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GENERATION OF EMPLOYMENT BY SEZ IN INDIA

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ABSTRACT:

The Special Economic Zones Act 2005 was passed by Parliament in May 2005, which received Presidential assent on the 23rd June 2005. SEZs in India functioned from 1st November 2000 to 9th February 2006 under the provisions of Foreign Trade Policy. The EXIM Policy Statement of 2004-2009 had stated that SEZs could be established under private sector, joint sector or public sector at the initiative of state governments to provide an internationally competitive and hassle free climate for export promotion. The main objectives of the SEZ Act are – (a) Generation of additional economic activity (b) Promotion of exports of goods and services (c) Promotion of investment from domestic and foreign source (d) creation of employment opportunities (e) Development of infrastructure facilities.



KEYWORDS: Special Economic Zones Act, Foreign Trade Policy.

INTRODUCTION

The concept of Special Economic Zone (SEZs) is the gift of the People's Republic of China to the world Community which setup SEZs as early in 1970 as a measure to attract capital, technology and managerial expertise. SEZs can be defined as specially delineated duty free enclaves deemed to be foreign territories for the purpose of trade operations duties and tariffs. SEZs include the development of roads, airports, transport system, telecom, hospitals, hotels, generation and distribution of power and construction of industrial and

commercial complexes.

In India, the concept of free zones was emerged during the sixties. India was the first country in Asia which set up an Export Processing Zones (EPZs) in 1965 at Kandla in Gujarat called the Kandla Free Trade Zone. After this six more EPZs were set up in Maharashtra, West Bengal, Tamil Nadu, Uttar Pradesh, Kerala and Andhra Pradesh. The SEZs Act passed by the parliament in May 2005. This Act came in to force in February 2006, providing for single window clearance system.

There are three stages in approval for settings up SEZs, i.e. Principle Approval, Formal

Approval, and Notification.

Principle Approval - when the land is not in the possession of the developer and the proposal for setting up of an SEZ is considered as a grant of principle approval.

Formal Approval - When the land is in the possession of the developer and other necessary procedures are complete all proposals for setting up SEZs are considers for formal approval by a board & finally by the empowered group of ministers.

Notification - The final approval of the SEZ is called notification. It allows the developers to start operation for development of the SEZ and subsequent setting up of

units.

WHO CAN SETUP SEZS-

any private/ public/joint sector/ state government or its agencies and foreign companies can setup SEZs.

There are four types of SEZ in India - i) Multi-Product SEZs ii) Sector-Specific SEZs iii) IT/ITES, Gems & Jewelry & Biotech SEZs & iv) Free Trade Warehousing Zones. SEZ units are given 100 percent tax exemption on export income for first five years, 50 percent for next five years and 50 percent of ploughed back export profit for the next five years. The units are further exempted from minimum alternate tax, central sales and service tax. The Proposed National Investment and Manufacturing Zones (NIMZS) promise a triple bonanza for SEZs easier access to land, flexible labour policies and various concessions proposed by the Development of Industrial Policy and Promotion (DIPP). SEZs located in NIMZs will also enjoy the incentives under the SEZ act. In this context the performance of the SEZs and their impact on exports, employment and investment needs closer look. The present study is an attempt in this direction.

SEZ help in providing the direct as well as indirect employment. Some SEZs as Games and Jewellery, food items and footwear are mainly labour intensive one, they provide large scale employment. Government should promote these kinds of SEZs to increase the level of employment. SEZs also provide indirect employment by creating ancillary opportunities in industries like transport, communication, automobile, civil aviation, shipping, tourism, hospitality, packaging, banking and insurance. Employment opportunities are thus generated for both unskilled and skilled labour in SEZs.

REVIEW OF LITERATURE:-

The researcher has reviewed many literatures focusing on SEZs in India, a few doctoral thesis on the SEZ, national and international journals and government reports. Following are the same of the works reviewed as below.

Aggarwal (2004) analyzed the export performance of Indian EPZs since their inception. The growth rates of aggregate exports, foreign exchange earnings and employment showed a steep jump when new EPZs were created in the early eighties. The share of EPZ export to total export showed a very gradual rising trend during the last twenty years. This is due to the rising trend in electronics exports. However, lack of single window clearance facilities, the attitude of the officials, centralized governance, stringent labour laws and poor physical and financial infrastructure resulted in relatively poor investment climate in the zones.

Govilkar (2008) analyzed SEZ Act, 2005 and SEZ Rules, 2006. The study found that policy of SEZ has been adopted and implemented with the objective that it will develop sufficient and high quality infrastructure by private sector, will attract considerable foreign investment, will increase employment opportunities, will boost the export, and thereby will expand economic activities in the country. The industrial islands could become engine of growth. India, to get better share in world trade, must undertake special efforts, when the global export opportunities are increasing. SEZ could be a prominent policy for the same.

Sampat (2008) explored some stand in the political scheme of SEZs in India with specific reference to one immediate fall out of serious concern and contestation the imminent displacement of thousands of people livelihoods in countrywide where these SEZs are stated to come up. A factsheet on SEZs on the Government of India website gives details of the number of approved and proposed SEZs, their land requirements as well as export and employment potential. However, there is no mention of the number of people to be displaced by these zones and it is not clear, how the government intends to attend the issues of displaced.

Reddy (2009) made a detailed analysis on the need and evolution of SEZs in India and the performance of Indian SEZs. The study highlighted that the overwhelming response to the SEZ scheme is evident from the flow of investment, creation of additional employment, export performance and

attracted FDI in the country. The study concluded that the SEZs are real growth engines for the economic development of the country.

OBJECTIVES OF THE STUDY:-

The main objectives of the study are –

[1] To analyze the extent of employment opportunities provided by SEZs.

METHODOLOGY:- The secondary data have been used to analyze the SEZs employment generation from 2006 for the study.

Data Analysis:- The Collected data is analyzed with the help of various statistical tools like percentage analysis is presented in the form of tables and charts.

Limitations of the Study:- The study is limited to period from 2006 to 2019.

• Special Economic Zones in India: An Overview:-

Particulars	Relevant Information
• SEZs Policy announced	April 2000
• SEZs Act passed by the parliament	May 2005
• SEZs Act become operational	February 2006
• No. of SEZs Operational/Exporting	232
• No. of IT based SEZs	129
• No. of Multi product SEZs	24
• No. of other specific SEZs	70
• No of units in the SEZs	5109
• Total employment in SEZs	20,61,055

Source:- Compiled from sources.

The total number of SEZs operation / exporting at present is 232, out of which 129 SEZs are IT based, 24 are Multi products and 70 other Sector Specific SEZs. The total numbers of units working in the SEZs are 5109 and total employment growth with 20,61,055 persons.

Employment Generation:- Employment generation has been the chief objective behind the development of these SEZs. SEZs are viewed as highly effective tools for job generation. The empirical evaluation shows that the creation of employment is frequently the main source of benefit for the host economy (Jenkins et al., 1998). Worldwide direct employment in the SEZs has risen sharply in the last two decades from less than 2 million in 1986 to 66 million in 2006 (ILO, 2007). The employment effect of SEZs is analyzed through the following three channels.

1) Direct Employment Generation 2) Indirect Employment Generation 3) Women Employment Generation.

1) Direct Employment Generation:- In developing countries, the availability of workers at low wages have attracted investment in to simple processing labour intensive industries. This has enlarged the demand for unskilled labour within the zones. As SEZs grow, there is a shift towards higher value added activities, it might increase demand for skilled labour also. SEZs also generate employment for unskilled labour by creating demand for physical infrastructure within the zones.

While analyzing the direct employment impact of SEZs in India, it has been found that they have played an important role with respect to their contribution to employment creation in several countries. Many SEZs were established in Asia in terms of employment creation. Taiwan, Korea,

Indonesia, Malaysia, Thailand, Philippines, China, Vietnam, Bangladesh and Sri Lanka have been the most successful examples of employment creation by SEZs in Asia.

One of the principle objectives of SEZ Policy is employment generation in India. In 1966, the only operating zone in India was the Kandla Zone. Total employment in this zone amounted to 70 workers. The number of zones increased to 8 by 1998. As a result, the level of employment also increased to around 84545 by 1999. Thereafter, level of employment declined marginally. But after the introduction of SEZ Bill 2004, SEZ activities showed improvement. A major thrust was given by the government to SEZs in 2006 when SEZ Act was enforced in February. Since then, there has been rapid expansion in the SEZ Sector. Total employment in the SEZ sector jumped.

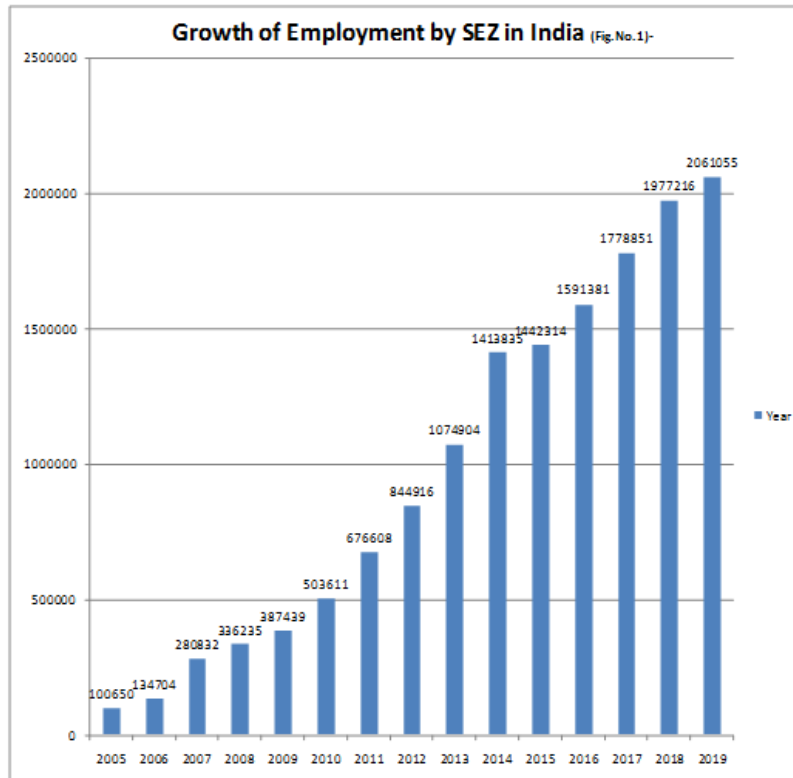
SEZ help in providing the direct as well as indirect employment. Some SEZs as Games and Jewellery, food items and footwear are mainly labour intensive one, they provide large scale employment. Government should promote these kinds of SEZs to increase the level of employment. SEZs also provide indirect employment by creating ancillary opportunities in industries like transport, communication, automobile, civil aviation, shipping, tourism, hospitality, packaging, banking and insurance. Employment opportunities are thus generated for both unskilled and skilled labour in SEZs

SEZs have generated reasonably satisfactory level of employment which have gone from 10,0650 in 2005 to 5,03,611 in 2010 and to 14,42,314 in 2008 and to 20,61,055 as on 31st, March 2019. Though the share of SEZs in employment is increasing but the share in manufacturing sector has remained modest. After the enactment of SEZ act 2005, the share of SEZ in total manufacturing employment is increasing.

Table No 1
Growth of Employment by SEZ in India

Year	Employment (No.)
2005	100650
2006	134704
2007	280832
2008	336235
2009	387439
2010	503611
2011	676608
2012	844916
2013	1074904
2014	1413835
2015	1442314
2016	1591381
2017	1778851
2018	1977216
2019	2061055

Source:- www.sezindia.nic.



Source: Computations based on Table No. 1

As on 31st March 2019, employment in Central government SEZs, State Government / Private Sector SEZs set up after to SEZ Act, 2005 and SEZs notified under the SEZ Act 2005 was 2,28,037 persons, 1,03,052 persons and 17,29,966 persons respectively and total employment growth with 20,61,055 persons in India. The share of Central government SEZs, state / private sector SEZs established prior to SEZ Act, 2005, and SEZ notified after SEZ Act, 2005 was 11.06 percent, 5.00 percent and 83.93 percent respectively in total employment which is provided by SEZs in India.

Table No 2
Employment Generation by SEZ

Employment	Employment (As on Feb, 2006)	Incremental Employment	Total Employment (As on 31 st March 2019)
Central Government SEZs	1,22,236 persons	1,05,801 persons	2,28,037 persons (11.06%)
State /Pvt. SEZs set up before 2006	12,468 persons	90,584 persons	1,03,052 persons (5.00)
SEZs Notified under the Act	0 persons	17,29,966 persons	17,29,966 persons (83.93%)
Total	1,34,704 persons	19,26,351 persons	20,61,055 persons (100%)

Source:- www.sezindia.nic

As on 31-03-2019, out of total employment 20,61,055 Persons in SEZs, an incremental employment of 19,26,351 Persons was generated after February 2006 when the SEZ Act came into force.

2) Indirect Employment Generation:-

The indirect employment effect has appeared as ancillary employment opportunities generated in sectors of the economy affected by the operations of the SEZ. These include transport, communication, automobile, civil aviation, shipping tourism, hospitality, packaging, banking, insurance etc. Employment opportunities are thus generated for both unskilled and skilled labour. The indirect employment effect of SEZs depends upon backward and forward linkage of the SEZ industry with local supplies of raw materials and other required inputs and the success of SEZs in attracting investment. The creation of backward linkages with the expansion of investment in zones would certainly help to generate more indirect employment.

3) Women Employment Generation:-

Evidence suggest that women's share in total employment of SEZ is substantially higher than both the economy as a whole as well as the manufacturing sector outside the SEZs (Kus ago and Tzannatos, 1998), women workers are considered more disciplined and hard working. It is found that employers prefer female workers to male workers in the belief that manual dexterity, greater discipline and patience make women more suitable for the unskilled and semi-skilled activities carried out in the zones. Besides, they are less likely to exert pressure for high wages and better working conditions. SEZ employment can be said to afford them an independent source of income that would otherwise have been denied. SEZs are thus expected to contribute substantially to the empowerment of women (Madani 1999). Increase in employment opportunities has empowered women and made them more independent, improved their relative shares and bargaining power within household (Heyzer, 1988, Dunm, 1994, Joeekes and Weston 1995, and Kibria, 1995).

Contrary to the experience of many other countries, the proportion of women workers in total employment has never been substantial in India when viewed from a comparative prospective. While it had been above 70 percent in many developing countries in the initial phase, in India it was less than 50 percent (Aggarwal, 2007).

As on 31st March, 2008, the share of women employment in the Central government SEZs, State government / Private SEZs established prior to SEZ Act and SEZs notified after SEZ Act, 2005 was 36.6 percent 35.8 percent and 25.0 percent respectively. There are wide variations from zone to zone in men / women ratio, but in overall it works out to be 33.1 percent.

SUGGESTIONS:-

1) Government can make farmers as owners in industrial firms by giving respectable shares instead of paying compensation. 2) Government are acquiring lands forcibly from the farmers by paying nominal compensation in cash. But government can adopt an alternative policy of paying compensation in kind like land to land or shares in the projects. 3) The sufficient provision of infrastructure services like water, power, transport and communication should be made in the SEZs campus. 4) A well balanced and conducive policy environment should be made available to make SEZs programme successful proportion. 5) The developed irrigated and fertile agricultural land should be excluded while selecting the location for the SEZs. 6) While passing the approval the strategic importance of the product and development needs of the region should be taken in to account.

CONCLUSION:-

SEZs were meant to be growth engine of export and creation of employment, inflow of foreign direct investment and development of infrastructure of our country. SEZs are also a vehicle of growth and development for developing countries. The SEZs have high investment and employment potentials. The country has been an important investment destination for the foreign investors apart from the domestic private corporate bodies. Hence there is need for social and political awareness among the people to support such schemes for the all round economic development of the county.

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