

COTTAGE INDUSTRIES IN PAKISTAN

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The most widely discussed problem in Pakistan today is that of industrialization. Pakistan is trying to industrialize itself as rapidly as possible. The urgency of the problem, however, should not be so much emphasized as to lead to a neglect of proper planning and co-ordination between different forms and types of industries. Fortunately or unfortunately as we have got an opportunity to plan from the very beginning, we should first pause and think of the objectives of industrialization and then to see how far different forms of industry fit in with these. It is on this basis that the scope of large scale and cottage industries in the national industrial plan can be determined and a proper place given to each.

In the statement of their industrial policy, the Pakistan Government defined the aims and objectives of this policy as: "an improvement in the standards of living of the people brought about by harnessing, to the maximum extent possible, the forces and treasures of nature in the service of the people, by providing gainful and legitimate employment and by assuring freedom from want, equality of opportunity dignity of labour and a more equitable distribution of wealth." This statement provides an unequivocal declaration of the aims of industrial development which can in simple words be classified as follows:

1. Exploitation of available natural resources to the maximum advantage.
2. Provision of employment for people.
3. Adoption of those methods of production in which dignity of labour is maintained.
4. More equitable distribution of wealth.

These are the ultimate standards to which all schemes of industrialization must conform and on the achievement of which the success or failure of the practical policy will finally depend.

(1) The “harnessing, to the maximum extent possible, the forces and treasures of nature in the service of the people” implies the maximization of production at the lowest possible cost. In this respect the cottage industries are generally believed to be at a disadvantage in so far as the real cost per unit of product is assumed to be high in cottage industries. This is, however, not always the case. There are certain industries which by their very nature require to be run on a small scale and do not lend themselves to the application of machinery. In this class can be included industries supplying those goods which cater to individual tastes and other goods which have some artistic value depending upon their singularity. Moreover the proximity of the market and an intimate knowledge of the consumer which enable the producer to adjust to the changes in demand gives certain advantage in marketing costs which may in certain cases more than offset the advantage in production costs enjoyed by the large scale industries.

Even in those cases where the superiority of large scale industry in operating at low costs due to the internal and external economies is generally recognized in other countries, we cannot take it for granted in this country where, to refer again to the statement of Pakistan Government industrial policy “technical and technological institutions, research and analytical laboratories and credit and service agencies, which one normally associates with an advanced country have yet to be organized,” and where the abundance of cheap labour and scarcity of capital leaves a very small margin for the application of automatic machinery. The relative lowness of costs in large-scale industries in other countries is due to the application of labour saving devices, the latter factor costing comparatively more. The reverse holds good of this country. It seems, therefore, probable that some cottage industries may hold their own even in the face of competition from large scale industries. This to a large extent explains the persistence of the cottage industries in the country even after the impact of industrial revolution. This ability to face competition amply signifies the fact that their cost of production is as low as that of large scale industries. This argument, however, is subject to a serious criticism; if the low cost is based on the cheapness of labour and if it continues so, does it not defeat the very purpose of development which is to bring about an increase in the standard of living. This, however, implies quite a long term approach to the problem. For the time being at least the relative cheapness of labour is a fact which influences cost. This advantage of the cottage industries can further be strengthened by the use of electricity and small size units of machinery, wherever the same is possible. Later on, when our capital resources are developed and the labour-capital cost relationship is changed, the use of more capital and labour-saving devices may be profitable and desirable.

At that stage a slow and gradual adjustment in the size of production units of those industries which are unable to retain any advantages of small size will have to take place.

It is, however, quite essential to make it clear that the argument applies only to those industries (mainly light consumer goods industries) in which labour plays a relatively important role and can with advantage replace machinery. The heavy industries on the other hand by their very nature require a greater application of capital which cannot profitably be substituted by labour, however, cheap the labour may be. These industries, therefore, will have to be organized from the outset on a large scale allowing the fullest utilization of the huge blocks of machinery.

To sum up there are some cottage industries which have got certain economic advantages over the large scale industries and will therefore continue as such. There are others which at least in the short term will have to be organized on a small scale. While there are still certain industries in which the advantage of large scale industries is absolute. The economic task of the planner is to locate and demarcate these different sectors of industry and apply a suitable policy to each.

The employment of people is not only a problem of relative cheapness of labour as compared to capital, but it is in itself an end directed towards the elimination of want and hunger, besides giving the people a sense of being useful for the society. The non-economic aspect of the problem of employment has been quite duly emphasized by writers on economics in recent years. This shift of emphasis is based on the recognition of certain psychological traits in man and the latent social dangers implied by unemployment. No amount of relief in the form of unemployment insurance etc. can keep a sensible educated person from frustration and discontent if he is unable to get some work to do when he is willing to do it. This emphasis on the problem of employment has found its culmination in the declaration of universal basic human rights in which the right to employment has been given an unequivocal recognition. Today it is therefore as much the duty of a state to provide employment to people as it is her duty to protect their lives and property.

We have laboured on this point so much only to bring home the importance of argument that in countries with very large populations to sustain, the employment consideration may prevent the adoption of large scale industries so far as it is at the cost of cottage industries. It was once estimated that even in the undivided India which was relatively industrialized on a large scale, industries provided employment to only 9% of the total population. The statement shows that effect of large scale industrialization on the problem of unemployment, and thus emphasizes the need for supplementing every

programme of industrialization with the establishment of cottage industries at least in those sectors of industry where the latter are at the least disadvantage, if the problem of unemployment which is growing in importance has to be successfully tackled.

The real problem, however, in this country is not that of unemployment but of under-employment. The mainstay of people in this country is agriculture on which excessive pressure has resulted in low productivity per man partly because he is not employed during the whole of the day nor every day in the year. According to Calvert the work done by an average cultivator in the Punjab does not represent more than about 150 days' full labour. This problem requires a two sided attack for its solution *viz.*

- (1) The establishment of large scale and cottage industries to provide alternative employment and thus to reduce the pressure on land, and
- (2) The provision of suitable subsidiary occupation to the cultivator. This can be done by encouraging him to take up and develop certain occupation allied with and depending upon agriculture in order to supplement his earnings and thus reduce his poverty. For instance the dairy-farming and milk products, animals husbandry, utilization of by-products of animal, such as bones and hairs, hides and skins, fruit preserving, manufacture of jams, jellies etc. can easily be developed in the homes of the cultivators and would go a long way in removing the existing under-employment of people by providing them gainful employment for their vacant hours and periods.

The human problem of employment is not only quantitative but also qualitative. It is not only how many people are employed for how many hours, but also how after all, they are employed. This is the field where the controversy has been great and bitter and if not the whole, a substantially large part of which has lain outside the scope of economic discussion. Here, however, one thing can be emphasized: We should not aim at imitating any form of industrial organization without due regard to the characteristics and traditions of the people who are to be employed. While in urban area where family ties have weakened and social system is more and more being influenced by the ideas coming from the West large scale industries may be suited, in rural areas where the hold of tradition and family-love is more likely to secure a happier existence for the craftsman who works in his own home in the midst of his own family and enjoys the pleasure of artistic creation. These facts though not conclusive in recommending any form of industrial set-up must be given due weight in all considerations for this purpose.

Lastly the question of “a more equitable distribution of wealth” is as important as the utilization of natural resources and provision of gainful and legitimate employment, if the ultimate aim is “an improvement in the standard of living of the people”. Here it is generally believed that the large scale industry results in gross inequalities of income, while cottage industries do not at least give birth to this evil. The argument, however, is based on an assumption which is quite questionable. The assumption here in respect of cottage industries is that they are run quite independently by the workers, financing and marketing arrangements being made by themselves; in the case of the large-scale industries it has been unquestionably accepted that a *laissez faire* capitalism exists and holds the industry. Evidently both of these assumptions may not be true. This ultimately depends upon the social and industrial leadership in the country. In a socialist state equitable distribution of wealth can be achieved even with the large scale industrial set up. On the other hand in a capitalist economy where the “putting-out” system prevails (*i.e.*, big merchants lend raw material to the worker and get the finished product in return leaving very little margin as wages, as in Japan) the lack of organization on the part of cottage workers would result in a greater squeezing of their share in the production and consequent inequalities. What can, however, be implied in the above statement regarding more equitable distribution of wealth under cottage industries is merely that it is easier in that case to so mould the system as to eliminate these evils specially if finance can be provided by the state or cooperative method is adopted. This is in comparison to the large scale industry where the state has for this purpose to resort to interference with the institution of private property involving ideological conflicts.