

'We are only a commission; the implementation is up to govt'

Attacking the policy of setting up special economic zones (SEZs), the National Commission on Enterprises in the Unorganized Sector has demanded that the slew of sops extended to large enterprises be given to infant and tiny industries instead. The commission was set up in September 2004 to help improve productivity in the informal sector, thereby generating massive and sustainable employment. NCEUS chairman and Rajya Sabha MP Arjun Sengupta told Pragma Singh in an interview that small units are being pushed against a wall as sops are cornered by a clutch of large enterprises. Sengupta was member secretary in the Planning Commission, executive director for India, Bangladesh and Bhutan at the International Monetary Fund in Washington, D.C. and economic adviser to the Prime Minister from 1981 to 1984. Excerpts:

How do you propose to address the much-talked-about credit squeeze in the small-scale sector?

I have written to the Prime Minister and the group of ministers on SEZs that they should provide industrial clusters in growth poles the same sops that are being given to large, organized sector industries under the SEZ scheme. Since the unorganized sector is the biggest employer, tax exemptions to them will be more widespread and beneficial than those for established businesses. I have asked (the government) if it's a good policy to not give sops to companies that have trouble entering a market, and give them instead to firms that are already established. This is an effective answer from our side for the SEZ debate.

What is the logic behind this proposal?

Originally, SEZs were meant to be an agglomeration of infant industries. These would help improve their marketing and production, while reducing per-unit costs through shared infrastructure and common facilities. By this logic, the only area where SEZs can be effectively employed is in my growth poles, which are meant to be clusters of small and tiny enterprises. I have suggested that in these growth poles, where the smallest enterprises will be based, all profits should be tax-exempt

mint INTERVIEW



Policy matters: Arjun Sengupta

for developers.

NCEUS had suggested setting up these 'growth poles' for cluster-based development of micro and small industries one year ago. What is their status?

Four growth poles are on the verge of starting up as pilot projects—two of them in West Bengal and Chhattisgarh. They will link the poor and unorganized sector with each other so that they can share forward and backward linkages, get marketing support and cater to specific local markets. These clusters are meant to achieve economies of scale and become self-sufficient after initial support from the government. We have proposed a special purpose vehicle model to provide infrastructure such as power and water in these clusters. Work on this is getting under way. More than 1,000 growth poles are proposed to be set up over time.

After your report on social security for the unorganized sector, what major recommendations have you made? What is their status? Is the government serious about implementing them?

The report on social security

is being used as a model for similar legislation in other countries. This report is considered among the most-comprehensive studies in the field, though it is true that India is yet to take action on it. The report shows that only 0.48% of GDP can take care of social security needs of a bulk of unorganized workers. India could consider introducing social security gradually, instead of trying to implement a gamut of laws in one go, which is daunting and may lead nowhere.

The commission also wants a national fund on the lines of Nabard for the unorganized sector and a task force is looking into how it will function. Our target is to finance those with land holdings under four acres and industrial units that employ less than 10 people. Incidentally these make up 96% of enterprises in the country. This fund will have to be fine-tuned for artisans, handloom workers, handicraft makers, street vendors etc., separately.

Labour laws are also being examined by NCEUS. What progress have you made so far?

We are working on a national law on labour, a sort of uniform code of law at the Central level, that will meet all basic concerns of workers throughout the country. However, states will be free to enact their own provisions over and above these. Another major ongoing study is on the condition of unorganized sector workers. This is being undertaken for the first time as a comprehensive examination of pay and work conditions across sectors. The draft report is ready.

The NCEUS' three-year term expires in September. Will you have done enough for the unorganized sector by then?

Employment has grown only in the unorganized sector in India, where workers have no social security, minimum wage or work standard protection. Since the organized sector and agriculture are not generating enough employment, jobs, even in the future, will have to come from the unorganized sector. Our task is to suggest some very special measures to help meet requirements of the unorganized industry, ranging from credit interventions to marketing support and skill development. But we are only a commission; implementation is up to government.