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Sumana Roy
Lecturer, Department of
Geography, Vidyasagar College,
Kolkata

Ranjan Basu
Professor, Department of
Geography, University of
Calcutta

Sluggish Industrial Growth and Occupational Shift in Haora District, West Bengal

Sumana Roy, Ranjan Basu

Abstract

Change in economy is not a random incidence. It is a long term process which implies change in mode of production. Among five sectors of economy three sectors namely primary, secondary and tertiary are most important for any developing country. West Bengal being a State of a developing country has its economic root in agriculture. But it has been observed that with the march of time the contribution of primary sector to Gross State Domestic Product (GSDP) is declining and that of secondary sector especially the contribution of manufacturing units is also going down. The economy of Haora district is based on secondary activities mainly manufacturing and processing since the colonial period. But day by day the share of registered manufacturing units in Net District Domestic Product (NDDP) is deteriorating while the share of unregistered manufacturing units is rising which indicates an insecure mentality of the entrepreneurs. In fact an inter-sectoral shift has been observed in the district as revealed from the deteriorating contribution of the primary and secondary sectors to NDDP whereas the tertiary sector is flourishing. Such an economic condition indicates a low productive economy with wide scale unemployment. In fact slow growth of the different categories of industries and their sickness in all scales of operation has altered the economic composition of this industrially advanced district. The tertiary sector alone cannot make a strong economy. Thus without revival of the manufacturing units, rejuvenation of the economic structure is impossible and balanced economic growth cannot be achieved.

Keywords: *mode of production, gross state domestic product, manufacturing units, unemployment, industrial sickness*

Introduction

An economic system is composed of different sectors of economy namely primary, secondary, tertiary and quaternary which are interrelated with each other. A chain is formed with the help of these sectors of economy and in this chain one or two sectors become more dominating than the others. Under the blessings of monsoonal rain West Bengal's root of economy is strongly anchored on agricultural activities. But with the march of time this State has also been recognized as an industrially advanced State of India. In fact in this State both types of economic activity -- agricultural and industrial, have penetrated their roots. Few districts of West Bengal like Bardhaman, North 24 Parganas, Haora and Hugli bear the footprints of industrial activities since the colonial period. The economy of Haora district is based on industries and moreover, this district is composed of all scales of production ranging from small and micro scale to medium and large scale. These industrial units have great contribution to the district and economy of the State that also depends on the performance of this specific industrial region. But during recent decade the economists have observed a shift in the economy from secondary sector to tertiary sector that has altered the base of economy. When the economy moves through the process of change, occupational shift is an inevitable incidence in any region.

Objectives

Objectives of this study are mainly concentrated on inter-sectoral shift and on mobility of labour force in the backdrop of economic scenario of Haora district. These objectives are as follows:

- To assess the trend of economic growth
- To identify the factors responsible for sluggish industrial growth
- To find out share of work force in different sectors of economy
- To analyze the impact of sluggish industrial growth on occupational shift

Materials and Methods

This study is based on both primary and secondary data. A questionnaire based survey has been conducted in different industrial units for exploring their problems. To identify the basic problems in different units, mainly engineering and textile, purposive sampling technique has been

Correspondence

Sumana Roy
Lecturer, Department of
Geography, Vidyasagar College,
Kolkata

adopted. Secondary data have been extracted from different government and non-government sources. Some statistical techniques like calculation of growth rate and contribution of different sectors of economy to domestic product in different levels; as well as selected cartographic techniques have been applied for depicting spatio-temporal trend followed by their interpretation.

Background of Industrialization in Haora District

The process of industrialization in West Bengal was primarily initiated in rural areas as a strong linkage between agrarian economy and household industries. Through the march of time with vertical and horizontal integration of technology, the facets of industries have changed from colonial to post-colonial period. Industrialization was started along the banks of river Hugli. The commercial expansion of Howrah district (later spelt as Haora in 2001 census) was linked with commercial importance of Calcutta (later named as Kolkata in 2001 census). At the end of eighteenth century large scale industries were established with the help of European capital to meet the requirements of the ships visiting Kolkata, and consisted mainly of dockyards and roperies (O'Malley, 2012). Gradually this district became a commercial hub in the hinterland of Kolkata. Many dock yards, ship building companies, iron foundries and engineering works were established and they were followed by cotton mills, jute mills and oil mills etc. Along the river bank brick manufacturers were spreading fast due to presence of pug mills. But with the passage of time these industries have lost their glamour and many large industrial units which were established during the colonial period have closed their production. Closure of these industrial units and slow rate of production in the existing units distracted the entrepreneurs.

Trend in the Share of Different Sectors of Economy in West Bengal

Day by day the contribution of primary and secondary sectors to Net State Domestic Product (NSDP) is declining while the contribution of tertiary sector is rising in the economy of West Bengal. During 2000-01 contribution of the primary sector was 20.00 percent that has been dropped to 18.82 percent in 2011-12. Contribution of the secondary sector was 28.73 percent in 2000-01 but it slumped to 15.03 percent only in 2011-12. The deducted parts of both the sectors have been added to the contribution of tertiary sector. A gradually rising curve of contribution to NSDP from 50.76 percent (2000-01) to 66.15 percent (2011-12) has been observed in case of tertiary sector of economy (Fig.1).

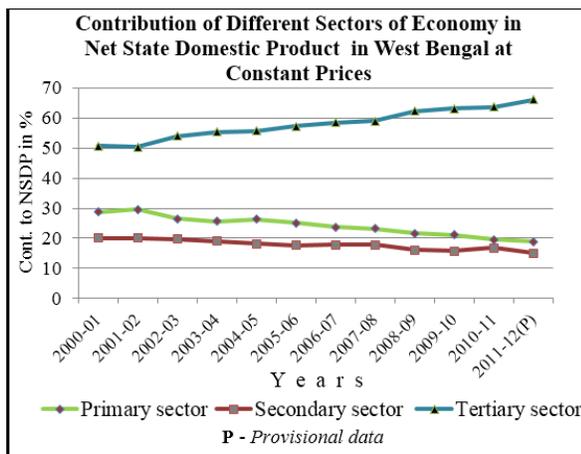


Fig 1: Data source: Government of West Bengal

Status of the Different Sectors of Economy in Haora District

The economy of Haora district is mainly based on the performance of manufacturing industries which has a major contribution to the secondary sector. Presence of the different types of industries on one side and different scales of production on the other has made this district industrially more prosperous. Among the different sectors of economy secondary sector is the dominating one. Moreover, a large share of labour force is engaged in these manufacturing units. But now it has been observed that tertiary sector has captured the prime position defeating all other sectors throughout India. The economy of Haora district is also following such a trend.

➤ **Sector-wise Contribution to Net District Domestic Product in Different Phases:** Contribution of primary and secondary sectors to Net District Domestic Product (NDDP) is close to each other since the colonial period. But after independence several initiatives in different Five Years and annual plans failed to maintain the previous glamour of the manufacturing units. Major change in secondary sector has been detected after implementation of New Economic Policy in 1991 by the Government of India through Liberalization, Privatization and Globalization (LPG). The Indian market has been opened for the Multi-national Companies and their shares in Indian companies are gradually increasing.

Sector-Wise Distribution of Net District Domestic Product in Haora District

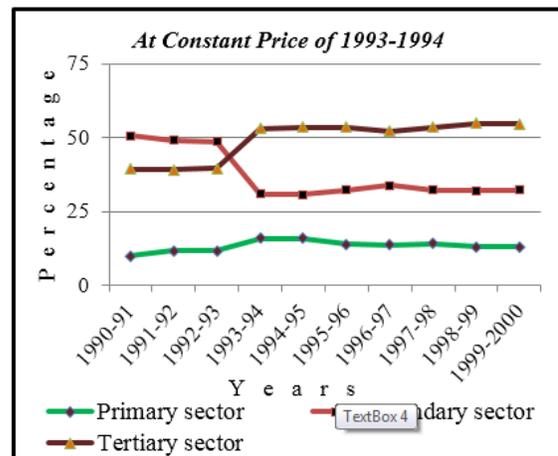


Fig 2: Data source: Government of West Bengal

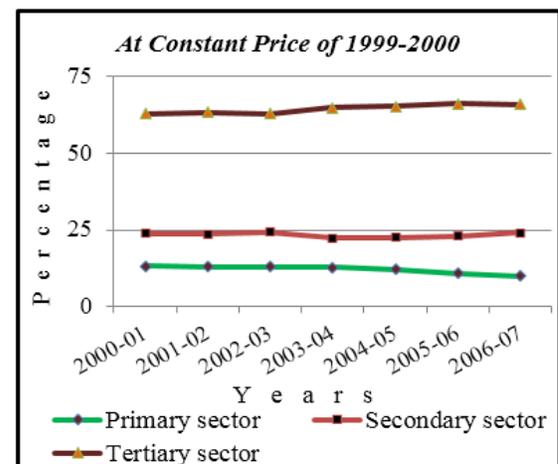


Fig 3: P-Provisional data

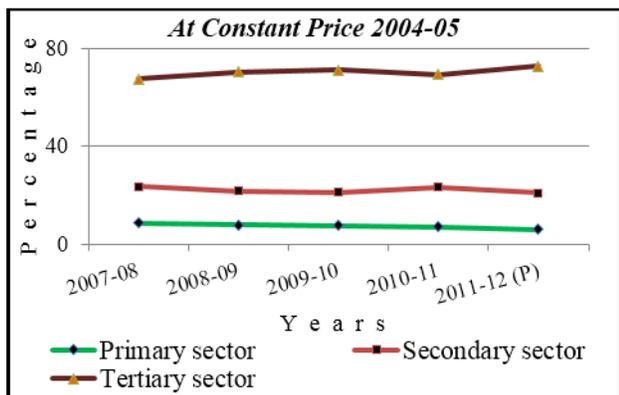


Fig 4: Data source: Government of West Bengal

In Haora district from 1990-91 to 1992-93 the contribution of secondary sector to NDDP was near about 50 percent while in 1999-2000 it came down to 32.4 percent. A rapid fall has been observed during the period 1992-1994. Not only contribution of the secondary sector but that of the primary sector also has declined rapidly. The percentages curtailed from primary and secondary sectors were added to tertiary sector which expanded very fast during this period (Fig. 2). During the time frame ranged between 2000-01 and 2006-07 minimum change has been noticed in secondary sector. Its contribution was increased marginally from 23.87 percent to 24.06 percent during this period. But contribution of the primary sector has declined rapidly from 13.21 percent in 2000-01 to 9.79 percent in 2006-07. The increasing rate of tertiary sector's contribution to NDDP was getting in comparison to than previous period (Fig. 3). In the next phase the contribution of secondary sector has further declined while no improvement in primary sector has been observed. In 2011-12 secondary sector's contribution was 21.01 percent while contribution of the primary sector to NDDP went down to 6.12 percent; on the contrary the tertiary sector is flourishing and its contribution went up to 72.87 percent (Fig. 4).

➤ **Contribution of Registered and Unregistered Manufacturing Units to Secondary Sector:**

The share of manufacturing units within secondary sector is also declining. The manufacturing units may be categorized into two groups: registered and unregistered. The contribution of registered units is gradually declining while the unregistered units' contribution is steadily rising (Fig. 5). In Haora district the contribution of registered manufacturing units to secondary sector was 66.36 percent in 1990-91 but in 2009-10 it was

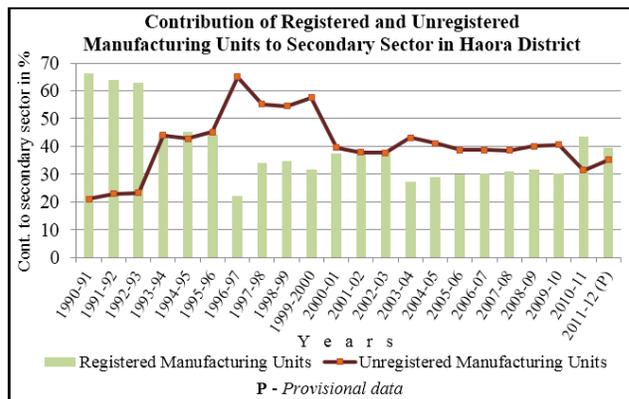


Fig 5: Data source: Government of West Bengal

Declined to 30.4 percent. In case of unregistered manufacturing units the contribution is much higher. In 1990-91 it was 20.96 percent while in 2009-10 it was raised to 40.57 percent. This type of flourishing status of unregistered units implies an insecure psychosis of the entrepreneurs and industrialists. After 2009-10, a slight improvement has been observed in case of registered manufacturing units. During 2010-12 contribution of registered manufacturing units to the secondary sector has crossed the contribution of unregistered manufacturing units.

➤ **Status of Registered Working Factories and their Employment:**

Annual average growth rate of factories from 1985-86 to 2009-10 was 2.69 percent in West Bengal while in Haora it was only 2.41 percent. During the same period in case of annual average growth rate of daily employment in registered working factories a reverse situation has been observed. Such a growth rate in West Bengal is 0.3188 percent while it is 0.715 percent in Haora district. In fact most of the units of Haora district are traditional and labour intensive. So the demand of labour is high and in many units the number of labours is recorded in companies' record book but in reality they are not engaged in jobs on regular basis. This type of reverse situation implies existence of unemployment in disguise in these units.

Identification of Various Problems Faced by Different Categories of Industries: Primary Data Analysis

In Haora district there are two types of dominating industries – one is engineering industry and the other one is jute textile industry. In course of primary data collection these two categories of industries were taken up for study. The management section of the different industrial units has specified various reasons behind the gloomy status of these industrial units (Table-1).

Table 1: Various Problems Faced by Different Categories of Industries as Perceived by Management Authorities

Reasons	Engin-eering (% of units)	Jute Textile (% of units)	Reasons	Engin-eering (% of units)	Jute Textile (% of units)
Lack of investment	Nil	14.28	Shortage and low quality of raw materials	Nil	7.14
Inefficiency of labour	Nil	32.13	Lack of storage facility	Nil	3.57
Labour unrest	4.09	14.28	Low marketing facility	28.57	10.71
Paucity of demand	28.57	7.14	High costing of production	Nil	Nil
Tough competition with other companies	28.57	7.14	Negligence of management	10.20	3.61

Source: Primary data, 2012-13

Status of Micro, Small and Medium Enterprises

In 2006 the Government of India introduced a new act named as Micro, Small and Medium Enterprises Development

(MSMED) Act in which the medium scale enterprises have also been included (www.wbidec.com). These scales of industries have been classified on the basis of their investment in plant

and machinery. In Haora district a large number of MSMEs have been established through the process of industrialization as auxiliary industries of large scale units. The EM-II (Entrepreneur Memorandum) units are registered units and are considered as permanent ones. The number of EM-II has been reduced from 2007-08 to 2010-11 (Fig. 6). Obviously the number of employment and amount of investment both are deteriorating with the reducing number of units. Such a dismal economic environment cannot attract new entrepreneurs.

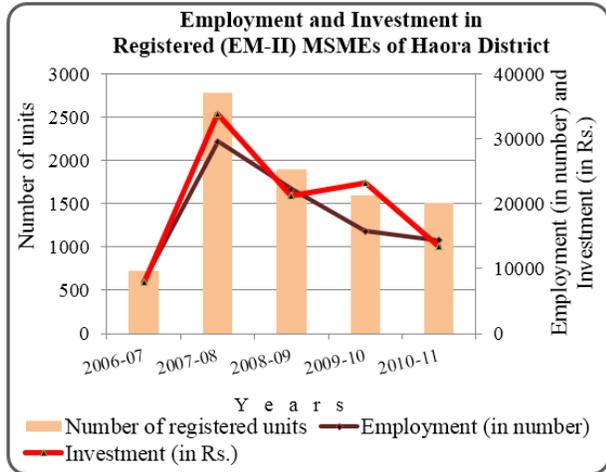


Fig 6: Data sources: Government of West Bengal and <http://www.mssewb.org>

Distribution of Work Force in West Bengal

West Bengal is one of the populous States of India. In this State diversification of jobs attract people of the adjacent states. The workers may be categorized into two broad divisions: a. Main workers and b. Marginal workers. Table – 2 depicts that a change in composition of work force has taken place in the span of two consecutive census years. The percentage of main workers has declined in 2011 in comparison to that of 2001, while the percentage of marginal workers has increased during this period. Such a fact implies that people are losing their permanent jobs and many jobless persons are compelled to take up temporary works.

Table 2: Temporal Variation of Work Force in West Bengal

Years	Main workers to total population (in %)	Marginal workers to total population (in %)	Non workers to total population (in %)
2001	28.72	8.05	63.23
2011	28.14	9.94	61.92

Data source: Government of India

The entire State of West Bengal is divided into three administrative divisions – Barddhaman, Presidency and Jalpaiguri. During the period of last two consecutive census years in Jalpaiguri Division the percentage of main workers is escalating and that of marginal workers is declining while in Presidency and Barddhaman Divisions an opposite trend has been observed (Fig. 7). Haora district is located in Presidency Division where the percentage of marginal workers has gone up between 2001 and 2011.

According to 2011 census, in all administrative divisions of West Bengal the share of workers in tertiary sector is much higher than that of the secondary sector. In Jalpaiguri and Barddhaman Divisions the share of workers in primary sector

is much higher than that of the secondary and tertiary sectors. In case of these two divisions higher strength of work force is involved in primary sector but its contribution to Net State Domestic Product is much lower. In Presidency Division the share of workers in tertiary sector is high and there are few reasons behind such a situation:

- a. Kolkata, the capital of West Bengal is located under this administrative Division and as a capital it consists of different types of tertiary activities.
- b. Closure of different industrial units in two industrially prominent districts – Haora and North 24 Parganas divert more workers from secondary to tertiary sector.

In Haora district the share of working population is only 37.52 percent to total population while rest of the 62.48 percent is considered as non-working population. In fact the labours of different industrial units are facing numerous problems which are related with their livelihood. These crucial problems have been depicted in Table-3:

Spatio-Temporal Variation of Main and Marginal Workers in West Bengal

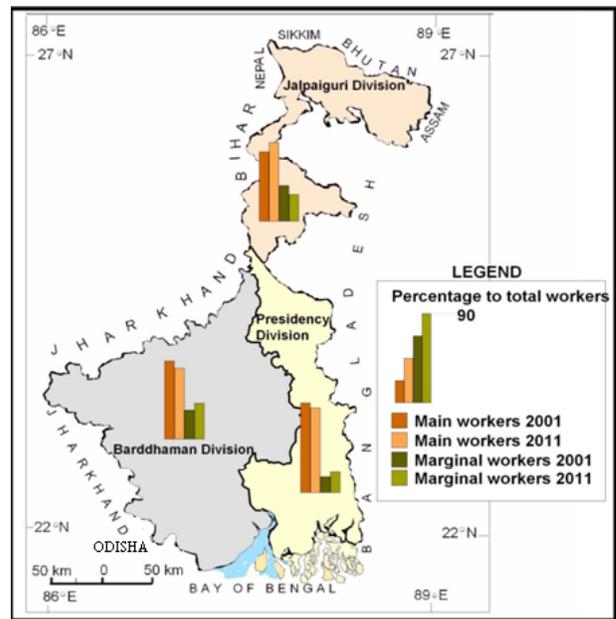


Fig 7: Data source: Government of India

Share of Workers in Different Sectors of Economy in West Bengal, 2011

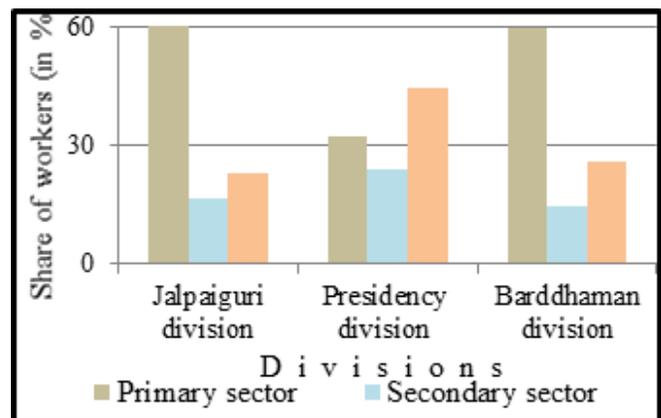


Fig 8: Data source: Government of India

Table 3: Problems Faced by the Labors

Problems Identified	Specific Nature of the Problem (Percentage of Labour Respondents)	
Difficulty in getting salary	a. Delayed payment:	67
	b. Lower rate of payment:	79
	c. Engagement in alternative job:	72
Non-availability of statutory facilities	a. Provident Fund:	69
	b. Gratuity:	69
	c. Pension:	51
	d. Bonus:	46
	e. Employee's State Insurance (ESI) as health care facility:	88

Involvement in different sectors of economy

Primary: 20

Secondary: 18

Tertiary: 34

Source: Primary data, 2013

In Haora district day by day number of sick units is increasing and the percentage of profit making units is declining. As a result the entrepreneurs are unable to continue with full strength of labour. They often retrench their contractual and casual labours at the advent of crisis. Closure of different industrial units and increasing number of sick units create insecurity in the mental map of the labours. These labours are reluctant to work in these units due to low rate of payment, non-availability of statutory facilities and insecurity of job. Moreover, they are sometimes interested to work in service sector as occasional service provider.

Conclusion

Sluggish industrial growth and closure of units compel the labours to alter their nature of work. There are so many reasons behind sluggish industrial growth and all reasons are interrelated with each other. The capital intensive engineering industrial units are facing low marketing opportunities, paucity of demand and tough competition with companies of other States while labour intensive jute textile units are very susceptible to inefficiency of labour and labour unrest. Due to low margin of profit the entrepreneurs are reluctant to invest more funds. Such condition reduces the contribution of secondary sector to Net District Domestic Product. The increasing contribution of unregistered manufacturing units to secondary sector is a great threat to overall economic environment. Such an economic condition generates more unemployment, enhances dependency ratio and leads to shrinkage of the share of working population to total population. Insecurity of job motivates existing labours to change their mode of earning and also divert unemployed population to the other sectors of economy especially to tertiary sector. But tertiary sector alone cannot make a strong base of economy because it provides service only and does not produce anything on one hand and it is responsible for jobless economic growth on the other. Thus increase of productivity in secondary sector especially in manufacturing units with optimization of natural and human resources can arrest the trend of occupational shift and can strengthen economy of the twin city of Kolkata.

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