, the proportion of workers employed in agriculture is lower than that of India. Remarkably, there has been an increase in the manufacturing employment in West Bengal, particularly in the rural areas, while that of urban areas has registered a marginal decline. Again, this proportion is higher in West Bengal than in India. This increase in employment in the manufacturing sector of West Bengal is a bit puzzling since we have already seen that the share of manufacturing in GSDP of West Bengal has declined consistently, while the growth rate of manufacturing has also registered a decline over the years. Even then, it is seen that the proportion of workers employed in manufacturing has increased. The other important feature in the above table is that the proportion of workers employed in the trade, hotel and restaurant category has increased significantly in the urban areas of West Bengal. This is a reflection of burgeoning retail sector which provided employment to a large number of people in the state. At the same time, these data are observed to commensurate with the data on self-employed workers in the urban areas which has also witnessed a significant increase in this period. In rural West Bengal, the proportion of workers has increased mainly in construction and the manufacturing sector, while in urban West Bengal this has increased mainly in trade, hotel and restaurant sector. As a whole, therefore, manufacturing, construction & trade, hotel & restaurant sectors seem to be the main repository of non-agricultural employment in the state.

Non-agricultural Employment in West Bengal

Till now we have discussed the overall employment situation in the State of West Bengal. However, as we have discussed earlier, the study will mainly focus on the non-agricultural employment in the state. We now turn to analyze the non-agricultural sector employment in West Bengal in details.

It has already been noted in Table 2 earlier that there has been an increase in the non-agricultural employment in West Bengal, which is the highest amongst all the major states. The following table shows the employment growth rate in West Bengal between 2004-05 and 2009-10.

Table 13: Growth Rate of Employment in West Bengal, between 2004-05 and 2009-10

Employment	Growth Rate (%)
Total	1.3
Agriculture	-0.4
Non-agriculture	2.63

Source: Authors' calculations from NSS unit level data

It is seen from the above table that the overall employment growth in West Bengal has increased by a modest 1.3 percent, while that of agriculture has actually turned negative. However, the growth rate of non-agriculture employment in the state is 2.63 percent per annum, which is quite a satisfactory growth rate of employment. However, to better understand the phenomenon of non-agricultural employment growth in India, we need a more disaggregated picture.

In order to do so, we first locate the top 10 sectors at 2-digit level of classification to find out the sectors that have witnessed a growth in employment between 2004-05 and 2009-10. This is shown in the following table.

Table 14: Non-agricultural Sector Employment: Top 10 sectors

NIC 2004 2 digit code	Total	% Share in 2009-10	Share change	West Bengal's performance of sector in terms of Absolute employment change (mill) (2005-10)		All India performance in terms of Absolute employment change (mill) (2005-10)	
45	Construction	12.39	3.93	1.02	Increased	26.14	Increased
70	Real Estate Activities	0.14	-0.03	0	No change	0.23	Small increase
52	Retail Trade,	15.51	-1.89	0.14	Increased	-0.7	Decreased
51	Wholesale Trade	3.43	0.11	0.12	Increased	-0.32	Decreased
17	Manufacture Of Textile	6.98	1.2	0.4	Increased	-1.96	Decreased
18	Manufacture of Wearing Apparel, Dressing & Dyeing Of Fur	3.69	-0.24	0.07	Very small increase	-1.85	Decreased
16	Manufacture of Tobacco	6.59	0.79	0.32	Increased	-0.5	Decreased

	Product						
15	Manufacture of Food Products And Beverage	3.29	-0.16	0.07	Very small increase	-0.55	Decreased
19	Tanning And Dressing of Leather; Manufacture of Luggage, Handbags Saddlery, Harness and Footwear	0.66	-0.31	-0.03	Decreased	0.92	Decreased
24	Manufacture of Chemicals And Chemical Product	0.42	-0.25	-0.03	Decreased	-0.45	Decreased
	Total of selected 10 sectors	53.11%					

Source: Calculated from NSS Unit level data

It is seen from the above table that construction sector in West Bengal registered the maximum growth in absolute number of employment, followed by manufacture of Tobacco products. These 10 sectors accounts for more than 53 percent of the total employment in the state. Therefore, much of our analysis will pertain to these sectors. This analysis will be at two different levels. Firstly, we will try to understand the employment situation in these sectors from the secondary data. Secondly, in order to understand the employment problem at a micro-level, we have undertaken a field survey of these sectors to illuminate the reasons behind the increase in non-agricultural employment in the state. But first, let us see what the secondary data show about the employment situation in the above-mentioned industries.

The fact that employment in the construction sector has increased the most amongst the non-agriculture sectors is not very surprising. This is because, as we have seen previously, only the construction and the real estate sectors have witnessed an increase in their share in the GSDP of West Bengal. This growth in the construction sector has been translated into a growth in employment since construction is essentially a labour intensive activity. However, again the quality of employment becomes an issue, which we discuss below.

We have already discussed that most of the employment in West Bengal is basically of an informal nature in the unorganized sector. These sectors are also not an exception in this regard. If we look at the issue of social and job security for the workers employed in these sectors, it is seen that an overwhelming majority (more than 90%) of the workers have no social security or written job contract. This is shown in the following table.

Table 15: Social and Job Security in West Bengal

Sector	Not-eligible for Social Security		No written job contract	
	2004-05	2009-10	2004-05	2009-10
Manufacture of Apparel	96.8	100	96.68	100
Manufacture of Textile	71.61	72.81	79.12	78.41
Manufacture of Tobacco	78.81	92.84	98.22	97.83
Manufacture of chemicals	48.11	33.84	51.94	40.12
Manufacture of food	89.56	93.78	87.06	83.91
Real Estate	100	24.24	100	55.74
Retail Trade	94.9	97.09	94.7	88.81
Tanning and leather products	94.3	96.74	93.1	93.5
Wholesale Trade	93.17	88.86	93.63	84.59
Construction	99.61	97.17	99.34	92.94
Total	91.9	91.06	92.88	88.32

Source: Authors' calculation from NSS Unit level data

It is seen from the above table that in certain sectors like manufacture of apparel there is simply no social security and written job contract for the workers. In certain sectors like manufacture of textile, tobacco, food, retail trade and tanning, social security has actually on a decline between 2004-05 and 2009-10. The construction sector that registered a significant increase in employment has no social security for its 97.17 percent workers in 2009-10 and no written job contract for 92.94 percent workers in the same year. The only sectors which have witnessed a substantial increase in both social security and job security coverage are the manufacture of chemicals and real estate. In total, it is seen that in 2009-10, around 91.06 percent workers have had no social security and 88.32 percent workers had no job security across these sectors.

If we look at the type of enterprises where the workers are employed, we will see that most of the workers are employed in proprietary and partnership enterprises, while the proportion of workers employed in the private limited company has increased for certain sectors. This is shown in the following table.

Table 16: Type of Enterprises

Enterprises	Proprietary and Partnership		Private Limited Co.	
	2004-05	2009-10	2004-05	2009-10
Manufacture of Apparel	95.8	96.87	1.62	0.28
Manufacture of Textile	84.66	81.09	12.27	16.3
Manufacture of Tobacco	99.29	95.96	0.16	0
Manufacture of chemicals	71.57	28.34	21.83	71.66
Manufacture of food	93.8	91.73	2.17	5.77
Real Estate	96.24	82.35	0	6.82
Retail Trade	98.24	95.97	0.76	0.55
Tanning and leather products	95.26	89.19	4.74	3.07
Wholesale Trade	98.08	92.41	1.41	3.29
Construction	91.38	80.97	1.8	4.13
Total	94.92	89.63	2.53	4.53

Note: The figures do not add up to 100 because some type of enterprises which were negligible have been left out.

Source: Same as Table 15

It is seen from the above table that the sectors like chemicals, real estate and construction have witnessed a significant decline in the proportion of workers employed in the proprietary and partnership enterprises, while a significant increase was witnessed in private limited companies. The proportion of proprietary and partnership enterprises also continues to be extremely high. This denotes that for some industries there has been a shift towards production in the organized sector. However, as Table 15 shows, this shift in production becoming more organized has not necessarily translated itself into a shift towards formal employment.

We now try to understand the micro-level issues related to the employment in these particular non-agricultural sectors through the data collected during our field survey. We discuss the methodology of the survey below and then continue with the discussion on the data.

Methodology for the Survey of the Particular Unorganized Sectors in West Bengal

Based on the Economic Survey 2005, (Enterprise Level) all the 19 districts of West Bengal were stratified as High, Medium and Low, depending upon their industrial concentration. Any district with an industrial concentration of less than 4 per cent has been categorized as low, a share between 4-6 per cent was categorized as medium, and districts with a share of more than 6 per cent were grouped as high concentrated districts. The distribution is represented in Table A.

Table A

Low	Medium	High
Darjeeling 01 Uttar Dinajpur 04 Dakshin Dinajpur 05 Puruliya 14 Koch Bihar 03 Birbhum 08 Bankura 13 Jalpaiguri 02 (These eight districts accounted for about 18 percentages of enterprises.)	Maldah 06 Haora 16 Hugli 12 Nadia 10 Paschim Midnapor 15 Purba Medinipur (These six districts accounted for about 32 percentages of enterprises.)	Bardhaman 09 Kolkata 17 South Twenty Four Parganas 18 Murshidabad 07 North Twenty Four Parganas 11 (These five districts accounted for about 50 percentages of enterprises.)

In order to have a representative sample, we selected two districts from the low industrial districts, (Bankura and Birbhum), two from the medium concentration districts (Hooghly and Howrah) and three from the high concentration districts (Kolkata, North 24 Pargana and South 24 Parganas). From this stratified sample, the enterprises were selected in random. The following table shows the sample distribution of enterprises selected in our survey. A structured questionnaire was prepared for the survey. The respondents were mainly the managers/owners of the enterprises.

Table B

Districts in West Bengal	Bankura	Birbhum	Hooghly	Howrah	Kolkata	North 24 Pargana	South 24 Pargana	Total
Number of Manufacturing units surveyed	34	30	44	56	75	72	74	385
Number of Wholesale-Retail-Distributor units surveyed	8	16	7	10	11	12	8	72
Number of Construction units surveyed	11	2	4	10	11	5	10	53

The survey was conducted over a period of 2 months across the districts in West Bengal. At the outset, certain issues related to the survey should be pointed out. Firstly, it must be kept in mind that most of the questions posed in the survey were in the nature of perception of the respondents. However, with regard to getting some actual numbers pertaining to the questions related to the number of employment, wages, investment, profits etc., the surveyors requested the management to provide balance sheets or some other written documents, which in majority of the cases were denied to them. In a sense therefore, some of the data quoted by the respondents were non-verifiable. Secondly, it was also very difficult to make the owner/managers to agree for

an interview. The success rate of getting an interview was close to 1:5. Therefore, the data must be analyzed carefully to arrive at any specific conclusion regarding the state of non-agricultural employment in West Bengal.

The choice of the different sectors with regard to the non-agricultural sector has been such that they can be broadly classified into three groups, viz., manufacturing, wholesale & retail trade and construction. In order to capture the differences in these sectors, due to the nature of the sectors themselves, we prepared three different questionnaires for these three sectors. Therefore, we will present the data also separately for the three sectors.

Data on Manufacturing Sector Survey

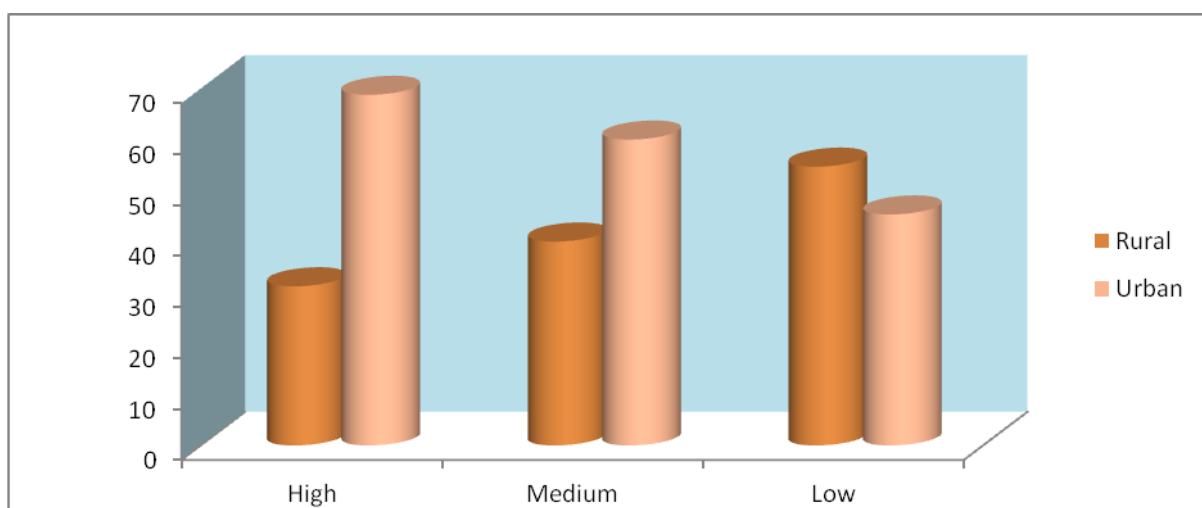
Let us begin with manufacturing sector which consists of the following:

- Manufacture of Apparel
- Manufacture of Textile
- Manufacture of Tobacco
- Manufacture of Chemicals
- Manufacture of food products
- Tanning and Leather products

Characteristics of Enterprises

Enterprise concentration: The sample contained nearly 63 percent of urban enterprises and 37 percent of rural enterprises. Out of which, the respective share for rural and urban distribution from the high, medium and low concentration districts are shown in the following figure. It is obvious from the figure that most of the samples from the high concentration district came from urban areas, while that of the low concentration districts came from rural areas.

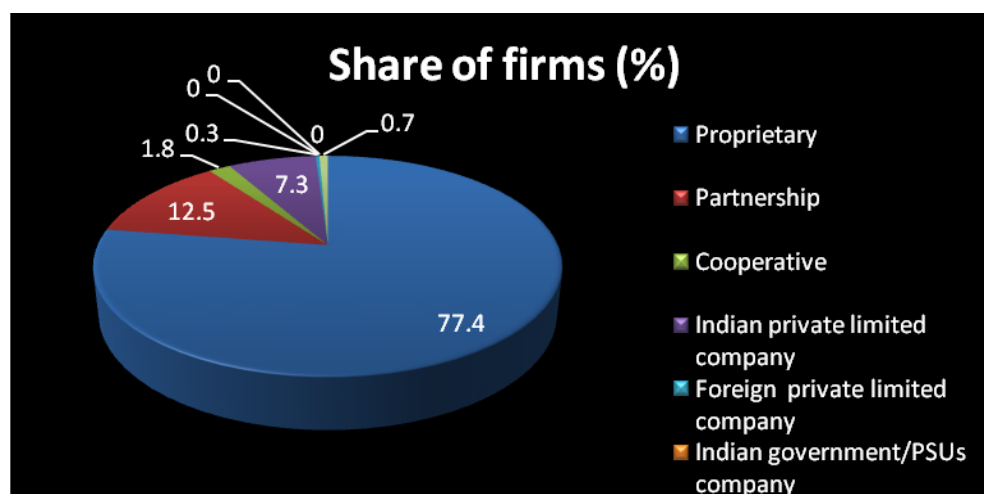
Figure 18: Rural-urban concentration of Enterprises at the Three Categories of Districts



Source: Field Survey, 2012

Type of ownership of establishments: Regarding the type of ownership of establishments, the data in our sample were very much skewed towards the Proprietary type of ownership which contributes 77.4 percent of the total share, the second was Partnership which contributes 12.5 percent of the total sample. The following pie-chart represents the total scenario of the type of establishments in the sample of West Bengal. This is not surprising since, as we have seen above most of the employment in these sectors actually belongs to this category of enterprises.

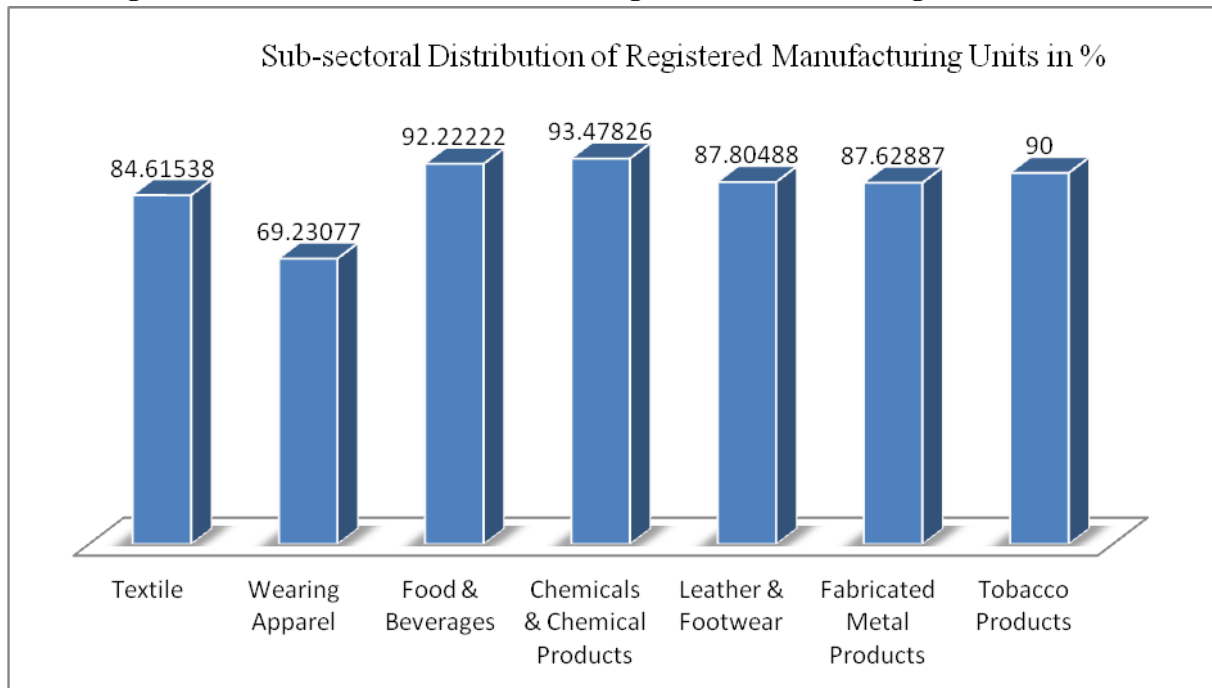
Figure 19: Type of Ownership of Establishments



Source: Field Survey, 2012

Sub-sectoral distribution of registered manufacturing establishments: The proportion of registered manufacturing units within the different sub-sectors has been very high. Nearly 88 percent of establishments were registered and the remaining 12 percent of firms were unregistered. The following column diagram represents the sub-sectoral proportion of registered units in the sample West Bengal.

Figure 20: Sub-sectoral Distribution of Registered Manufacturing Establishments



Source: Field Survey, 2012

Size of employment in the sample enterprises: Considering the distribution of employment throughout West-Bengal in the sample, it can be concluded that the small employee enterprises (i.e., employee strength less than 25) is a dominant representative irrespective of sectors in the sample.

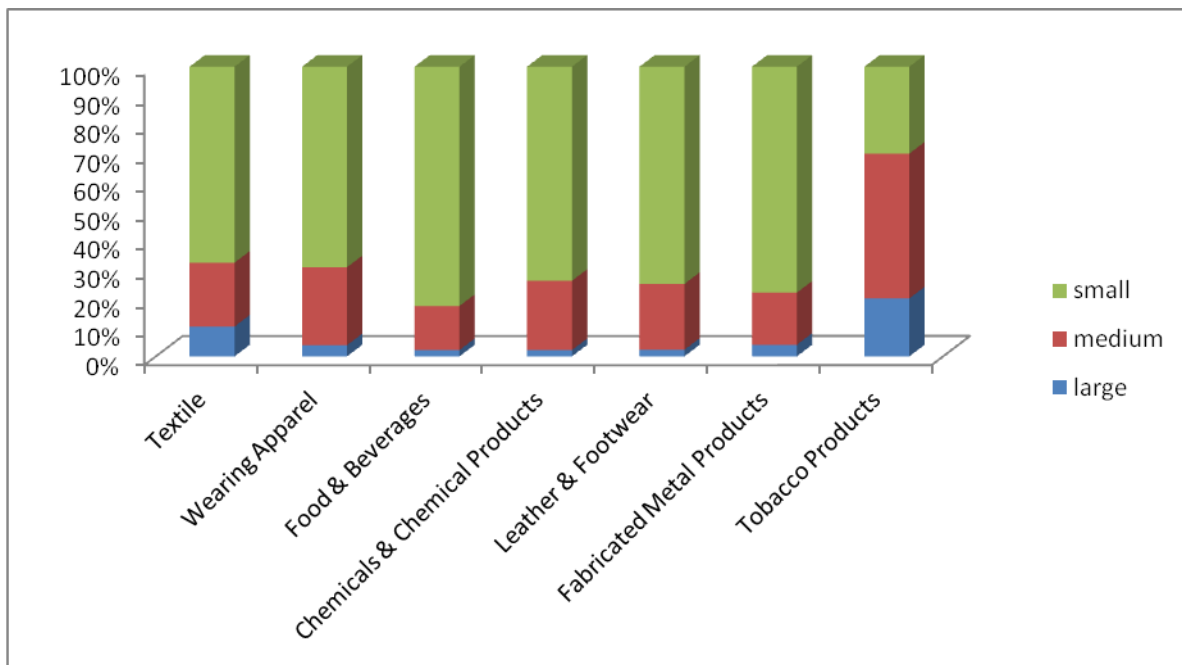
Depiction of size in the sample:

Large – greater than 100 employees

Medium – employee strength in between 25-99

Small – less than 25 employees

Figure 21: Distribution of Enterprises by Size of Employment



Source: Field Survey, 2012

Employment Trends

From the overall macro-data we already know that employment in non-agricultural sector has increased in the state. However, in order to understand the nature of this increase in employment and its perception at the enterprise level, we had asked a question to the employers regarding the trend in employment generation in their sector by skill levels. We present here the percentage of firms reporting increase, decrease or no change for each skill level for two periods, 2000-05 and 2005-10. A higher proportion of firms in 2005-10 is reporting an increase in their employment of all categories of workers as compared to the proportion of firms in 2000-05. This readily fits into our macro-data which show that indeed there has been a significant increase in employment in the non-agricultural sector.

Table 17: Percentage Distribution of Enterprises by Employment Trends

Share of firms (%)	2000-05			2005-10		
	Decrease	No Change	Increase	Decrease	No Change	Increase
Non-Managerial skilled labor	9.64	57.43	32.53	26.45	33.43	40.12
Non-managerial unskilled labor	8.81	59.91	31.28	33.69	29.39	36.92
Managerial labor	3.8	75.95	19.62	8.81	62.18	29.01
Regular labor	9.42	66.82	23.76	26.62	32.01	41.37
Contractual labor	3.45	51.72	43.45	24.85	24.26	49.71
Female labor	6.52	64.13	29.35	16.81	35.4	47.79

Source: Field Survey, 2012

Another interesting feature of the above table is that the perception regarding an increase in employment is across skill-level of workers. In order to understand the reasons behind such a perception of an increase in employment across skill-levels within the sample firms, we also asked them to cite reasons as to what is the reason for such increase in employment. Most of the firms reported that it is mainly due to the increase in demand for goods and availability of labour at low wage/salaries that the increase in employment has taken place across skill levels. This is shown in the following table which shows the top two reasons provided.

Table 18: Top Two reasons for increase in employment trend

Type	Main Reasons (top 2 reasons)	
	I	II
Non-managerial skilled labour	Availability of such workers at lower wages/salaries	Increased demand for labour due to increased production
Non-managerial unskilled labour	Increased demand for labour due to increased production	Availability of such workers at lower wages/salaries
Managerial/professional jobs	Increased demand for labour due to increased production	Availability of such workers at lower wages/salaries
Regular employment	Increased demand for labour due to increased production	Availability of such workers at lower wages/salaries
Contractual employment	Increased demand for labour due to increased production	Availability of such workers at lower wages/salaries
Female employment	Increased demand for labour due to increased production	Availability of such workers at lower wages/salaries

Source: Field Survey, 2012

Number of Workers in Sample Enterprises

The following table shows the number of workers employed in the sample enterprises across three years.

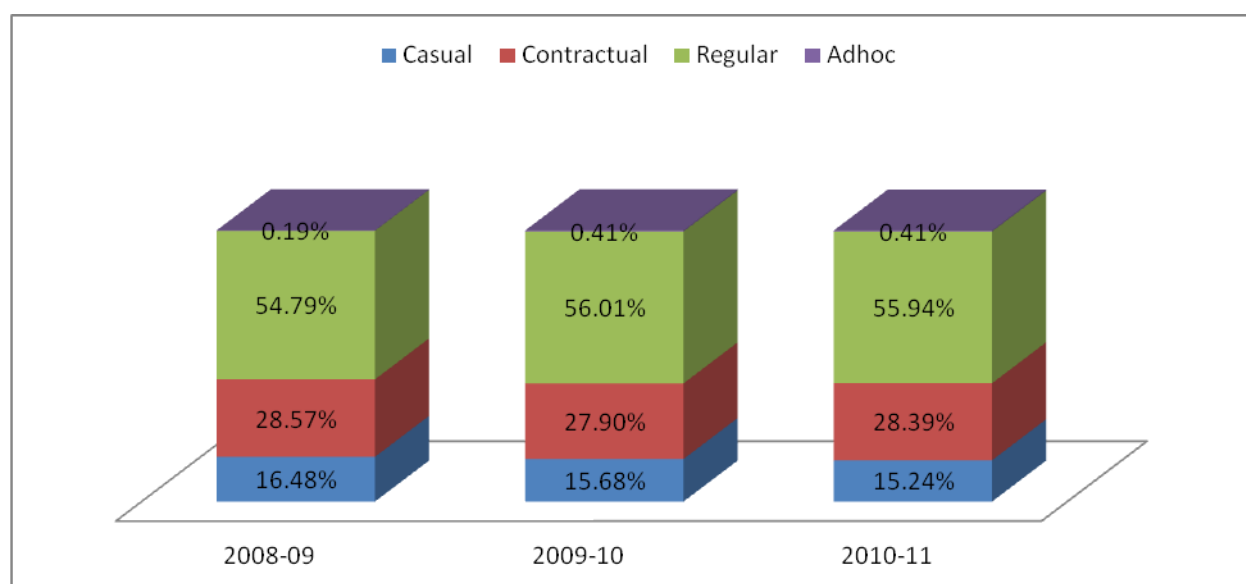
Table 19: Distribution of Enterprises by Number of Workers Employed (percent)

	2008-09				2009-10				2010-11			
Emp. Categories	<10	10-50	50-100	>100	<10	10-50	50-100	>100	<10	10-50	50-100	>100
Casual Male	46.42	47.61	2.38	3.57	49.36	45.56	1.26	3.79	49.33	44	2.66	4
Casual Female	66.66	16.66	8.33	8.33	61.90	19.04	14.28	4.76	60	20	15	1
Contractual Male	49.62	44.44	5.18	0.74	50	44.6	4.61	0.76	53.07	40.76	5.38	.76
Contractual Female	62.26	33.96	1.88	1.88	60.41	35.41	0	4.16	7.34	30.61	0	2.04
Regular Male	43.92	50.71	2.14	3.21	45.21	49.81	2.16	2.88	49.26	45.22	2.57	2.94
Regular Female	89.15	8.43	2.4	0	87.8	9.75	2.43	0	87.02	10.38	2.59	0
Adhoc Male	71.42	28.5	0	0	77.77	22.22	0	0	77.77	22.22	0	0
Adhoc Female	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)

Source: Field Survey 2012

It is seen from the above table that most of the enterprises in the sample employ less than 50 workers for each kind of employment. If we look at the type of employment across all the sample enterprises, we find that regular employed emerges as the most significant kind of employment followed by contractual and casual labour (Figure 22 below). This is in opposition to the macro-data for West Bengal where there has been a casualization of workers. Actually, for the respondents there was no clear differentiation between a regular worker and casual worker. Those workers who worked regularly for the enterprise were deemed to be regular, even though s/he is actually a casual worker.

Figure 22: Type of Employment across Sample Enterprises



Source: Field Survey, 2012

Wage across enterprises: As far as the wages received by the workers are concerned, it is seen that most of the employers pay a monthly wage of less than Rs. 6000 to all categories of workers. Moreover, this proportion of employers paying less than Rs. 6000 to the workers is increasing across various categories of workers. In the sample, there is a huge concentration of employees receiving a wage of less than Rs. 6000 across all categories of employment types, namely casual, contractual, regular and adhoc during 2008-09 to 2010-11. In other words, more workers are being paid a wage which is less than Rs. 6000 for the three years pertaining to the survey. This shows that the workers, far from increasing their wages, have in fact witnessed a lowering of wages. This is in accordance with our earlier finding that the real wage rate for the factory sector in West Bengal has actually declined over the years (see Figure 16).

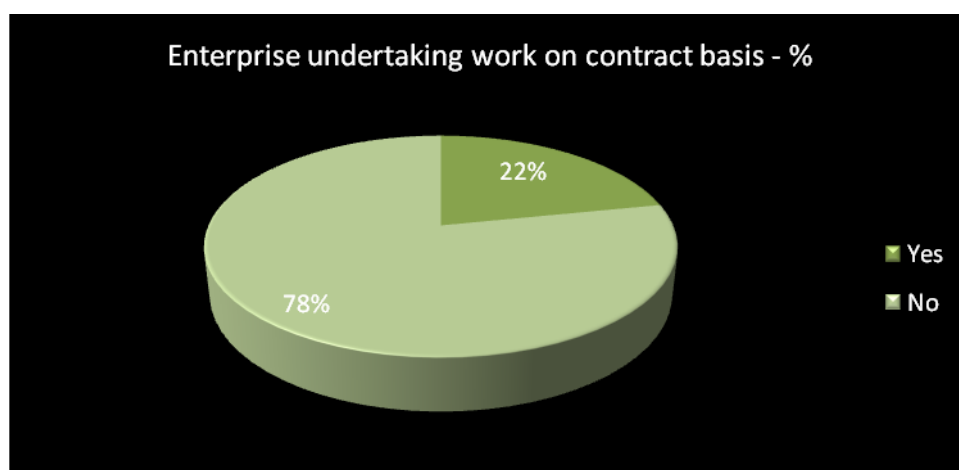
Table 20: Distribution of Enterprises by Wages paid to Workers (percent)

	2008-09			2009-10			2010-11		
Emp. Categories	< 6000	6000 - 9000	>9000	<6000	6000-9000	>9000	<6000	6000-9000	>9000
Casual	83.33	11.9	4.76	89.61	9.09	1.29	91.78	6.84	1.36
Contractual	80.82	14.38	4.79	86.86	10.21	2.91	90.44	6.61	2.94
Regular	76.2	18.27	5.51	82.54	14.18	3.27	87.31	10.82	1.86
Adhoc	100	0	0	100	0	0	100	0	0

Source: Field Survey, 2012

Taking work on contract basis has become an important feature for the enterprises in India. However, in our sample, around 22 percent of the enterprises undertake work on contract basis. This is shown in the following figure.

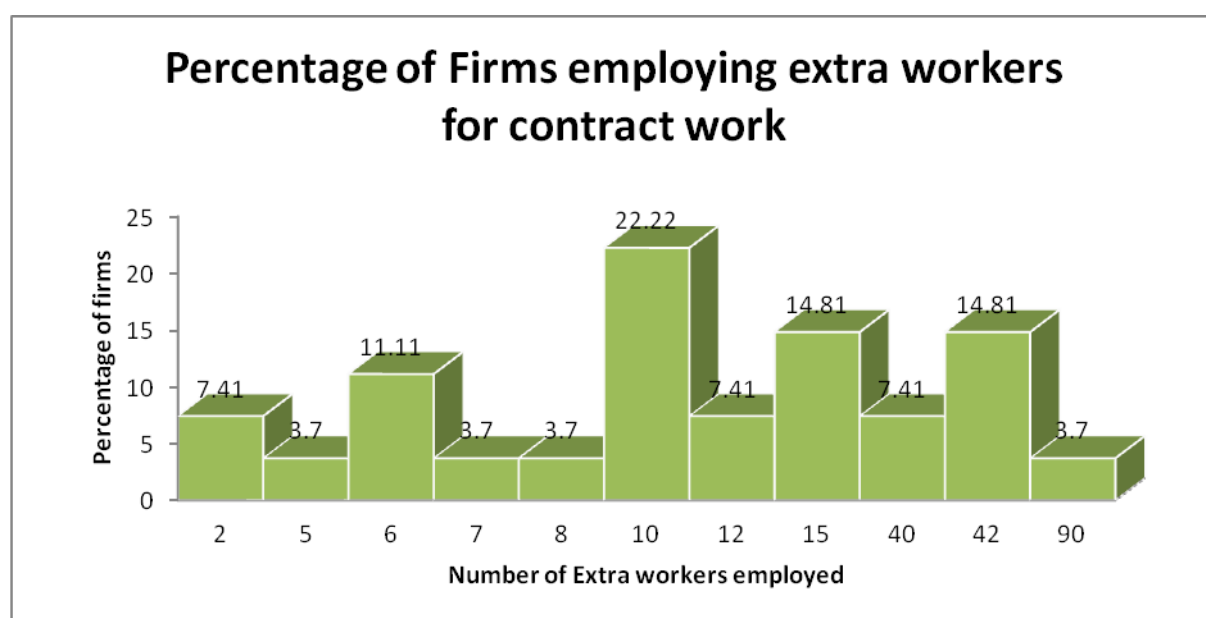
Figure 23: Enterprise undertaking Work on Contract Basis



Source: Field Survey, 2012

The employment impact of undertaking work on a contract basis also needs to be looked at. The figure below shows that most of the firms which undertake work on a contract basis employ around 10 extra workers to do the job. But it is important to note that such undertaking of work on contract basis does increase the employment generation by the firms.

Figure 24: Fresh Employment for Contract Production (% of firms) – Manufacturing

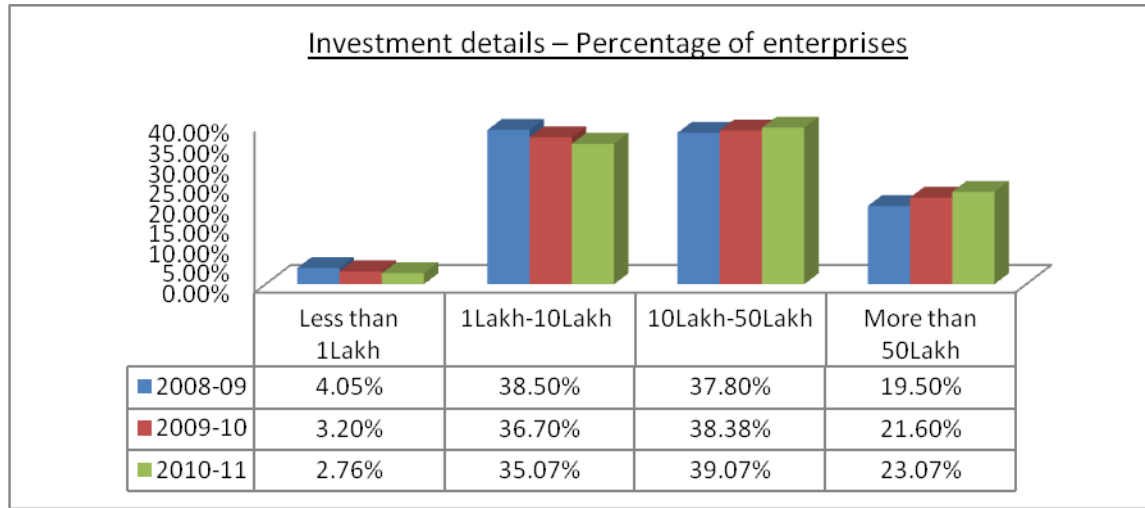


Source: Field Survey, 2012

Investment Plan of the Enterprises

The investment details for the three years 2010-11, 2009-10, 2008-09 show a similar type of trend. It is seen from the figure below that roughly 75 percent of enterprises kept their total investment within the boundary of Rs.1 lakh to Rs.50 lakh for the above mentioned period. The firms in the sample therefore are investing a significant amount of money.

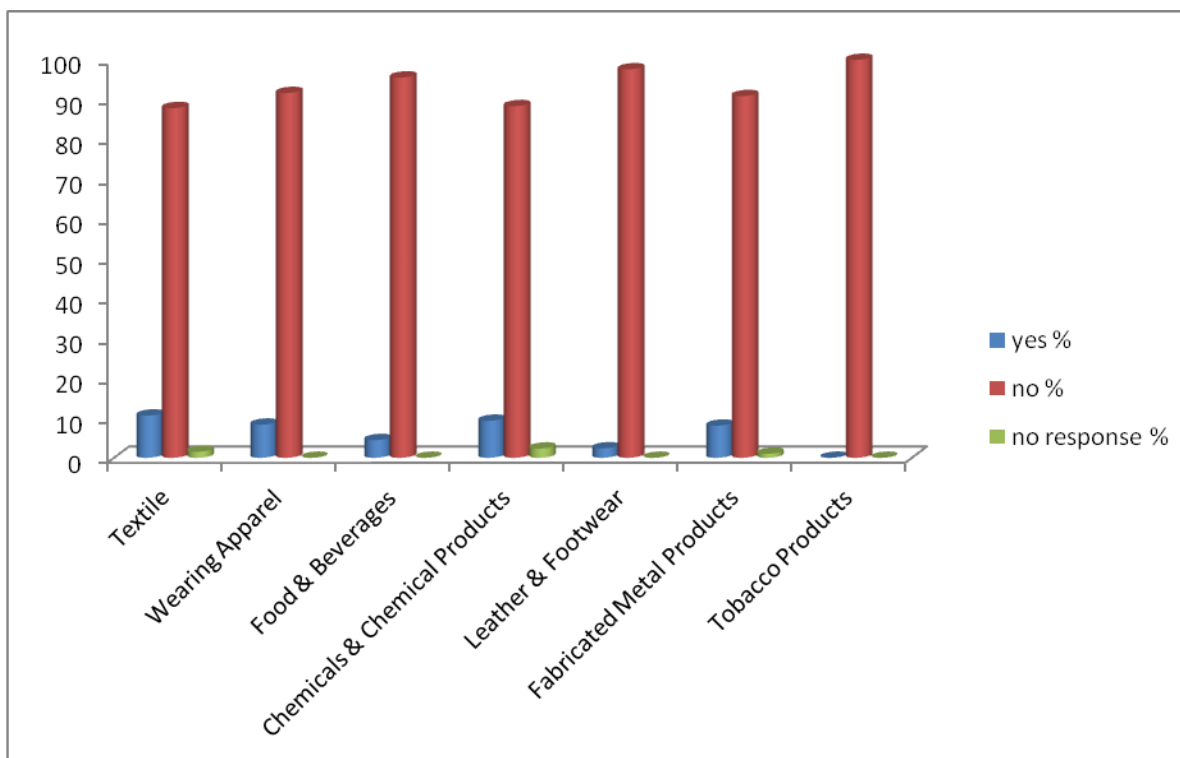
Figure 25: Investment Details – Percentage of Enterprises



Source: Field Survey, 2012

However, most of the establishments do not have plans to invest in some other sector. It is seen from the chart below that overwhelming majority of the firms have no plans to invest in any other sector other than where they are currently operating. This shows that there is a lack of interest towards diversifying their business. This is consistent with the fact that most of the firms have reported that there has been a growth in their output and instead of diversifying to other sectors, they are continue to invest in their current enterprises during 2009-09 to 2010-11. It must be remembered that most of the firms in the sample are proprietary in nature. Hence, they lack the basic scale of operation to diversify their business.

Figure 26: Number of Establishments by Future Investment Plan by Sub-sector

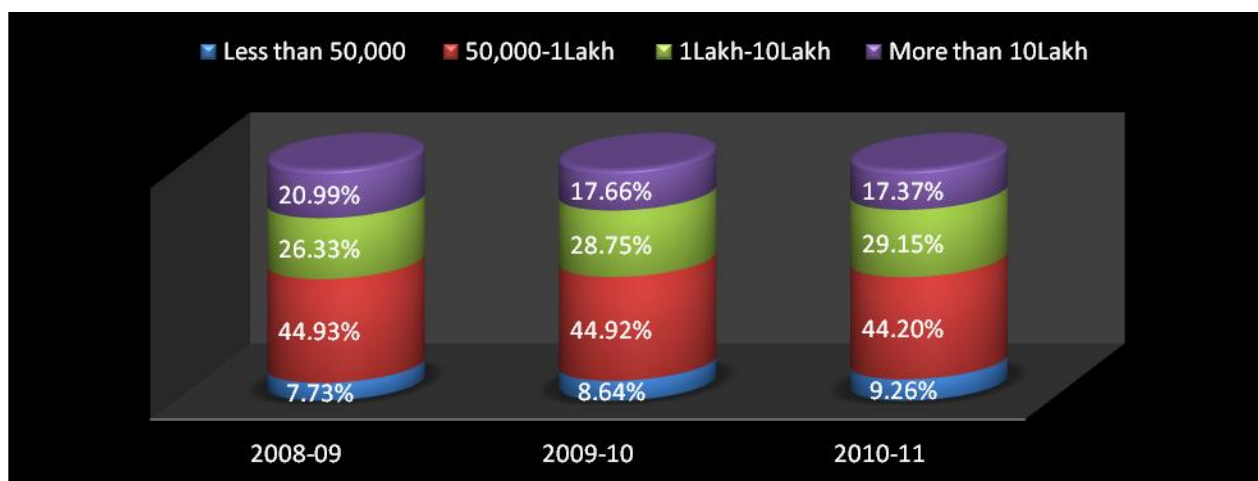


Source: Field Survey, 2012

Input Details

It is seen from the following figure that across the years, around 45 percent of the enterprises used inputs of value Rs. 50,000 to Rs. 1 lakh, while around 28 percent of the firms used inputs of value Rs. 1 lakh to Rs. 10 lakhs. This again shows that the scale of operation of the firms in the sample sector is not very large, given the fact that most of the firms in the sample sector are proprietary in nature and are of an unorganized nature.

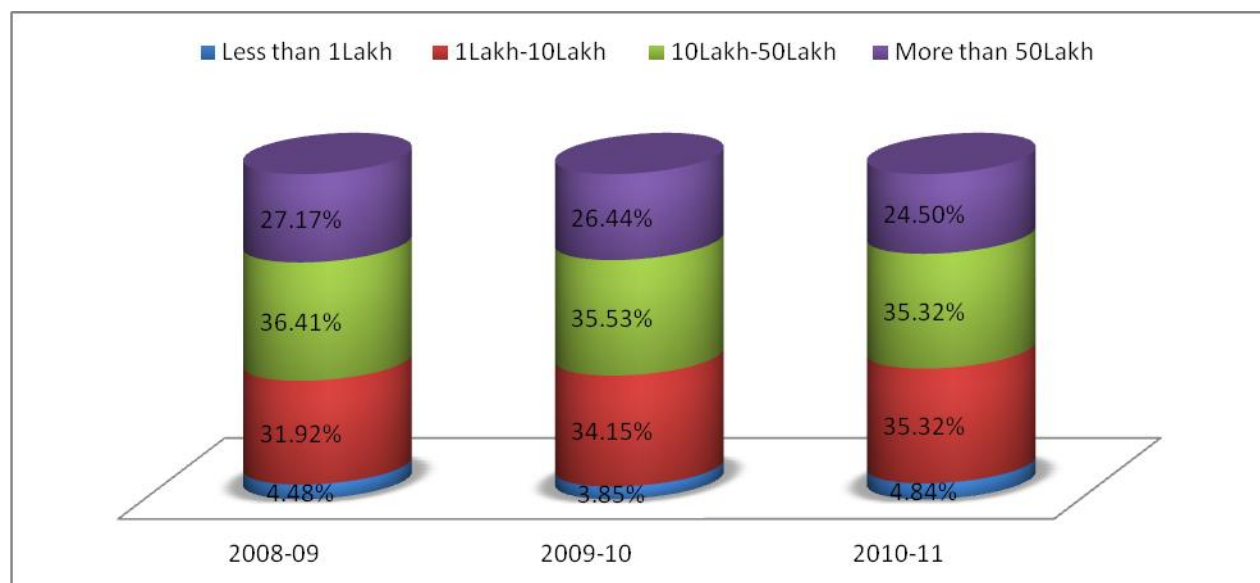
Figure 27: Input Details



Source: Field Survey, 2012

If we look at the value of output produced by the enterprises, then it is seen that around 25 percent of the firms produce output of more than Rs. 50 lakh, while around 35 percent of firms produce output worth Rs. 10 lakh to Rs. 50 lakh.

Figure 28: Proportion of Enterprises having Total Value of Output produced In-house



Source: Field Survey, 2012

Perceptions Regarding Role of the Government, Infrastructure and Political Issues

In order to understand the role of the government in providing support to the enterprises, we asked as to which factors pertaining to the government were considered satisfactory, neutral or dissatisfactory, by the enterprises. The perception of the enterprises regarding the role of government is shown in the following table. From the table it is seen that in the period 2005-10 more than 50 percent of the enterprises were dissatisfied with the role of the government under most of the parameters. This shows that there exists a scope for the government to intervene and improve the condition of the enterprises.

Table 21: Interaction with Government and Other External Bodies (2005-10) in Percentage

Indicators			
	Dissatisfied	Neutral	Satisfied
Loan/subsidy for this sector	54.95%	11.38%	33.66%
Loan /Subsidy for sector closely related to this sector	46.14%	16.48%	37.36%
Machinery/equipment	34.23%	16.77%	48.99%
Training	31.14%	49.18%	18.02%
Procurement of raw material from other countries	42.85%	38.10%	19.05%
Export subsidy/assistance	52.82%	28.30%	18.87%
Incentive on Generation of Employment	49.30%	42.25%	8.455
Promotional policies for this sector.	47.29%	41.89%	10.81%
Tax holiday/concessions	59.08%	25.75%	15.15%

Source: Field Survey, 2012

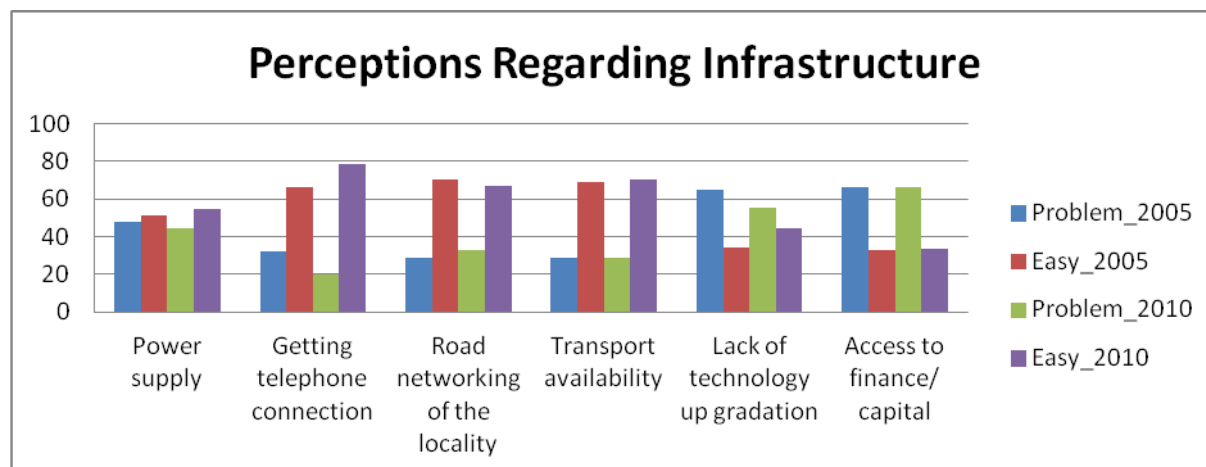
From the above table it appears that at least with respect to providing loan/subsidy, tax holiday/concessions and export assistance to the enterprises, government's role is falling far short of being satisfactory. This suggests that more such incentives must be provided to the enterprises to allow them to perform well in West Bengal.

Related to the issue of the role of the government, is the question of infrastructure facilities available in the state. The perception of the enterprises with regard to the problem of infrastructure shows an improvement between the periods 2000-05 and 2005-10, though some of the problems have emerged in varying amounts over time. From the graph below it is seen that the proportion of firms who think that the problem of power supply, telephone connection, lack of technology has eased between the period 2000-05 and 2005-10, has increased. However, with regard to the road networking and access to finance more proportion of firms are reporting that the problem has increased. As far as power is concerned, it should be noted that the total installed capacity increased from 7616 MW in 2005-06 to 10004.1 MW in 2009-10.³² On the other hand, with regard to roads, while road length has increased, the quality of roads remains a

³² *Economic Review, 2011-12*, Government of West Bengal

problem and many areas are still not covered by roads. The problem of access to finance is a serious problem which needs to be looked into.

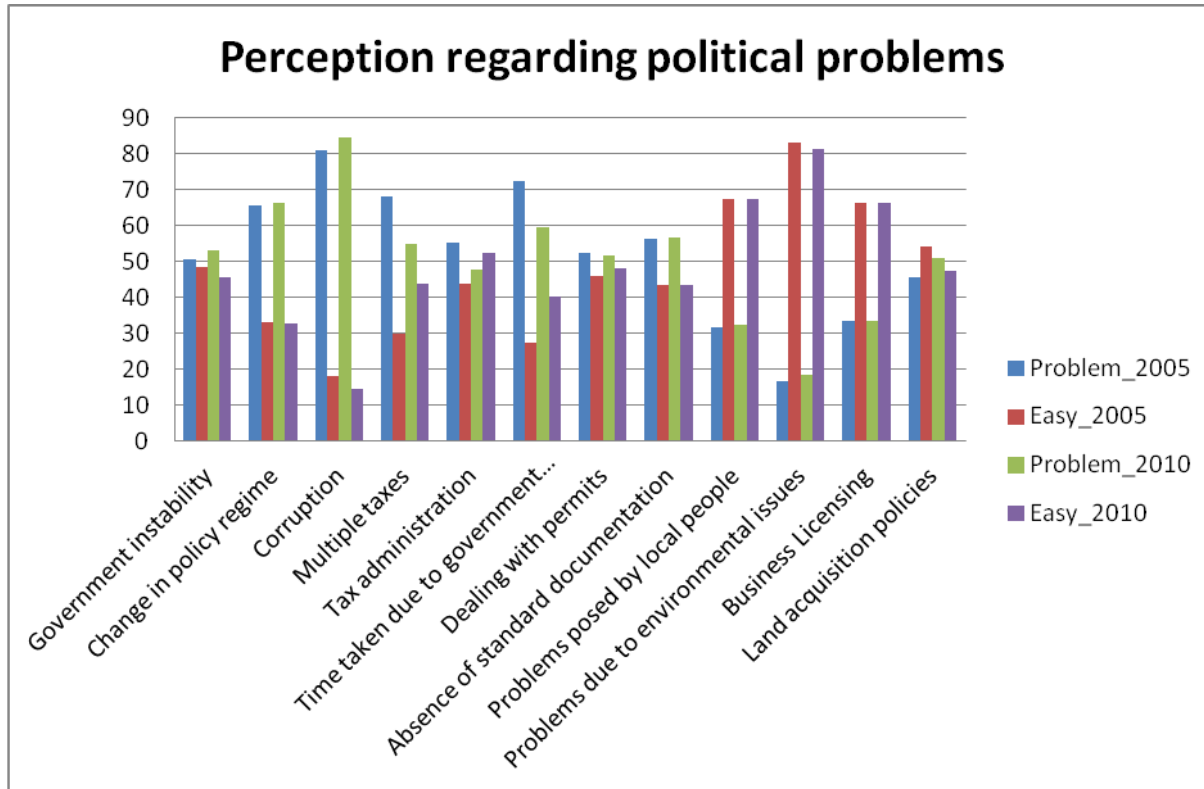
Figure 29: Perceptions regarding Infrastructure



Source: Field Survey, 2012

Problems due to political factors (in %): The perception of the enterprises with regard to the political problems shows mixed reactions. For issues such as government instability, change in policy regime, corruption, land acquisition policies, more proportion of people are recording these as problems in 2005-10 as compared to 2000-05. However, for the issue of time taken due to government administration, enterprises are reporting an easing of this problem.

Figure 30: Perceptions regarding Political Problems

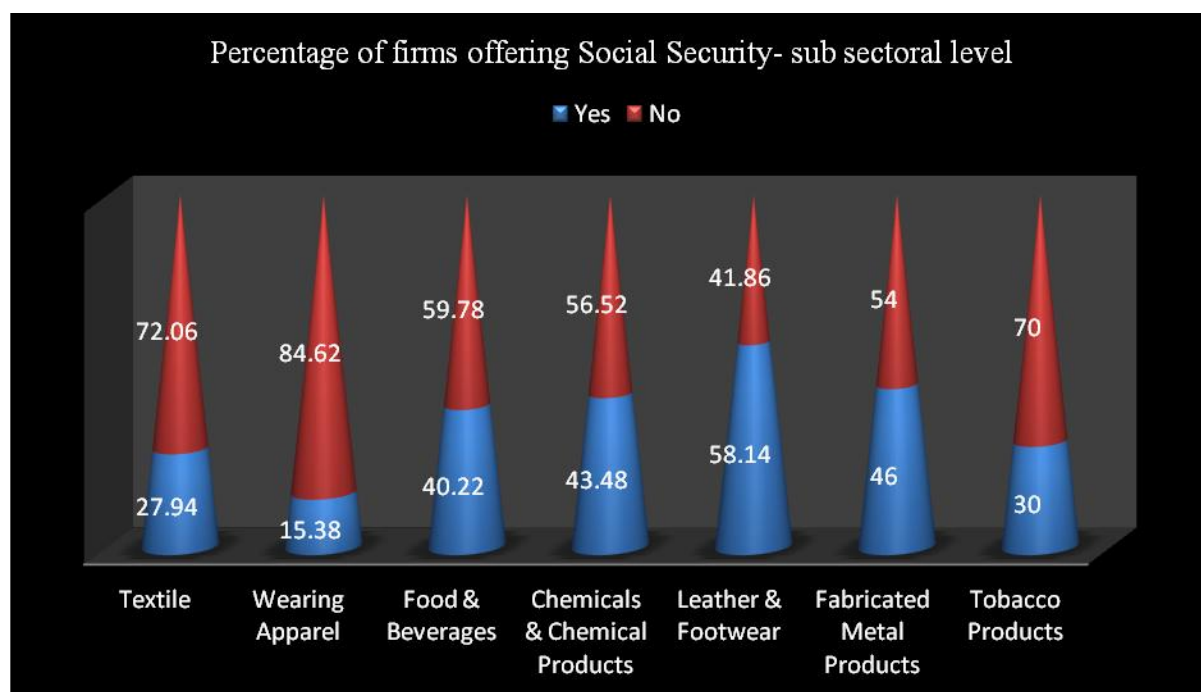


Source: Field Survey, 2012

Labour related issues

Most of the enterprises across the sub-sectors do not provide any social security to its employees. However, the sub-sector, leather and footwear, is a clear exception to this. Secondly, proportion of enterprises providing social security in the sectors like food & beverages, chemicals, fabricated metals is quite high.

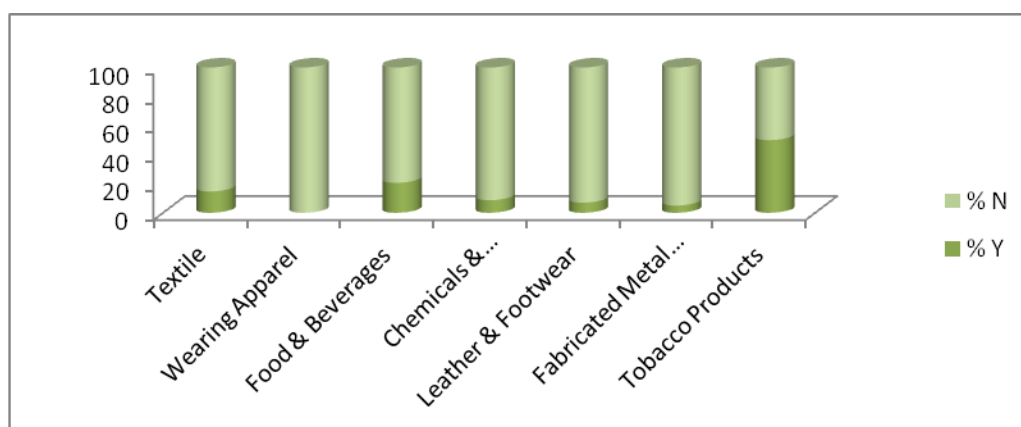
Figure 31: Percentage of Firms offering Social Security at Sub-sectoral Level



Source: Field Survey, 2012

The fact that most of the firms do not provide social security to the workers is in accordance with the overall situation in the state, as discussed above. Moreover, it is also the case that most of the firms across various industries do not have any trade union presence in its premises. This is shown in the following figure.

Figure 32: Proportion of Enterprises having Trade Unions by Sub-Sector



Source: Field Survey, 2012

Manufacturing Sector Survey: Summing Up

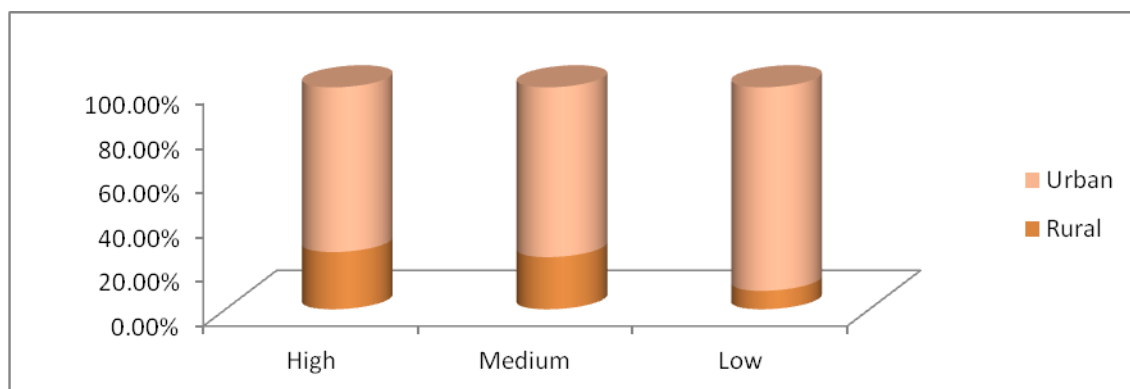
In short, an analysis of the manufacturing establishments in our survey points towards the general picture in West Bengal that most of the firms are operating at a low level with unorganized labour having no social security benefits or trade unions. It is also evident from the survey that enterprises are reporting an increase in the employment in their respective industries. This increase is mainly attributed by them to two factors—firstly, an increase in demand for their products and secondly the fact that they can get such labour at low wage/salaries. Again, from the secondary data as well as from our primary survey, we have pointed out that, indeed there has been a decline in the real wage of the workers. It is also evident from the analysis that there exists a lot of scope for the government intervention in these sectors in terms of providing subsidy, tax concessions and other incentives to the firms.

Data on Wholesale and Retail Trade Survey

Characteristics of Enterprises

Enterprise concentration: The sample contained nearly 80 percent of the urban enterprises and 20percent of the rural enterprises. Out of which, the respective shares for rural and urban distribution from the high, medium and low concentration districts are shown in the following figure. It is obvious from the figure that most of the samples depicted concentration of wholesale-retail-distributors firms mainly in urban areas. This is shown in the following figure.

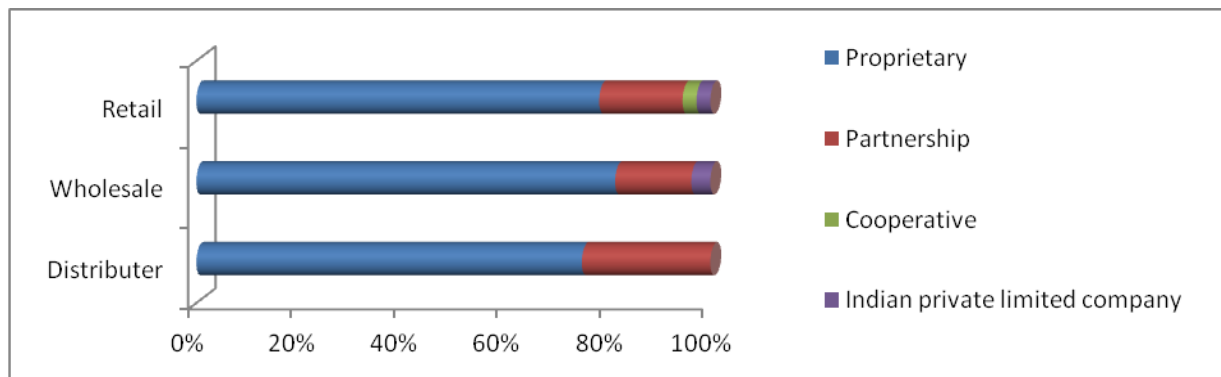
Figure 33: Enterprise Concentration



Source: Field Survey, 2012

Type of ownership of establishments: Regarding the type of ownership of establishments, the data in our sample was very much skewed towards the Propriety type of ownership, the second was Partnership. The following bar diagram represents the total scenario of the type of establishments in the sample of West Bengal according to the various sub-sectors: wholesale, retail and distributors.

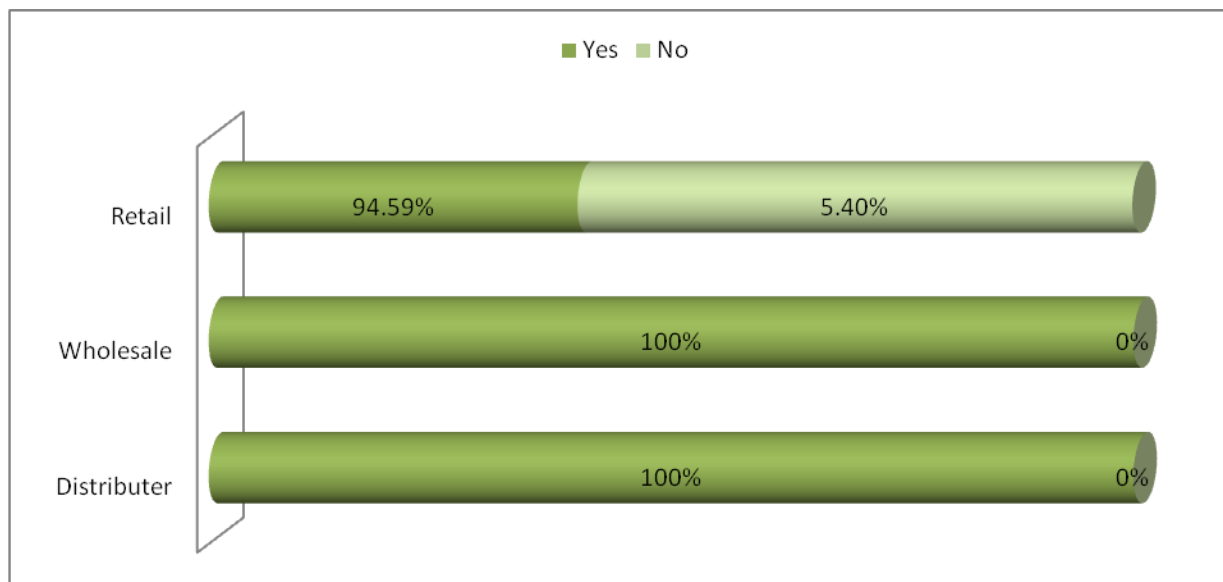
Figure 34: Type of Ownership of Establishments



Source: Field Survey, 2012

Distribution of registered establishments: The proportion of registered units within the different sub-sectors has been very high. About 97 percent of establishments were registered and the remaining 3 percent of firms were unregistered. The following bar diagram represents the sub-sectoral proportion of registered units in the sample West Bengal.

Figure 35: Are the Establishments registered?



Source: Field Survey, 2012

Employment Trends

Employment trends by skill: We had asked a question to the employers regarding the trend in employment generation in their sector by skill levels. We present here the percentage of firms reporting increase, decrease or no change for each skill level for two periods, 2000-05 and 2005-10. It is seen in the table that a higher proportion of firms is reporting an increase in employment across skill levels in 2005-10, as compared to 2000-05.

Table 22: Percentage Distribution of Enterprises by Employment Trends

Share of firms (%)	2000-05			2005-10		
	Decreased	No Change	Increased	Decreased	No Change	Increased
Non-Managerial skill	3.22	58.06	38.7	2.85	25.71	71.42
Non-managerial un-skilled	6.66	73.33	20	3.14	40.63	56.25
Managerial	0	78.57	21.43	0	46.67	53.33
Regular	6.52	54.35	39.13	4	26	70
Contractual	22.58	22.58	54.83	23	21	56
Female	0	100	0	0	70	30

Source: Field Survey, 2012

From the above table it can be concluded that employment across skills is increasing in this sector. The question is what are the reasons for this increase in employment? In response to this question asked to the enterprises, three main reasons were cited to be most important reasons by the firms—(a) an increase in the sales of this sector (b) increase in online marketing/sales and (c) availability of labour at low wage rates.

**Table 23: Top Two Reasons for Increasing Trends in Employment in
Wholesale/Retail Sector in 2005-10**

Type	Main Reasons (top 2 reasons)	
	I	II
Non-managerial un-skilled labor	Availability of such labor at lower wages/ salary	Expansion of this sector in terms of sale
Non-managerial skilled labor	Availability of such labor/ manager at lower wages/ salary	Expansion of this sector in terms of sale
Managerial/professional jobs	Availability of such labor/ manager at lower wages/ salary	Increased online marketing/ sales
Regular employment	Expansion of this sector in terms of sale	Availability of such labor/ manager at lower wages/ salary
Contractual employment	Availability of such labor/ manager at lower wages/ salary	Increased online marketing/ sales
Female employment	Availability of such labor/ manager at lower wages/ salary	Increased online marketing/ sales

Source: Field Survey, 2012

Again, as in the case of the manufacturing enterprises in our survey, we find that availability of labour at low wages emerges as one of the most important reasons for the increase in employment, as per the views of the respondents to the survey. This is again in accordance with our earlier result that the real wage rate for the factory sector has come down in West Bengal. Secondly, the issue of expansion of sale in wholesale & retail is also correct and reflects reality. West Bengal is a growing economy where per-capita income is also growing. Therefore, it is obvious that retail sales will be going up in the state.

Employment Scenario in Wholesale & Retail Sector

Let us first look at the wages received by the workers in this sector.

Table 24: Distribution of Enterprises by Wages given to Workers in Wholesale/Retail

	2008-09			2009-10			2010-11		
Emp. Categories	< 6000	6000-9000	>9000	<6000	6000-9000	>9000	<6000	6000-9000	>9000
Casual	100	0	0	100	0	0	100	0	0
Contractual	61.3	38.7	0	86	14	0	96	2	2
Regular	91.3 (61.76 %)	8.7	0	91.3	8.7	0	91.3	8.7	0
Adhoc	66.6	33.4	0	-	-	-	-	-	-

Source: Field Survey, 2012

From the above table it is seen that an overwhelming majority of enterprises give only Rs. 6,000 per month as wages to the workers of all types, over all the three years, for which data were collected are given a monthly wage of less than Rs 6,000/-. This is again consistent with our earlier observation that the wage rate in West Bengal is very low and falling.

Such low levels of wages again should imply that the condition of the workers is very vulnerable in this sector and they are hardly provided with any social security. This is shown in the following figure.

Figure 36: Firms offering Social Security-Sub-sectoral Level

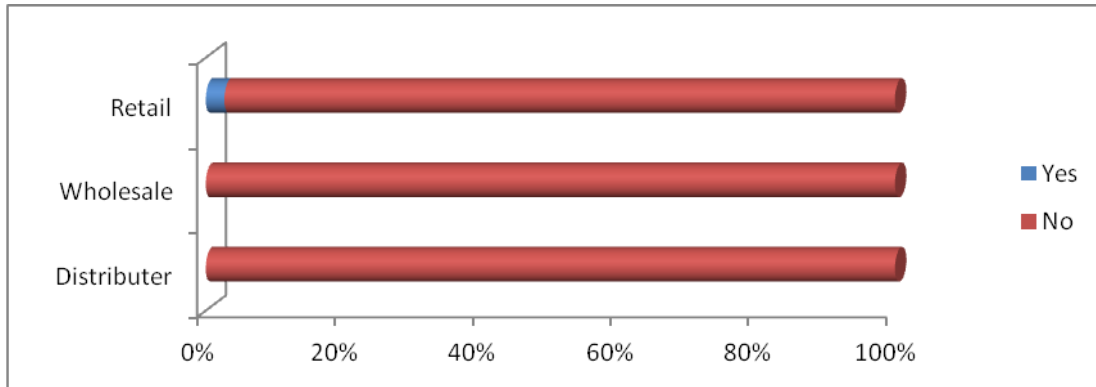


Source: Field Survey, 2012

It is seen from the above figure that both in the retail as well as in the distributor sector, the proportion of firms reporting giving social security to the workers is around 50 percent. However, in the wholesale trade this is around 30 percent. It must be however noted that the data on this aspect are collected only from the employer and hence might be biased.

As far as presence of trade unions in this sector is concerned, it is seen from the chart below that there is a negligible presence of trade unions in this sector.

Figure 37: Presence of Trade Union by Sub-sector

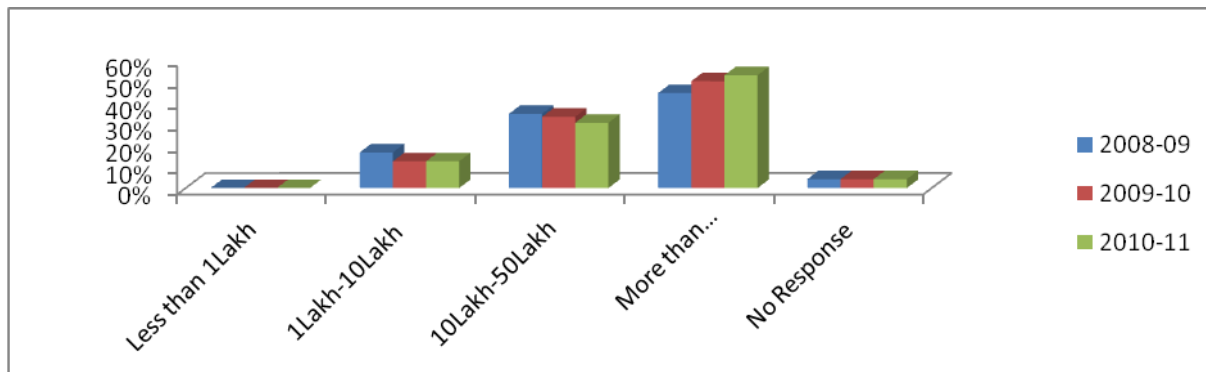


Source: Field Survey, 2012

Investment Plan of the Enterprises

The investment details for the three years 2010-11, 2009-10, 2008-09 is shown in the following figure. Unlike that of manufacturing sector, here it is seen that most of the firms are investing more than Rs. 50 lakh.

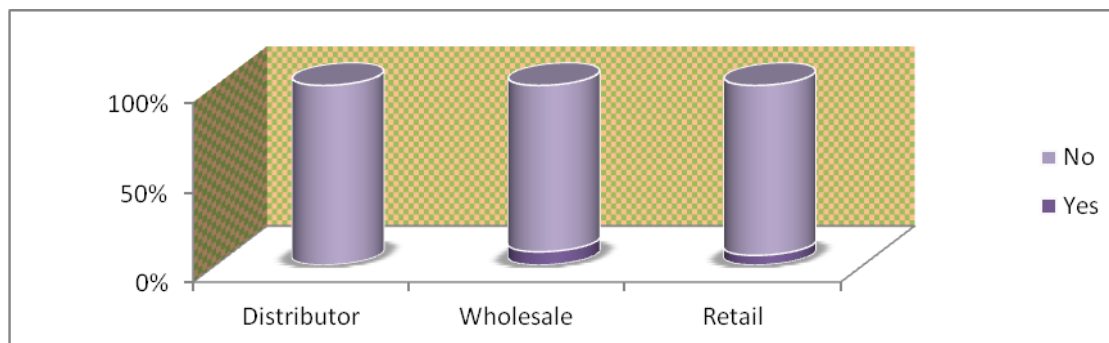
Figure 38: Investment Details – Percentage of Enterprises



Source: Field Survey, 2012

In the case of establishments by future investment plan by sub-sector, the ongoing trend for planning to invest in some other sector is relatively negative. It is seen from the chart below that an overwhelming majority of the firms have no plans to invest in any other sector other than where they are currently operating. This shows that there is a lack of interest towards diversifying their business. Again, this is not surprising, since majority of the firms is small in size and operate at a small scale.

Figure 39: Establishments by Future Investment Plan in Other Sector by Sub-Sector



Source: Field Survey, 2012

Perceptions regarding Infrastructure

Infrastructural problems: The perception of the enterprises with regard to the problem of infrastructure shows an improvement between the periods 2000-05 and 2005-10, though some of the problems have emerged in varying amounts over time. From the table below it is seen that proportion of firms who thinks that the problem of power supply, telephone connection, lack of technology has eased between the period 2000-05 and 2005-10, has increased. However, with regard to road networking and access to finance, more proportion of firms is reporting that the problem has increased. This is similar to the perception of the enterprises in the manufacturing sector, as discussed above.

Table 25: Perceptions regarding Infrastructural Problems

Indicators for infrastructure	2000-05					2005-10				
	Very Problematic	Somewhat problematic	Problematic	Easy	Very Easy	Very Problematic	Somewhat problematic	Problematic	Easy	Very Easy
Power supply	8.62	12.07	29.31	46.55	3.45	1.69	13.56	5.08	72.88	6.78
Getting telephone connection	7.84	7.84	27.45	49.02	7.84	0	13.46	11.54	63.46	11.54
Road networking of the locality	6.9	5.17	25.86	53.45	8.62	1.69	16.95	23.73	47.46	10.17
Transport availability	7.69	3.85	13.46	69.23	5.77	0	16.98	13.21	64.15	5.66
Lack of technology upgradation	20	5	50	25	0	4.76	19.05	42.86	33.33	0
Access to finance/capital	13.51	13.51	37.84	35.14	0	10.81	27.03	29.73	32.43	0

Source: Field Survey, 2012

Wholesale/Retail Sector Survey: Summing Up

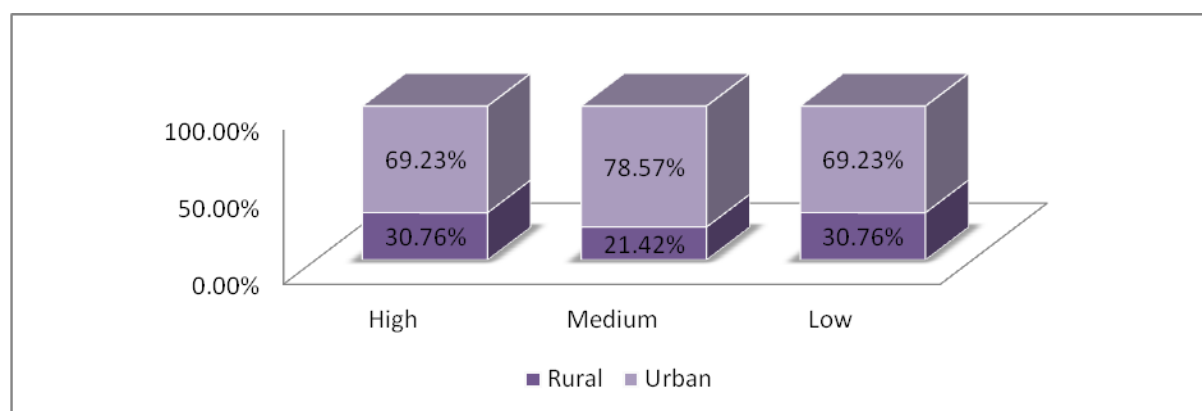
The survey analysis of the wholesale/retail sector points out that most of the firms are essentially proprietary in nature working on a small scale, which is the general picture of West Bengal. The enterprises surveyed in this sector perceive that the employment in their sector will be increased. They attribute this increase in employment to low wage and a growth in sales in this sector. The issue of low wage again comes back in our analysis, which was seen in the case of West Bengal as a whole as well as in the manufacturing sector survey. In terms of social security, however, the distributors and retailers provide social security to the workers but there are no trade unions across this sector. The perception regarding the government and the infrastructure facilities are similar to those in the manufacturing sector.

Data on Construction Sector Survey

Characteristics of Enterprises

Enterprise concentration: The sample contained nearly 72 percent of urban enterprises and 28 percent of rural enterprises. Out of which, the respective shares for rural and urban distribution from the high, medium and low concentration districts are shown in the following figure. It is obvious from the figure that most of the firms were urban based.

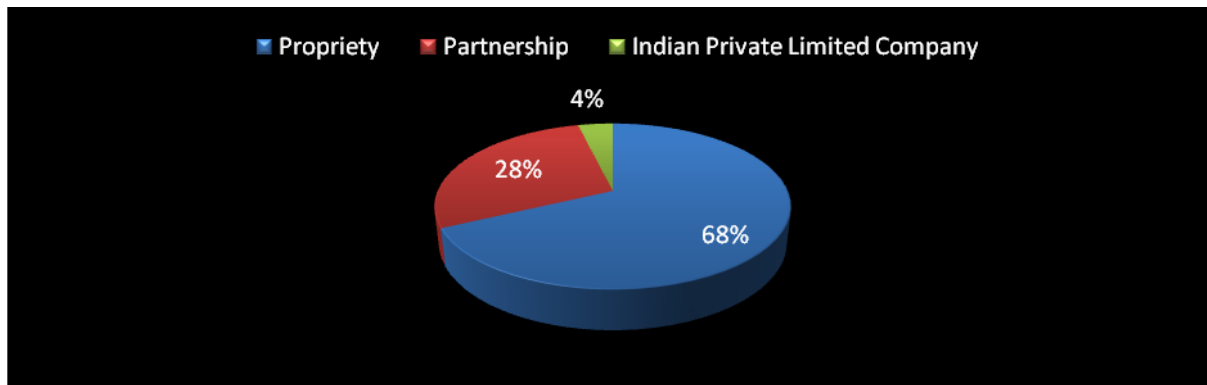
Figure 40: Enterprise Concentration



Source: Field Survey, 2012

Type of ownership of establishments: Regarding the type of ownership of establishments, the data in our sample were very much skewed towards the Propriety type of ownership which contributes 68 percent of the total share; the second was Partnership which contributes 28 percent of the total sample. The following pie-chart represents the total scenario of the type of establishments in the sample of West Bengal.

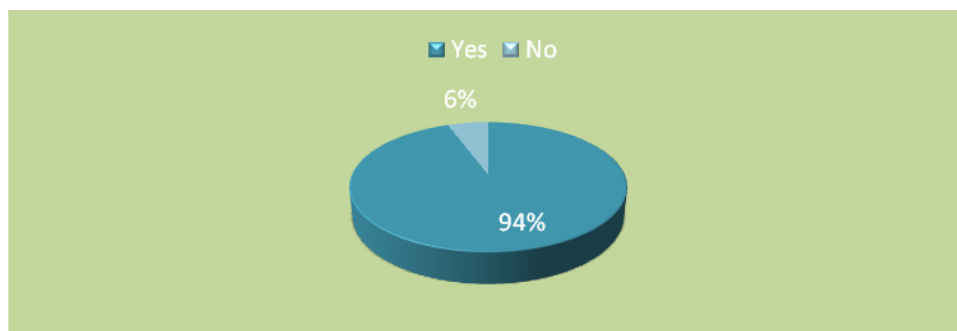
Figure 41: Type of ownership of establishments



Source: Field Survey, 2012

Distribution of registered establishments: The proportion of registered construction units within the different districts has been very high. Ninety-four percent of establishments were registered and the remaining 6 percent of firms were unregistered. The following pie-chart represents the proportion of registered units in the sample West Bengal.

Figure 42: Distribution of Registered Establishments



Source: Field Survey, 2012

Employment Trends

We had asked a question to the employers regarding the trend in employment generation in their sector by skill levels. We present here the percentage of firms reporting increase, decrease or no change for each skill level for two periods, 2000-05 and 2005-10. The employment share of firms across various categories is reflecting an increasing trend in both the halves of the decade.

Table 26: Employment Trends by Skill

Share of firms (%)	Large Decrease		Small Decrease		No Change		Small Increase		Large Increase	
	2000-05	2005-10	2000-05	2005-10	2000-05	2005-10	2000-05	2005-10	2000-05	2005-10
Non-Manual skill	0	6.98	5.56	0	50	20.93	38.89	53.49	5.56	18.6
Non-managerial unskilled	0	7.89	6.35	7.89	31.25	2.63	50	50	25	31.58
Managerial	0	0	0	0	39.13	24	60.87	60	0	16
Regular	0	0	0	0	46.43	13.33	46.43	76.67	7.14	10
Contractual	0	4.35	12.2	15.22	34.15	4.35	48.78	45.65	4.88	30.43
Female	0	4.55	0	0	52.38	31.82	47.62	50	0	13.64

Note: The percentage would add up to 100 if we add up the row under each year column

Source: Field Survey, 2012

Again, it is seen from the above table (like in the case of manufacturing and wholesale/retail) that a larger proportion of enterprises reports an increase in employment across skill level in 2005-10, as compared to 2000-05.

In order to understand what the enterprises thought to be the reason behind the increase in employment, we asked them to give their reasons for the same. The response given in the table below shows that, the increase in demand of the product and a low wage for the workers are the main reasons cited by the enterprises for the increase in employment.

Table 27: Top Two Reasons for Increasing Trends in Different Types of Jobs (2005-10)

Type	Main Reasons (top 2 reasons)	
	I	II
Non-managerial un-skilled labor	Increased demand due to increase in production	Availability of such labor/ manager at lower wages/ salary
Non-managerial skilled labor	Increased demand due to increase in production	Availability of such labor/ manager at lower wages/ salary
Managerial/professional jobs	Increased demand due to increase in production	Availability of such labor/ manager at lower wages/ salary

Regular employment	Increased demand due to increase in production	Availability of such labor/ manager at lower wages/ salary
Contractual employment	Increased demand due to increase in production	Availability of such labor/ manager at lower wages/ salary
Female employment	Availability of such labor/ manager at lower wages/ salary	Increased demand due to increase in production

Source: Field Survey, 2012

Both the reasons cited in the above table are corroborated by what we know from the secondary literature. Firstly, it has already been noted that construction sector is the fastest growing sector in the West Bengal economy. Therefore, it is obvious that the sales from this sector are increasing. Secondly, again we come across the issue of a low wage, which was present in the manufacturing and retail sector and also noted from the secondary literature.

Employment Scenario in the Construction Sector

Although it is true that there has been an increase in employment in this sector, let us look at the quality of employment that is being provided. In order to do so, first we take a look at the wages received by the workers in this sector. This is shown in the following table.

Table 28: Distribution of Enterprises by Wage Paid to Workers (percent)

	2008-09			2009-10			2010-11		
Emp. Categories	< 6000	6001-9000	>9000	<6000	6001-9000	>9000	<6000	6001-9000	>9000
Casual	70	20	1	87.5	12.5	0	85.7	14.3	0
Contractual	40	40	20	54.5	38.6	6.8	76.2	16.7	7.1
Regular	48	28	24	71.4	28.6	19	70.8	12.5	16.7
Adhoc	100	0	0	100	0	0	100	0	0

Source: Field Survey, 2012

From the above table it is clear that majority of the employers are paying their workers a monthly wage of less than Rs. 6,000. Moreover, the proportion of employers paying wages below Rs. 6,000 is increasing over the years. Given any rate of inflation of prices, this shows that essentially real wage of the workers is coming down.

If we look at the number of hours for which the workers are being worked in the enterprises, the following picture emerges.

Table 29: Distribution of Enterprises by Number of Hours Worked by Workers

	2008-09			2009-10			2010-11		
Emp. Categories	0-8	8-12	12 above	0-8	8-12	12 above	0-8	8-12	12 above
Casual	0	90	10	0	87.5	12.5	0	100	0
Contractual	2.2	86.67	0.11	0	88.6	11.4	0	87.5	12.5
Regular	0	88	12	0	88	12	0	86.9	13.1
Adhoc	0	100	0	0	100	0	0	100	0

Source: Field Survey, 2012

From the above table it is clear that working for 8-12 hours is the norm in this sector.

The other important issue is the social security provided to the workers in this sector. It is seen from the following figure that in the sample firms a sizeable proportion of the firms provide social security to the workers. This is however not in accordance with the secondary data, where, as we have seen in Table 15, more than 95 percent of workers working in this sector did not have any social security benefit. This might reflect a bias in the selection of the firms in the sample or an over-reporting by the respondents.

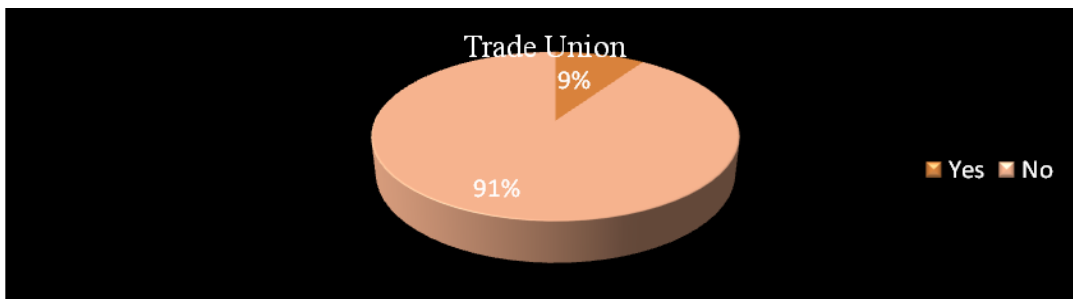
Figure 43: Firms offering Social Security



Source: Field Survey, 2012

However, with respect to the presence of trade unions, it is seen that most of the firms do not have any presence of trade unions, denoting that the bargaining power of workers in this industry would be very less.

Figure 44: Presence of Trade Union

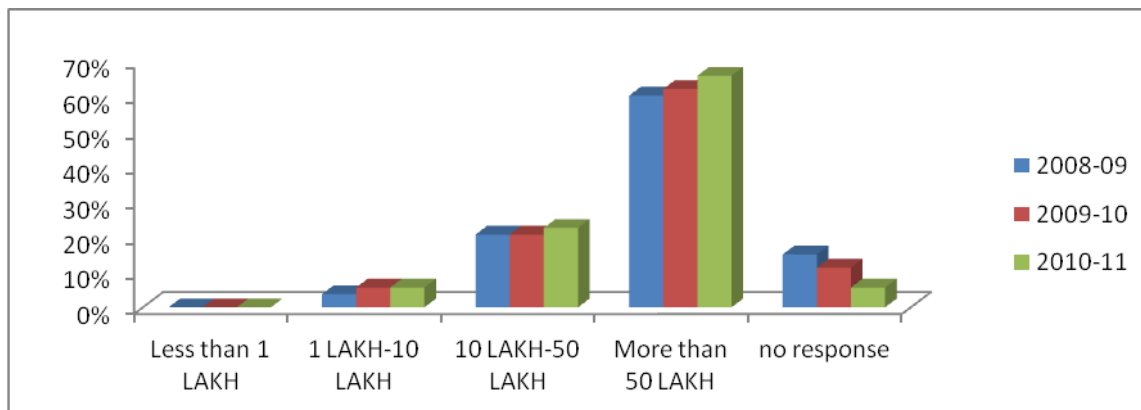


Source: Field Survey, 2012

Investment Plan of the Enterprises

The investment of the enterprises in the construction sector follows a pattern similar to that in the wholesale/retail sector, where most of the firms are undertaking investment in the range of more than Rs. 50 lakh.

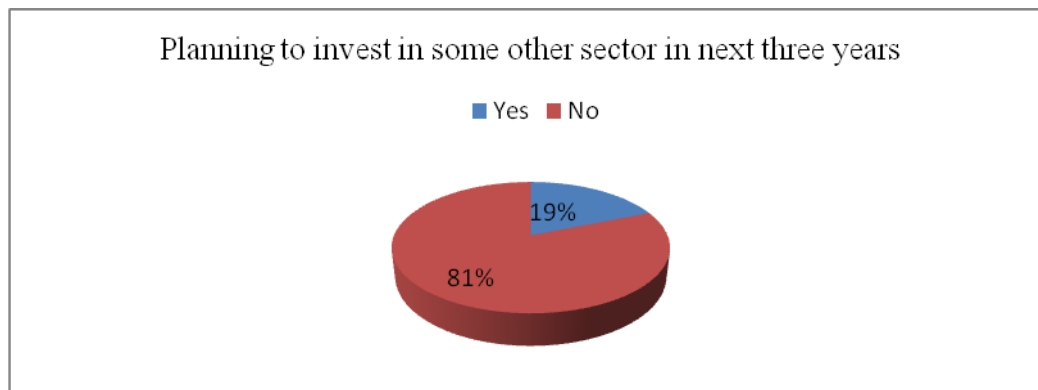
Figure 45: Investment Details – Percentage of Enterprises



Source: Field Survey, 2012

Establishments by future investment plan in other sector: In the case of establishments by future investment plan, the ongoing trend for planning to invest in some other sector is relatively negative. It is seen from the pie-chart below that an overwhelming majority of the firms have no plans to invest in any other sector other than where they are currently operating. This shows that there is a lack of interest towards diversifying their business.

Figure 46: Establishments by Future Investment Plan in Other Sector



Source: Field Survey, 2012

Perceptions regarding Role of the Government and Infrastructure

With regard to the perception of enterprises in the construction sector about the role of the government, it is seen that in the period 2005-10, enterprises were dissatisfied with the role of the government under most of the parameters. This shows that there exists a scope for the government to intervene and improve the condition of the enterprises.

Table 30: Interaction with Government and Other External Bodies (2005-10) in Percentage

Indicators	Satisfaction Level		
	Dissatisfied	Neutral	Satisfied
Loan/subsidy for this sector	72.97	2.7	24.32
Loan /Subsidy for sector closely related to this sector	53.85	7.69	38.46
Procurement of raw material from other states	41.66	0	58.33
Training	14.28	78.57	7.14
Procurement of raw material from other countries	0	91.67	8.33
Export subsidy/assistance	54.55	45.45	0
Incentive or Generation of Employment	7.14	35.71	57.14
Promotional policies for this sector.	21.43	35.71	42.86
Tax holiday/concessions	72.73	18.18	9.09
Any Other (Machinery/ Equipment)	0	0	100

Source: Field Survey, 2012

The above table shows that the highest dissatisfaction is with regard to loan/subsidy and tax concessions to this sector. However, given the fact that much of the construction is financed by loans from the banks by both the buyers as well as the builders and even the taxes in this sector have been reduced, it is not clear as to how much more tax concessions do the enterprises want.³³

Infrastructural Problems (in %): The perception of the enterprises with regard to the problem of infrastructure shows an improvement between the periods 2000-05 and 2005-10, though some of the problems have emerged in varying amounts over time.

Table 31: Infrastructural Problems as reported by Enterprises (in percent)

2000-05						2005-10				
Indicators for infrastructure	Very Problematic	Some-what problematic	Problematic	Easy	Very Easy	Very Problematic	Some what problematic	Problematic	Easy	Very Easy
Power supply	0	16.22	35.14	48.65	0	0	0	33.33	61.54	5.13
Getting telephone connection	0	17.65	20.59	61.76	0	0	0	25	72.2	2.7
Road networking of the locality	0	5.13	28.21	64.1	0	0	5	32.5	57.5	5
Transport availability	0	2.7	27.03	70.27	0	0	2.56	35.9	58.9	2.56
Lack of technology up gradation	7.14	7.14	50	35.71	0	10	6.67	50	30	3.33
Access to finance/capital	21.21	3.03	30.30	45.45	0	33.33	2.56	30.77	30.77	2.56
Any Other Problems (Water Problem)	-	-	-	-	-	-	-	-	-	-

Source: Field Survey, 2012

Construction Sector Survey: Summing Up

In the case of construction sector, we find that while proprietary ownership is the major kind of enterprises in our sample, some private limited companies are also there. Most of the enterprises

³³ For a discussion on taxation in West Bengal, see Chowdhury and Dasgupta (2012)

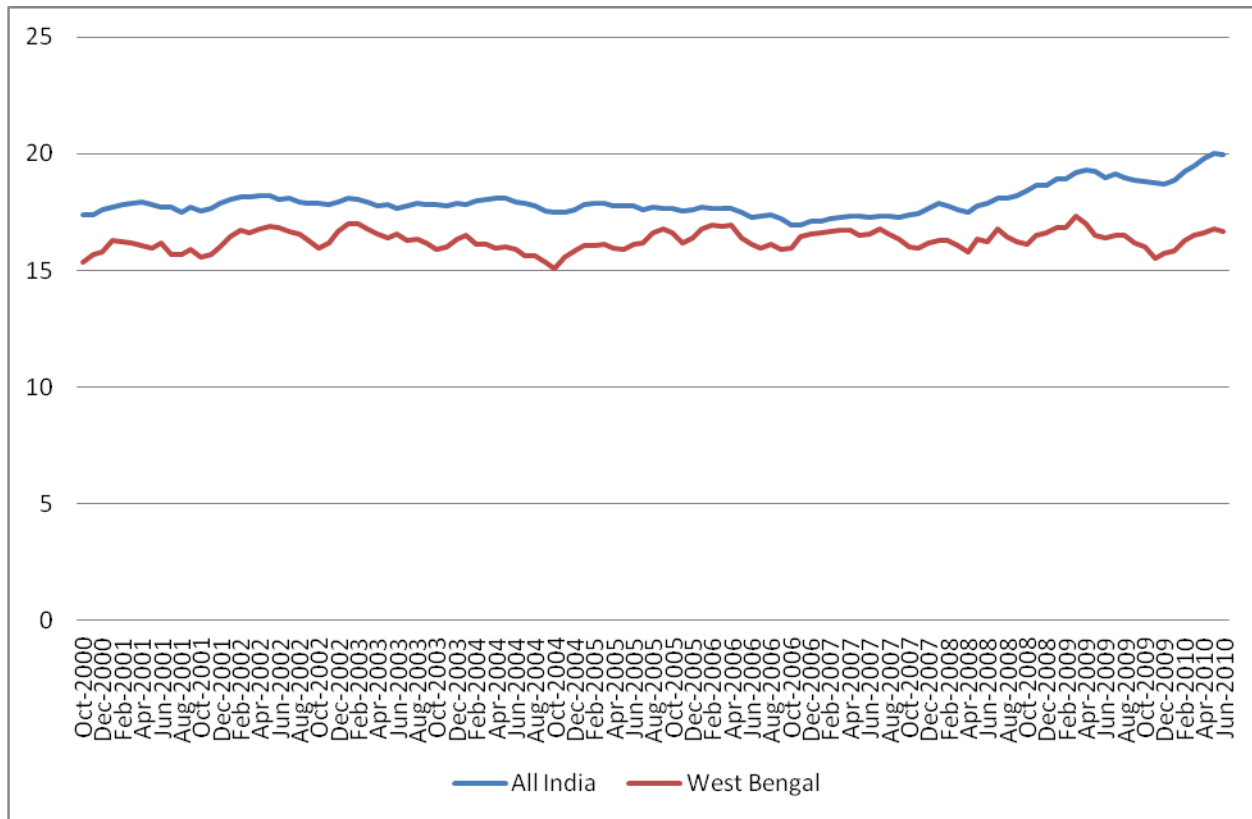
in the sample have reported an increase in employment in the latter half of the last decade. Similar to the case of manufacturing and wholesale/retail trade, the main reasons cited for the increase in employment by the enterprises are again an increase in the demand for their products and availability of cheap labour. The sample enterprises pay less than Rs. 6,000 to their workers. But a significant proportion of the firms provide social security benefits to the workers in the sample but there are no trade unions present in the sample enterprises.

Factors Impacting Non-agricultural Employment in West Bengal: A Conclusion

In the preceding pages we have discussed in details the employment situation in West Bengal. It has been shown that the employment in West Bengal is characterized by the large-scale informalization of the workforce. At the same time, it was also seen that the economy of West Bengal has its dynamism not from the manufacturing sector but from the real estate and construction sector. At the same time, the agricultural sector in West Bengal is also witnessing a slowdown in its growth. In this situation, it is a bit surprising that West Bengal has registered the highest amount of non-agricultural growth in the country. The purpose of the report was to look at what are the possible causes for such a result.

One issue that has come up in the discussion repeatedly is the fact that the real wage rate for the workers in West Bengal has witnessed a decline in the organized factory sector. Also, in our survey, we found out that across the sectors there has been a stagnation/fall in the wage rate of all categories of workers. During the course of the survey however many of the respondents pointed towards the fact that as a result of the implementation of the National Rural Employment Guarantee Act (NREGA), wages have in fact increased which is resulting in problem in terms of getting workers in the urban areas. This issue has come up in discussion at various levels in the media and academia that with the implementation of NREGA, the real wage rate in the rural areas has increased. We decided to test this for West Bengal to be sure that we are not barking up a wrong tree when we are talking about a fall in the real wage in West Bengal. In the following figure, we compare the real wage rate of the rural male un-skilled workers.

Figure 47: Real Wage Rate of Rural Unskilled Male Workers (Base 1986-87)



Source: Authors' calculations based on data provided by the RBI database on the Indian Economy.

In the above figure, we take the real wage from October 2000 to June 2010, for both West Bengal as well as all-India. It is clearly evident from the above graph that the real wage rate of India was more or less stagnant till around October-November, 2006, after which it started to increase. It must be remembered that NREGA was started from 2006. Therefore, it can be said with some certainty that NREGA indeed increased the rural real wage rate. However, West Bengal shows no such trend. The rural real wage of the unskilled workers in West Bengal has practically stagnated for the last 10 years. Therefore, again we have a reconfirmation of the fact that in West Bengal, there has not been any increase in the real wage rate of the workers.

From these two facts, viz. an increase in employment and a decrease in the real wage rate, it is easy to surmise that the growth in employment is a result of the decrease in the real wage. This understanding is however suspected for a number of reasons. Firstly, as we have argued before, a decrease in real wage in an economy which has unutilized capacity and unemployment, must lead to a fall in employment as per the teachings of Keynes. As against this line of Keynesian reasoning, another line of argument can be made. This argument says that firms basically operate choosing between different factors of production. If the price of one factor of production labour is lower, then the firms will employ more of labour and less of capital. In this manner, the employment of labour will increase. This kind of argument postulates the existence of a well behaved production function with the added assumption that firms can choose between

technologies even in the short run for production. There has been a huge debate in economics surrounding the issue of production function where it has been argued that such a production function does not exist.³⁴

So, how do we understand the employment situation in West Bengal? One of the possible explanations lies in the fact that the labour productivity in West Bengal is lower as compared to that of India (See Figure 7). Moreover, we have already discussed that the growth rate of employment is the difference between growth rate of GSDP and the growth rate of labour productivity. Since, the labour productivity in West Bengal is less than that of India, the employment generating potential of West Bengal is greater than India for any level of growth rate of GDP. However, such low productive employment is neither remunerative nor rewarding in terms of health and mental satisfaction.

We believe that with the fall in the manufacturing sector in the state and the rising importance of the services sector, labour intensive production at a high rate is not taking place in West Bengal. What is happening is that people are opening up small shops or small workshops in both the urban and rural West Bengal to make their ends meet. This is resulting in a situation where a proliferation of low productive activities is taking place. In this sense, the growth of employment that has taken place in West Bengal, while being a better situation than most of the other states, is not a model that should be replicated all over the country.

In this situation, can the government play an effective role in combating the problem of employment? Of course, the government has to take an active initiative in this regard. Over the years, the manufacturing sector in the state has suffered. This needs to be reversed in a manner that productive employment can be generated. In order to do so, it is important to strike a balance between large and small scale industries. On the other hand, West Bengal already has a huge unorganized manufacturing industry. Steps should be taken to ensure that technology upgradation can be done in these factories. Moreover, incentive schemes must be devised to encourage the sector to do well in the domestic as well as the international market.

³⁴ See Sen (1970) and Robinson (1954) for a discussion on these issues.

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