



Think “Big”: Strategizing Post-coronial Revival in India

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Abstract

The pandemic has severely disrupted the economy, but this is also an opportunity to change direction. The distress one saw on the streets of workers leaving cities for their rural homes obviously signals the preponderance of informal labour, low-skilled jobs and lack of economic security. The need, therefore, is to move away from small-scale industrial production to high-technology units which demand sophisticated enterprise, skills and knowledge. This would mean the abandoning of threshold limitations in the labour laws as well as urging MSMEs to grow in size and become competitive enterprises.

Keywords Industrial disputes act · Informal labour · Low skills · MSME

The lockdown has etherized our economy on the table, and it is best we do not go around it talking of Michelangelo.¹

Are we ready to think differently? We better be. It is time now to consider a different universe, one that is status quo *anti*, rather than trying to perfect the status quo ante. After the trauma of the lockdown, there will probably be a greater public appreciation of this line of thinking. The panic, the breakdown, the loss of morale, the pure and simple hardship that masses faced should be enough to convince us that the status quo of the past 70 years must be replaced.

1 Small, but not Beautiful

Now, what are the facts that we do not discuss with equal enthusiasm when we deliberate the conditions of the working people? Most of these are well known but, for some reason, rarely figure prominently when experts ponder over what our

¹ This is an allusion to T.S. Eliot's, “The Love Song of J. Alfred Prufrock.”.

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post-COVID 19 economy should look like and how to keep it buoyant. The single largest contributor, though, by no means the only, is the premium we have placed on small-scale production units or, rather, the disincentives existing against large-scale enterprises. Some might believe that there is no point in going down that road for the state is not in a mood to talk about it.

As a result, the moral imperative which valorizes small over big economic units of production remains unchallenged. The general assumption behind this sentiment is that small-scale units exude honesty, authenticity, and indigenous knowledge. Sadly, the small-scale sector has not been a growth engine, nor has it helped in adding to knowledge, nor has it provided security or prevented large-scale distress migration. *Neti, neti, neti*, all the way. Nor should it be overlooked that these small-scale units are also sites which are generally under-audited, allowing for a number of industrial malpractices to go unchecked. In this connection, one must never forget the searing images of migrants on the highways desperate to get home. They were almost exclusively hired in this sector, which is why they could be calmly fired without the security of any kind. Now let's read on.

Interestingly enough, the Government of India's Ministry of Heavy Industry comes to the same conclusion. It says, unambiguously, and with refreshing candour, that the MSME sector lags behind because it lacks capital, skill, and the ability required for "compliance with international standards" (Ministry of Heavy Industries and Public Enterprises 2016: 2). Yet, so far there has been no determined action from above to correct this state of affairs. This is why we do not find micro units graduating to become small and small to medium. They remain stunted, and uncared for, and survive principally (this applies most to micro units), because their owners ceaselessly self-exploit.

At the same time, the MSME provisions allow many to take advantage of it because once an enterprise is listed in that category it is easier to get loans, raw material, and access to markets. Even when its accounts are not kept well, or there is a violation of pollution norms, nothing much is done about them. They are simply too small to audit.

2 IDA and Threshold Manipulation

Now it is not as if the valorization of the small-scale, or crypto Gandhian, enterprises is holding up progress by itself. What lends them crucial support from the outside is the Industrial Disputes Act (IDA) which actually disincentivizes large-scale units from coming up. This may not have been the intended reason behind the IDA, but that does not really matter as nearly all of social science is built on unintended consequences. The IDA, as we know it today, found its ideological support among the left in India, as well. The view that promoters and managers of large enterprises are intrinsically more sinful and rapacious than smaller ones has, in general, a certain spontaneous appeal about it. Karl Marx would have, however, called this a species of "petty bourgeois romanticism" (Marx 1910) but, nevertheless, many left radicals in India pursued this particular line of thought.

What was overlooked is that modern industrial enterprises require the coordinated efforts of workers and promoters as knowledge advancement and technical innovation are critical. The truth is that for industrial productivity to rise, innovations are essential, and to put them to work, an enterprise must have in-house skilled labour. All of this requires deep pockets, on the one hand, and workers with skills, on the other. For the latter to happen, labour must be trained so that their skill sets are enhanced and this cannot happen if they are not given a long-term stake in the enterprise. The IDA discourages this which is why it is a major impediment to industrial development in our country.

The standout feature of the IDA is the various thresholds which primarily refer to workforce numbers and days employed. Together, they cumulatively disincentivize companies from growing big and prevent workers from achieving their potential. By keeping units below a certain threshold, promoters and managers free themselves from a number of obligations towards workers. These thresholds look attractive to some promoters because they can use them not to pay bonus, or to terminate services without notice or severance pay, but they cause long-term damage (Gupta 2019). Looked at closely, the IDA has all the features of a one-night stand: engagement is short, workers stay unskilled, and relationships die before they start.

No wonder informal labour has grown so much that it now seeps through every pore of our economy. On account of this, casual workers look up to their labour contractor more than to the owner of the enterprise where they actually work. This is because, in keeping with IDA thresholds, most often a labourer's contract with a company is through a contractor and ends before 248 days are over, if not earlier. If it lasts a day longer, then the employee can legitimately demand severance wages from the employer should the contract be terminated. Sadly, casual, informal workers can also be used as a bargaining chip to undermine the conditions and pay of regular workers too. A very credible survey reports that over 70% of workers in regular jobs do not earn the amount they are legally entitled to (Anand and Thampi 2019).

This is the primary reason why our enterprises are smaller than those in South Korea, Malaysia, and the Philippines. In India, large firms are about 10.5% of the total; the figures for South Korea, Philippines, Malaysia, and China are 29.6%, 22.8%, 52.8%, and 51.8%, respectively (Hasan and Jandoc 2010: 7). While productivity is low in smaller units (Ramaswamy 2016), when it comes to large enterprises, productivity per worker in India compares well with other countries (ibid: 8–9). In the apparel industry, 90% of units in India have less than five workers, whereas in China about 70% have above 51 workers (ibid: 17). It is hardly surprising then that value added per worker in India is the lowest among all the major Asian countries (Hasan and Jandoc 2010: 7–23).

The seen hand of the IDA is clearly visible here. It has so frightened Indian entrepreneurs about trade union action and strikes that they forget all about innovating technology and higher productivity (Nathan 2014). This has resulted in workers lacking permanent status, long-term commitment to the firm as well as the firm's lack of commitment to the workers. It is of a piece then that the management should show little interest in R&D investment as well as in upskilling in-house labour

(Maira 2020). No wonder a contractor is so important in the lives of the working people for a resourceful one could flip them around easily from job to job, without a long hiatus in between. This is yet another reason why IDA is such a crippling provision in our law books.

In order to revive the MSME, the government has expanded its definition rather generously. It has raised the bar on investments and turnover amounts so that more units can be considered as MSMEs. This has been done without making any changes in the Industrial Disputes Act, without incentivizing R&D, without cutting back on benefits, and without changing the auditing norms of MSMEs, which are notoriously lax. As a result, have MSMEs been helped or has the problem been magnified? That is a question whose answer time will tell. MSMEs cannot be forsaken at one go, and should not, instead efforts should be made, in the interim, to encourage them to grow. The latest government statement on MSMEs seem to be along these lines. However, a full realization of this policy requires large, high technology industries at the other end of the spectrum, ready to accommodate more sophisticated MSMEs in their supply chain.

As IDA encourages Indian industry to value education and training poorly, it is to be expected that there would be no enthusiasm for R&D at any level in our economy and society. This aspect is further corroborated by the paltry amount India spends on R&D compared to our neighbours such as South Korea, China, or even Malaysia. These are countries that encourage large-scale enterprises and, consequently, greater innovation. For India, to nurse ambitions to take on the world, it will have to mend its ways radically, beginning by dismantling the IDA. Even in the Indian IT sector, its R&D compares poorly with other countries. Ironically, foreign IT enterprises invest in India for their R&D, but Indian companies do not. The same can be said of pharmaceutical companies as well (Nathan 2020).

This probably explains why the sobriquet “software coolie” is often used to refer to Indian IT workers. That this characterizes IT industry is indicative of the general disinterest we have with regard to upskilling labour and upscaling our industrial production. Reliance Industries, which is a giant from every angle, spent just 0.5% of its sales revenue on R&D in 2016 (Yadav 2020). Nor do we seem to be worried about the fact that for exports to grow continuously a country must first fulfil two basic conditions. It must develop a strong internal market, and its production techniques must be perpetually locked into an R&D upgrading mode (Nayyar 2019: 144–145). This clearly implies more innovation, greater output, higher skills, better wages, and more audit and compliance. We are still in the thrall of believing that selling cheap labour products is our ticket to worming our way back in as a major exporting country.

2.1 How IDA Contaminates

In conclusion, this article argues that the central feature which needs immediate attention is the dismantling of the current IDA. There have been other factors that have gone in tandem, but the IDA is the leading factor behind the irrationality and smallness of enterprises in India. It has encouraged the informalization of

the economy which has, in turn, spun off a multitude of small units, precariously perched, making for a long supply chain.

What then are the issues we should emphasise in the post-“coronial” era for India’s economic development?

1. Withdraw the IDA as it stands and craft a fresh one which has at least two outstanding features: (a) No thresholds that allow for exceptions to the general rule which should apply to all workers and all promoters. This implies that all workers are entitled to all benefits regardless of the size of the enterprise. (b) There should also be a clear provision for severance pay, and the management should have the right to hire and fire. If these steps are taken, it will provide the foundation for the other steps listed below.
2. Industries should be incentivized to grow big, instead of small. Those enterprises that invest significantly in R&D investments ought to be supported and subvented. Such measures could be institutionalized through interests at low rates and providing those who undertake R&D, at a significant level, with marketing opportunities. There are examples of such support structures in other parts of the world, and one can learn from them. Once the industry begins to feel the need for skilled labour, vocational institutions will become more vibrant. That the poor have shown their eagerness in getting educated needs reciprocity from the side of the employers.
3. Alongside this, MSMEs should be rewarded, again through interest payment support, if they are able to move up the ladder and graduate upwards from micro to small to medium and then out of the MSME bracket altogether. MSME’s should also have to abide by compliance rules, and this can be enforced by involving the big partners in the supply chain. For example, when IKEA or H&M or Walmart outsource from Indian MSMEs they are also vigilant about auditing their supply chains. However, their final responsibility is to their parent company and to the sensibilities of their customers, primarily in the Western world. India can insist that large Indian companies also audit their supply chain along with audit norms that are better suited to our conditions at home.
4. Migration will happen, and should, but, obviously if employment becomes stable with the rescinding of IDA, housing projects should be part of an enterprise’s CSR. CSR should begin at home, literally and metaphorically. Once migrants get a sense of permanence, they will move in with the family. As it is, we have noticed that there has been an increase in household migration over the years. We also know that “Studies” is the second most important reason for male migration which adds to the likelihood of entire households migrating.
5. Further, we should note that only about 13% of migrants are interstate. We should, therefore, not lose sight of the vulnerability that face short distance migrants, most of them from rural to rural and within the district. It is then not just in metropolitan India where the lockdown has created economic and social havoc. Many issues, very similar in character, are being played out, at different levels, across the country: village and town.
6. In a nutshell, then, industry should get “Big” and get smart. All policies for the post-“coronial” phase should concentrate on this twin objective. We do not want

the past to return, wobble, stand up, and collapse in a heap when the next destabiliser comes along.

If we do not act on these steps now, our economy would have been etherized on the table for nothing.

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