



# ROLE OF INDUSTRIAL SECTOR IN EMPLOYMENT CREATION WITH REFERENCE TO KOLAR DISTRICT

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## Abstract

The aim of this paper is to study the role of industrial sector in generating employment in the economy and at the same time to the contribution towards economy growth. With the limited amount of capital resources, the industrial sector holds promise of creating greater employment opportunities. This is so because most of industries are more labour intensive i., they employ more labour per units of capital. Around 16% of the employment is provided by the sector. Industrial development leads to the generation of huge amounts of revenue. The establishment and expansion of capital goods and large scale industries contribute much to revenue generation. These industries contribute to employment generation and thereby to the generation of income and revenue. An increase in industrialization can lead to lower rates of unemployment and poverty in a certain region. Industrial developments lead to more jobs in both large and small scale businesses, which allows for more opportunity for those who may be unemployed otherwise. The paper also emphasis on the relationship between the employment generation and economic growth and with certain recommended some policy measures in order to boost industrial output by improving the overall productivity of all the sectors and ensure sustainable development.

**Key words :** *Employment generation, economic growth, labour intensive, industrialiation*

## Introduction

Industrialization has been the basis for economic development of any serious minded nation; this is the reason why it is obvious that no advanced nations reached the developed stage without industrialization. Industrialization has been seen as a veritable channel of attaining the lofty desirable conception and goals of improved quality of life and the populace. This is because; industrial development involves extensive technology based development of the productive system of the economy.

Rapid Economic development has become the foremost concern of the developing countries including India after attaining political freedom. In their programmes of planned economic development, industrialization occupies a pivotal position. This is because industrialization and economic development have become integral part of economic growth. So that success is measured with its strength in transforming agricultural economy in to a modern industrial economy. However most developing countries have been confronted with several policies, issues in deciding the pattern of industrial development, such as basic and heavy industries and small industries. Decisions on these and other related issues depend mainly on the social and political values as well as the objectives and methods of planning accepted by the people of a country.

In India it was recognized early in the planning era that development of basic and heavy producer goods industries was an essential prerequisite for laying the foundation for rapid industrialization and economic growth. Prime Minister late Jawaharlal Nehru while emphasizing the significance of industrialization said that, real progress must ultimately depend on industrialization.

One of bottlenecks facing emerging countries and which has impeded economic growth over the years is how to improve her industrial capabilities. Industrial sector is critical for the economy's growth as it employs around 12.0 percent of the country's labour force as well as provides a transitional opportunity to the labour force in agriculture. In addition, the sector has multiplier effect for job creation in the services sector. According to National Industrial Policy 2011, every job created in the manufacturing sector creates two three additional jobs in related activities.

Textiles and garments, leather and leather products and food processing are among the major employers in the industrial sector. There is a significant variation in terms of volume and requisite skill sets across various industries.

There has been a rising perception that growth in the manufacturing sector has not been accompanied by growth in employment, as the sector exhibits lower employment elasticity. However, according to the Economic Survey FY11, there has been a continuous increase in the employment in the organized sector since FY05, this suggests that employment in the industrial sector decelerated over FY97-FY05, there has been a continuous rise in employment.

India's overall economic performance over the last fifteen years has been outstanding, with the economy growing at an average of over 7% p.a. Growth has been service-led with the services sector accounting for over 60% of GDP growth over the period. Importantly, India's structural transformation has been

marked by a shift straight from agriculture to services led growth, leapfrogging manufacturing. The problem with this pattern of growth has been that it has generated relatively fewer opportunities of employment generation. The role of the manufacturing sector, ordinarily considered to be an important engine of growth and job creation for low and middle income countries, has been rather limited. Its share in total GDP and employment has continued to hover around 15% and 12% respectively for the last three decades. As India's working age population rises rapidly, the issue of job creation in its manufacturing sector has captured the imagination of policy makers like never before. However, simply creating a large number of manufacturing jobs in the in the face of the intensifying demographic pressures is not enough. These jobs need to be 'productive jobs'. Given the enormity of India's jobs challenge, it is important to understand where 'productive jobs' will come from. This requires us to understand where existing jobs are located and whether there are certain sectors or firm types which hold the key to productive job creation. Understanding these questions is essential for the policy debate to rest on strong conceptual foundations. The availability of firm level data from the Annual Survey of Industries over the last fifteen years provides a very rich dataset for examining these issues. These datasets incorporate firm level characteristics and thus enable us to understand what type of firms create "good jobs" and what are the relative contributions of different groups of firms to employment growth. Before delving into the analysis, it is important to highlight the dualistic structure of India's manufacturing sector. Dualism refers to the prevalence of a formal/organized sector which coexists with a large "unorganized sector". The formal sector is statistically defined by the Factories Act which covers all factories employing 10 or more workers using power, or 20 or more workers without using power.

The increasing contractualisation of the workforce reflects significant in formalization of the workforce. These are the workers who are hired by an intermediary or contractor on short term contracts, are unprotected and can be fired easily. Importantly, wages paid to contractual workers are relatively low as compared to those paid to regular workers (Kapoor & Krishnapriya, 2017). Several reasons have been attributed to this increasing informalization. First, the use of contract workers provides a means of getting around stringent labour regulations, particularly IDA, as contract workers do not come under the purview of labour laws that are applicable to directly employed workers in labour markets. Second, increased import competition has led to informalization of industrial labour since the lower wages of informal workers and the savings made on the expenditure of worker benefits helps in reducing costs and thus improving competitiveness (Goldar & Aggarwal, 2012). Finally, firms have an additional reason for hiring contract workers. The presence of contract workers in the firm's workforce helps the firm's management suppress the bargaining power of regular workers and exert downward pressure on their wages. Thus, firms use contract workers to their strategic advantage against unionised regular workers (Kapoor & Krishnapriya, 2017).

## ROLE OF INDUSTRIAL SECTOR IN EMPLOYMENT CREATION

The Industrial sector is widely regarded as the transformational sector, for agricultural labourers moving from low skilled to more value added jobs. This is because, historically, economic development has followed a pattern of pulling people out of agriculture, moving them into non-farm activities such as manufacturing and services. The importance of the role of (industrial sector) in absorbing surplus labour from agriculture sector has also been proved by the development experience of many developed countries and lately in various South East Asian countries.

This makes manufacturing extremely important for India, where agriculture constitutes a minor share of GDP, but accounts for a disproportionately large share in employment. An abundant supply of people in the working age group has the potential to boost manufacturing growth. However, to absorb much of this labour force, there is a need to lay large emphasis on building strong human capital .this is important considering that certain

Manufacturing industries such as transport equipment, petroleum and electrical machinery, require specialized training, which can be met only by skilled labour force.

Manufacturing sector is critical for the growth of the economy. This is because the sector tends to have a multiplier effect on other sectors in the economy. The manufacturing sector avails raw materials and services from other sectors in the economy and in turn supplies them with finished products. Hence stimulating demand for everything from raw materials to intermediate goods. Its area of influence includes sectors like software, health, and transportation. As envisaged in NMP, the manufacturing sector has the potential to provide employment to 100 million people by 2022. However, before this happens, it is important to bring about certain reforms in India's manufacturing and labour sector

Industrialisation<sup>1</sup> is an important driver of employment growth and poverty reduction in developing countries. At the early stage of transition from an agrarian economy to a modern economy, the manufacturing sector in the typical developing economy has greater potential to absorb surplus labour compared to the services sector, which in the typical low-income country is dominated by informal services. While it is feasible to move unskilled workers from agriculture into better-paid jobs in manufacturing activities, it is not feasible to move them into the formal services sector. Formal services sectors such as banking, insurance, finance, communications, and information technology are characterised by relatively low employment elasticity and also employment in these sectors requires at least upper secondary school level education. Unskilled workers can find employment only in only in informal services such as retail trade and distribution, passenger transport and construction where wages and productivity are often low.

By contrast, employment in manufacturing, particular in traditional labour-intensive industries such as clothing and footwear, require mostly on the-job training. As countries industrialize, workers are pulled out of low productivity agriculture to manufacturing, leading to both an increase in overall productivity in the economy as well as an increase in the share of workers employed in better paid jobs in manufacturing as compared to the subsistence income they may obtain in agriculture. The wage gains

associated with industrialization can play an important role in pulling significant proportions of the population out of poverty because in the typical low-income country labour is the only asset owned by the poor. In addition to these direct effects, industrialization can also be crucial in reducing poverty indirectly through the economy-wide positive employment effect of economic growth.

While it is generally recognized that industrialization can potentially be a powerful force for employment generation and poverty reduction, the magnitude of the employment and poverty impact may differ by stage of economic development. At an early stage of economic development, countries are more likely to specialize in labour-intensive industries, so that for low income countries, industrialization can potentially have a strong positive effect on job creation and consequently, poverty reduction, under the appropriate policy environment. At higher levels of income, as countries start moving out of labour intensive industries and into capital and technology intensive industries, the direct effect of industrialization on employment and poverty reduction will be weaker, though there may be strong indirect effects of industrialization on poverty reduction, as the profits obtained from the growth of capital intensive industries are re-invested in the economy, leading to further economic growth and poverty reduction.

Many developing countries experienced rapid growth at the early stage of substituting domestic production for imports of consumer goods and other light manufactures. But, as these “easy” import-substitution opportunities dried up, further growth was naturally limited to the rate of growth of domestic demand, and that was not generally high in most developing countries. In almost every country, and particularly in small countries, import- substitution policies encouraged high-cost, inefficient activities that showed little productivity gains over time, partly due to their sheltered position in the domestic market. Import-substitution, which was rationalized as a means of reducing dependence on the international economy, in fact increased import dependence. Most of the newly established industries relied heavily on imported capital goods intermediate goods. To make matters worse, the protectionist policies pulled resources into high-cost import competing industries and discouraged export production. As a result, periodic foreign exchange shortages and ‘stop-go-macroeconomic cycles’ usually emerged with deleterious effects on output and employment.

Relating to equity considerations, manufacturing growth yielded the perverse outcome of regressive shifts in the distribution of income and disappointing performance in terms of employment generation. In most countries the manufacturing sectors’ rate of labour absorption fell behind the growth rate of labour force and in some cases manufacturing employment even declined in absolute terms as the balance of payments constraint put a limit on output expansion. Ironically some countries began to face a ‘new’ problem of massive urban unemployment because of the failure of new industries to absorb the surplus labour streaming into urban centers.

## Government Initiatives

The Government of India has taken several initiatives to promote a healthy environment for the growth of manufacturing sector in the country. Some of the notable initiatives and developments are:

The government approved a PLI scheme for 16 plants for key starting materials (KSMs)/drug intermediates and active pharmaceutical ingredients (APIs). The establishment of these 16 plants would result in a total investment of Rs. 348.70 crore (US\$ 47.01 million) and generation of ~3,042 jobs. The commercial development of these plants is expected to begin by April 2023.

As part of efforts to expand its smartphone assembly industry and improve its electronics supply chain, the government, in March 2021, announced funds worth US\$ 1 billion in cash to each semiconductor company that establishes manufacturing units in the country.

The Union Budget 2021-22 is expected to enhance India's domestic growth in manufacturing, trade and other sectors. Development of a robust infrastructure, logistics and utility environment for the manufacturing sector is a primary focus field.

Some of these initiatives are as follows:

- On November 19, 2021, Prime Minister, Mr. Narendra Modi, laid the foundation stone for the Uttar Pradesh Defence Industrial Corridor project worth Rs. 400 crore (US\$ 53.73 million) in Jhansi.
- In November 2021, the Experts' Advisory Committee (EAC) of the Department for Promotion of Industry and Internal Trade approved Rs. 3 crore (US\$ 403,293.54) for the Atal Incubation Centre (AIC), Pondicherry Engineering College Foundation (PECF), under the Start-up India Seed Fund scheme.
- In September 2021, Prime Minister Mr. Narendra Modi approved the production-linked incentive (PLI) scheme in the textiles sector—for man-made fibre (MMF) apparel, MMF fabrics and 10 segments/products of technical textiles—at an estimated outlay of Rs. 10,683 crore (US\$ 1.45 billion).
- India outlines a plan in August 2021 to reach its goal of US\$ 1 trillion in manufactured goods exports.
- In July 2021, the government launched six technology innovation platforms to develop technologies and thereby, boost the manufacturing sector in India to compete globally.
- To propagate Make in India, in July 2021, the Defence Ministry issued a tender of Rs. 50,000 crore (US\$ 6.7 billion) for building six conventional submarines under Project-75 India.
- In July 2021, the Ministry of Commerce and Industry announced that 104 start-ups from sectors, including food-tech, green energy, defence, education-tech, and health-tech, have joined 'Start-up India Showcase', an online discovery platform for the country's most promising start-ups that provides various social and digital connect opportunities.
- In May 2021, the government approved a PLI scheme worth Rs. 18,000 crore (US\$ 2.47 billion) for production of advanced chemical cell (ACC) batteries; this is expected to attract investments worth Rs. 45,000 crore (US\$ 6.18 billion) in the country, and further boost capacity in core component technology and make India a clean energy global hub.
- In India, the market for grain-oriented electrical steel sheet manufacturing is witnessing high demand from power transformer producers, due to the rising demand for electric power and increasing adoption of renewable energy in the country.

- In line with this, in May 2021, JFE Steel Corporation in collaboration with JSW Steel Limited (JSW) signed a MoU to evaluate a study to establish a grain-oriented electrical steel sheet manufacturing & sales joint-venture company in India.
- To facilitate manufacturing and investment in sectors such as ICT and telecom, in May 2021, TEMA (Telecom Equipment Manufacturers Association of India) signed a collaboration deal with ICCA (Indo-Canada Chamber of Commerce) to promote 'Make in India' and 'Self-reliant India' initiatives.
- India's display panel market is estimated to grow from ~US\$ 7 billion in 2021 to US\$ 15 billion in 2025.
- The Mega Investment Textiles Parks (MITRA) scheme to build world-class infrastructure will enable global industry champions to be created, benefiting from economies of scale and agglomeration. Seven Textile Parks will be established over three years.
- The government proposed to make significant investments in the construction of modern fishing harbours and fish landing centres, covering five major fishing harbours in Kochi, Chennai, Visakhapatnam, Paradip, and Petuaghat, along with a multipurpose Seaweed Park in Tamil Nadu. These initiatives are expected to improve exports from the textiles and marine sectors.
- The 'Operation Green' scheme of the Ministry of the Food Processing Industry, which was limited to onions, potatoes and tomatoes, has been expanded to 22 perishable products to encourage exports from the agricultural sector. This will facilitate infrastructure projects for horticulture products.
- The Union Budget 2021-22 allocated funds of Rs. 1,000 crore (US\$ 137.16 million) for the welfare of tea workers, especially women and their children. About 10.75 lakh tea workers will benefit from this, including 6.23 lakh women workers involved in the large tea estates of Assam and West Bengal.

## REVIEW OF LITERATURE

The terms productivity and efficiency have often been used interchangeably, But this is unfortunate, because they are not exactly the same thing (**Parsons, 1997**). Since it is a relative measurement, external benchmarking is usually applied to interpret the productivity ratio, Managers compare productivity ratios for one firm against those of its competitors or for the industry as a whole. Moreover, there are alternative productivity ratios (e.g., total productivity index, labour or capital partial productivity indexes), and choosing among them is somewhat arbitrary. On the other hand, the efficiency concept is related to the concept of the production possibility frontier.

A frontier production function is widely used to define the relationship between inputs and outputs by defining the maximum output obtainable from a given set of inputs.

**Stanwick and Stanwick (2009)** summarised that “by focusing on the efficiency issues in the production process, firms can reduce not only the amount of waste generated by the firm, but also the costs” (p.84). Firms can actually balance different stakeholder interests through better production processes to reduce waste. Efficient production includes saving production materials, improving manufacturing processes and utilising by-products in the production process. Waste products are

considered to be an inefficient use of resources (Stanwick and Stanwick, 2009).

There is a deep interest in the roles played by industry in development processes and Therefore, they are in the forefront of policy debates in most countries. Governments at all Levels have undertaken initiatives to promote the growth of SMEs (Feeney and Riding, 1997). Industrial development can promote the process of both inter and intra-regional Decentralisation; and, they may well become a counterbalance force against the economic Power of larger enterprises. So, the development of SMEs is seen as accelerating the achievement of the wider economic and socio-economic objectives of a country, including poverty alleviation (Cook and Nixon, 2000).

**ELLA BHAT -1988:** recommended enlargement of the definition of work done by women to include all paid and unpaid activities performed within the home or outside as an employee or on own account. According to her, the single most important intervention towards moving the economic status of poor women working in informal sector of the economy would be to devise strategies, which would enhance their ownership and control over productive assets.

It is often argued that one of the main reasons for regional employment disparities is the industrial dynamics of a region (Malecki, 1997). Dynamic measures the level at which the economic activity of a region is distributed among a number of industry categories. Just like in the financial stock market, the aim of the local policy makers should be to select a set of industries in which to invest to create a community industrial portfolio. (DELLER & WAGNER, 1998)

Fundamental for an analysis covering regional performance and employment recovery is the theory of industrial location. The actions of industries and their relation to technology, labour and other enterprises set the conditions for local prosperity. Consequently this theory describes the location where the economic operation or industry should be placed in relation to other locations, so called proximity to markets, resources and other company facilities. (LOWE & MORYADAS, 1975) Hence, the central question evolves around what kind of comparative advantage one location has compared to another.

**KRISHNA – 2010:** using regression analysis and panel data of the large selected retail sector in Karnataka notice a contradictory result to the ones predicted by composition of employment in the retail sector increased. The study therefore dwelled into the argument of market friction as an underlying reason of the findings obtained.

**JHABALVA – 1998:** in his study at macro level emphasized on the need for social security for women workers and explored the mechanism for security provisions, insurance, security funds for women in unorganized sector. Thus, pointing out that the women unorganized sector helped by decentralizing, participatory social security and implementation of programmers and create work. The employment – based programmers should have social and financial security for women in unorganized sector.



**RAO – 1998:** studied the general of the women workers in beady industry which was at corporate industrial level on the line of cottage industry in states of West Bengal, Kerala and Tamil Nadu. He found through his study that in beady industry women's earning were meager. They worked on piece rate basis and earned as low as Rs. 40 per 1000 beads rolled. He also found that the beady workers were exposed to dust, nicotine, causing respiratory diseases and infertility in young women.

**SRINIVASAN – 2004:** looked into conceptual issues of the unorganized sector along with profile of women's employment and its trend. He concluded that employment for the unorganized women workers moves to the sector where these women have no say at all and away from the legal protection.

**BHASKER – 2005:** production cost is fixed, and second to the firm- the labor supply is imperfectly elasticity which crowd out from slop module of horizontal differentiation. the authors study reveals that minimum wage effect on employment differ of oligopoly and monophony- with a greater employment effect per firm observed in the case of minimum wage is set below firm's marginal product of labor.

**VENKATESH -2007:** also found that minimum wage has little or no effect on employment, this is as a result of the effect it has on the working hours rather than the employees. As a result of the minimum wage, firms increase productivity as well as service to consumers. Although there is a reduction in the profit of firm that employ law wage earner.

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#### **NATURE OF THE STUDY**

The study entails the creation of employment opportunities in Industrial area focusing with special reference to kolar district by considering the lagged minimum wage standard, individual characteristics, provincial and economic factors and fixed effects of province and year. We find the evidence of minimum wage impact on wages and creation of employment for limited groups. Creation of employment opportunities in industrial sector enhances several factors like increased wages and spending raise demand and also create more jobs, workers stay with employees' longer reducing businesses turn over, hiring and training costs

#### **STATEMENT OF THE PROBLEM**

The manufacturing sector would need to play a crucial role for India to achieve its goal of employment generation. There is a need for strong commitment from the government as well as the industry for the sector to enter the next orbit of high growth and employment generation. Also, there is a need for a robust labour policy, which strikes the right balance between worker's rights and competitive needs of the manufacturing sector. Furthermore it is important to enhance the productivity of the labour force by enhancing the quality of training

The ability of the industrial sector to absorb excess labour from the agriculture sector and shift the same to services render its driving force in the development process of an economy. While the Indian industrial sector has witnessed remarkable growth in recent years; its contribution to GDP and employment is well below its true potential.

### **OBJECTIVES OF THE STUDY**

1. To assess the role played by industrial sector in employment creation in Karnataka
2. To analyze the condition and number of industries setup in kolar district
3. To assess the employment potential of industries set in the study area
4. To find out the number of employees working in each established factory and its working conditions
5. It found favorable for employment for large scale suggestions to setup more factories in the study area

### **IMPORTANCE OF THE STUDY**

The study focuses on the employment creation in the industrial area by stressing on the improvement status of employees. The manufacturing sector is crucial for employment generation and development of an economy, which has witnessed a trend of people shifting from agriculture to non-farm activities such as manufacturing and services. In order to boost of the employment generation in the manufacturing sector, it is imperative to lay greater emphasis on building human capital- certain manufacturing industries. The study emphasis on the factors that helps in increasing the employment opportunities.

### **HYPOTHESIS**

1. Employment generation helps in increasing productivity and reduction of inequalities
2. Labour force enhancement helps in industrialization and improvement in the standard of living of rural and urban people
3. Increase in national income and development of man power resources
4. Self- reliance, regional balance and growth and stability

### **RESEARCH GAP**

Literature review reveals consenting on the effect of minimum wage on employment in working hours of an employee and also the relationship between the labour costs and the minimum wage act and also concentrated on some theories put forth by economists regarding driving up pricing with relation to the employment.

The reviews stated the effects of minimum wage and its impact on the employment in different scenario by adopting different methods. The study made an emphasized on the creation of employment in the industrial sector through changes in growth rather than an immediate drop in relative employment level. These effects are most promoted for younger workers and in industries with a higher proportion of low wage workers and in industries with a higher proportion of low workers. The research restricted to

Narasapura, Kolar district.

## METHODOLOGY

The selection of the research design is based on the objectives of the study; the accessible data, the availability of time and the cost that paid for get the data. The main purpose of this study is to assess the impact of manufacturing industries on employment opportunities in Narasapura. To achieve the purpose of this research the researcher use quantitative research design. Therefore, the researcher has employed quantitative method. The researcher believe that this kind of research method is fit with the above mentioned research objective. It is comparatively easy to explain and understand the job creation in manufacturing industry in the study area.

The study is encompassing with both the primary and secondary data. The primary data is used to obtain information regarding the study through the questionnaire method of randomly collected samples in Kolar district. Secondary data is collected from government journals, publications and articles

This study analysis data using statistical tools in order to identify the variables that impacts on the creation of employment in the industrial sector .with the help of charts and tables study have enhanced the findings through presentation . The socio-demographic variables along with the independent variables which have used for the analysis and interpretation of the data that has emphasized on the employment generation.

Besides field surveys will be conducted an investigation carried out on public sector units selected for the case study.

## LIMITATIONS OF THE STUDY

1. The primary data to be obtained by the survey method from the employees in concerned study area by considering several factors that influence the employment generation. Therefore the accuracy of the data collected is not cent percent
  2. The secondary data will be collected from the published sources of central and state government departments. Despite sincere efforts latest information may not be obtained. The present study attention has been focused on the creation of employment in industrial area and to analyze the factors that influence this. Henceforth the study is restricted to kolar district not considered in the macro level. Pacheco-López, P. and Thirlwall, A.P.(2013) A New Interpretation of Kaldor's First Growth Law for Open Developing Economies. University of Kent, School of Economics Discussion Papers, KDPE 1312.
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