

## SPECIAL ECONOMIC ZONES AND EMPLOYMENT GENERATION

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### ABSTRACT

*Special Economic Zone (SEZ) refers to a very commercial area specially established for the promotion of foreign trade. A Special Economic Zone could be a realm that has economic laws more liberal than a country's typical economic laws. Usually the goal is flourishing in foreign investment. In other words, SEZs are specifically delineated enclaves treated as foreign territory for the aim of business, service and trade operations, with relaxation in customs duties and a more liberal regime in respect of other levies, foreign investments and other transactions. These regions exist in many countries of the globe and China perhaps the oldest to allow reality to the current concept. Typically they're regions designated for economic development oriented toward inward FDI and exports fostered by special policy incentives. India is well positioned in many respects for a replacement era of growth that SEZ policy encompasses a very crucial role to play in the inclusive growth of nation's economy. Inclusive growth doesn't mean developing sizable amount of SEZs or industrial townships in the country but to come up with more and more employment and providing skill development to human resource. The SEZs Act 2005, has paved way for establishment of SEZs across our country to witness an accelerated growth by means of rapid industrialization process. The intended purpose is to produce a stable policy framework for creating special economic zones which may function engines for industrial growth, employment generation, infrastructural development and exports. Of these benefits will visit the agricultural population if they're established in rural areas leading to income poverty and non-income poverty alleviation. In India most the SEZs are proposed to be in urban and semi-urban areas, that too in already industrially advanced States. Hence, this can be the proper time to debate and redirect the establishments of SEZs towards the agricultural parts of the country for an inclusive and balanced growth of the economy, Special Economic Zones are touted across the developing world in concert of the chief instruments through which a nation can do rapid industrialization through exports. SEZs differ from the older and more acceptable concept of business clusters that's industrial zones that compile different productive units, with good infrastructure facilities and simplified procedures. However additionally to all or any above benefits the labour issues greatly impacts by this development of SEZ in India. This text is highlighting to such labour issues for the identical.*

**KEYWORDS:** *Industrialization, Economy, Investments, Manufacturing, Special Economic Zone.*

### Introduction

SEZs are geographic regions designated for economic development through inward foreign direct investments and exports and supported by special policy incentives by the government. SEZs are known in numerous names like free zones, trade zones, industrial free zones, tax free factories, bonded zones points francs etc. This is often because they're going beyond basic infrastructure provision to what are called "enabling conditions", like tax and duty holidays and/or rebates highly subsidized or maybe free land little or no compulsory workers protection and therefore the like. SEZ is one branch of Liberalisation, Privatisation, Globalisation (LPG). The concept of special economic zone (SEZ) was introduced by the government of India in the year of 2000 to attain the expansion and to increase development and to face the challenges of globalised world. The most purpose of creating SEZs is to encourage exports and build employment and adequate development of infrastructure. The SEZs Act

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was passed in 2005 and was implemented the Act from 2006. Under new Act of SEZs all export processing zones (EPZs) are converted in to SEZs. SEZs are purported mainly to supply 'One Stop Shop' for doing away with numerous controls and clearances, together with fiscal concessions and simplified procedures". Special economic zones are a strong instrument to realize rapid climb in manufacturing, employment and exports on one hand and that they are being projected as drivers of future growth of Indian economy. On the opposite, SEZ concept is checked out with suspicion and contempt by some sections of political spectrum as a medium of exploitation of the farming community. Because the special economic zones are a replacement feature of Indian policy, promulgated in legal terms as late as 2005, no comprehensive research exists during this field until now. To understand contribution of special economic zones to numerous aspects of human development to be realized, it's important to forge linkages between the domestic economy and special economic zones. The quantity of special economic zones globally continues to expand special economic zones account for an increasing share of international trade flows and use growing number of workers world-wide.

### **Salient Features of SEZs**

The developer submits the proposal for establishment of SEZ to the concerned government. The authorities need to forward the proposal with its recommendation within 45 days from the date of receipt of such proposal to the Board of Approval. The applicant also has the choice to submit the proposal on to the Board of Approval. All the choices are taken in the Board of Approval by consensus. The functioning of the SEZs is governed by a 3 tier administrative founded. The performances of the SEZ units are monitored by a unit approval committee consisting of development commissioner, custom and representative of regime on an annual basis. It is compulsory for each SEZ units in India to realize positive net interchange earnings as per the formula given in the Handbook of Procedures. For this particular purpose, a legal undertaking is required which should be executed by a separate unit of the event Commissioner. Thus, the stages of a SEZ are

- Anybody who wishes to develop a SEZ submits a proposal to the Board of Approval (BoA). Single Window approval mechanism has been provided through a member inters ministerial BoA, headed by the Secretary, Department of Commerce.
- The BoA then grants an 'in-principle' or a 'formal' approval.
- The Central Government issues a notification when the developer proves the possession, contiguity and irrevocable rights ashore. These are called 'Notified SEZs'.
- BoA allows the Developer for authorizes operation. The SEZs that start operations are 'Operational SEZs'.
- Developer/Units are allowed various Tax concessions/exemptions for effecting exports India's SEZ Act 2005 further amended the country's foreign investment policy and converted its EPZs to SEZs, with notable zones including Noida, Chennai, Cochin, and Falta. Since the Act's promulgation, the Indian Government has also been accepting proposals for added, far smaller SEZs which must be proposed by developers to the Indian Board of Approval

### **Incentives for SEZ**

- The advantages of putting in a sourcing or manufacturing platform within a SEZ are numerous and include.
- Duty free domestic procurement of products for the event and maintenance of your company;
- Exemption from Minimum Alternate Tax, Central excise tax, Service Tax, State excise, and variety of other taxes usually levied by local governments;
- External commercial borrowing allowed up to US\$500 million a year without restriction.
- Permission to manufacture products directly, as long because the goods are producing fall within a sector which allows 100% FDI.

### **The Problem of Labour and Special Economic Zone**

Many problems experienced by the event of special economic zones (SEZ) in our country. Instead of the perceived benefits of SEZs, the problems and challenges they pose to the country are more important. Liberalizing of labour laws under SEZ Act Section 49 would adversely affect the social insurance and livelihood of this huge section of the labour force. This could only worsen the condition of labour in our country. Further in India 93.2 per cent of total workforce still comes under the unorganized

sector. Labour in India features a history of struggles for its legitimate rights and as a result the organized labour has gained certain rights of negotiation. However, in SEZs established labour laws don't operate. Arbitrarily imposed long working hours, substandard living conditions and low wages are the foundations in SEZs. Over a period of time, the rights of labour everywhere the country and altogether sectors could also be corroded beyond correction. Mainly women workers are preferred. There's no permanency engaged. So workers change jobs frequently. Hence, the labour in India goes to face enormous challenges in the not so distant future. Labour sector addresses multi-dimensional socio-economic aspects affecting labour welfare, productivity, living standards of labour force and social insurance. To lift living standards of the workforce and achieve higher productivity, skill up gradation through suitable training is of utmost importance. Manpower development by providing appropriate skills so on enhance quality to different sectors is important for rapid socio-economic development. Employment generation altogether the productive sectors is one in all the fundamental objectives. During this context, efforts are being made for providing the environment for self employment both in urban and rural areas.

### **Special Economic Zone and Employment Generation**

Although the SEZ policy announced by the government of India in April 2000 aims at promoting exports of products and services, investments from domestic and foreign sources, creation of employment opportunities, with stress on various economic activity, a long term plan is still need to be developed to make revival plan for socio economic impacts of the scheme. The policy assumes that a big rise private investment in SEZs and consequent increase in exports would end in higher employment opportunities. The estimates reveal that about 22-25 lakh jobs would be created in new generation SEZs with an investment of Rs.1,00,000 crore. However, this works bent on but 0.5 per cent of the whole workforce in India, which is estimated at 45 crore. This suggests that the SEZs might not have major impact on employment pattern in India. On the export front, the SEZs must do plenty of catching up to form their significant presence as thus far exports from these zones haven't exceeded 5 per cent of the whole exports of India. There also are apprehensions that promotion of SEZs may result in loss of fertile agricultural land, revenue loss to the exchequer and adverse consequence of uneven growth. Although area covered under SEZs isn't very significant, the event of those zones still pose threat to the water and food security. Similarly, release of untreated effluents from SEZs may adversely affect health of individuals residing in the area. The excessive use of water within SEZ may create problem referring to access to water in the adjoining area and consequently affect irrigation facilities, crop production and development of agriculture. Large scale destruction of mangroves in Gujarat has already affected fisheries and dairy sector of the state. The subsidies extended to SEZ industries have already been criticized by the International fund (IMF) and Asian Development Bank (ADB). The SEZs, therefore, have to be promoted but not at the expense of farming community and development of agricultural sector in the country.

Employment generation, both direct and indirect, has thus far been the foremost important channel, through which SEZs have impacted on human development and poverty reduction in India. India's SEZs don't seem to be dominated by assembly type operations. 'Value addition' component and hence employment generation potential of zones is very large. While their contribution to national employment has been rather limited, they need contributed significantly to employment generation at the regional level. Due to stagnation, their ability to soak up surplus labor has been declining. This can be manifested in the declining employment elasticity of exports. It can only be reversed if fresh investment is interested in SEZs. With the SEZ Act in situ, there has been a surge in the establishment of latest zones, which is probably going to come up with huge employment potential in the economy. Much of this can be a net addition to employment as investment relocation/diversion in export oriented production is probably going to be limited. Zones have proven to be particularly beneficial to female employment. SEZs have displayed opportunities for wage employment for women in the formal sector, thereby increasing their employability also as improving their position within the household. This is often a crucial contribution of zones because female employment is crucial for equitable growth. Most critics suggest that employment is feminized in the zones which these women are young and might easily be exploited. There's a large consensus on the central role of employment in poverty reduction. One is therefore tempted to conclude that zones may be used as an efficient policy instrument in alleviating poverty. Poverty reduction thus needs the creation of remunerative, regular and good-quality jobs in the labour market. Our analysis suggests that wages in the zones don't seem to be under those prevailing outside the zones, specifically in the small/informal sector. Working conditions in the

zones in terms of Social Security benefits, transport facilities, health facilities, food facilities, working environment and dealing space, are better than those in the same varieties of jobs in the remainder of the economy. This has had an immediate effect on the quality of living of workers.

### Conclusion

But training is targeted, employer-driven and lasts for brief durations. Most workers feel that this training doesn't upgrade their skills substantially. Nevertheless, they feel that they're exposed to learning by working under strict time schedules, top quality standards and complicated machinery. Skill begets skill through a skill multiplier process and ensures higher returns. Workers also feel that their job prospects outside the zone have improved thanks to their working in SEZs. When workers move out of the zones to domestic economy, skill spill-overs happen in the remainder of the economy yet. New zones that are attracting second and third generation firms are expected to reinforce the role of SEZs in human capital formation by creating demand for brand spanking new set of skills and by imparting substantial training to workers for handling highly skill intensive operations. Indian zones have the potential for generating direct and indirect effects which they will be used as an efficient policy instrument in promoting employment and human capital and alleviating poverty during this country. While the wages and other benefits offered by SEZs are better than those outside the zones, the bargaining power of SEZ workers remains weak because of limited union activity. As a result, attitude of the management towards labour becomes the deciding think about determining the wage rate, workers' rights and work environment in SEZs. Proactive government policies may therefore play a vital role during this regard. Government intervention is also engaged at various levels. The government has to make sure the implementation of labour standards, conditions of labor, and health and safety standards, and also the creation of support infrastructure for education and training of labour. It's also important to push management- labour councils in SEZ units as an efficient means of developing sound labour relations in SEZs.

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