

Determination of the average number of people employed by cottage and small industries

A survey

DEPARTMENT OF COTTAGE & SMALL INDUSTRY

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CSI and employment

Like in most parts of the world, small industries in Bhutan are an important economic sector. As of December, 2014, cottage and small industry employed close to 42,000 people and contributed close to 12.84 % of the GDP in 2014 (CSI Annual Report, 2014).

Hitherto, the employment contribution was calculated based on the average employment per enterprise determined during the Enterprise Survey, 2011 times the number of enterprises operational as of that date. The survey found out that small-scale industries employ an average of 6.9 people per enterprise (sample size = 199) and 1.9 people per cottage-scale enterprise (sample size = 264).

Employment scenario could have changed over the years, and thus a survey was found necessary to determine more relevant figures.

Methods and materials

A total of 20 enterprises were randomly selected from each Dzongkhag and were surveyed on telephone¹. However, from the total of 400 samples randomly chosen, only 369 were responsive. Even from these 369 enterprises, not all of them were initially part of the sample. They were replaced by similar enterprise (type and scale) in the same locality; mainly because owners could not be contacted but sometimes also because the business was no longer operational. The survey team members asked identical questions based on a simple pre-determined questionnaire, over a period of three weeks, during working hours. Prior to survey, the public was notified through print media and TV about the objective and methodology of the survey.

After survey, from the 369 enterprises another eight was excluded from the analysis because, though they were registered as a small-scale enterprise, they employed more than 19 people. By MoEA's definition, they fall in the medium-scale.

An overwhelming majority of the enterprises in the sample were cottage-scale service enterprises while the least among the sample was small-scale production and manufacturing (table I). This is representative of the actual CSI sector, where service industry is more than 65 per cent of the total, with production and manufacturing (P&M) is just a little over 10.8 percent. Construction sector is a little more than 20 per cent (CSI Annual Report, 2014).

¹ The sample design and methodology was vetted and endorsed by the National Statistical Bureau

Tab. I: Sample size by type and scale of enterprises

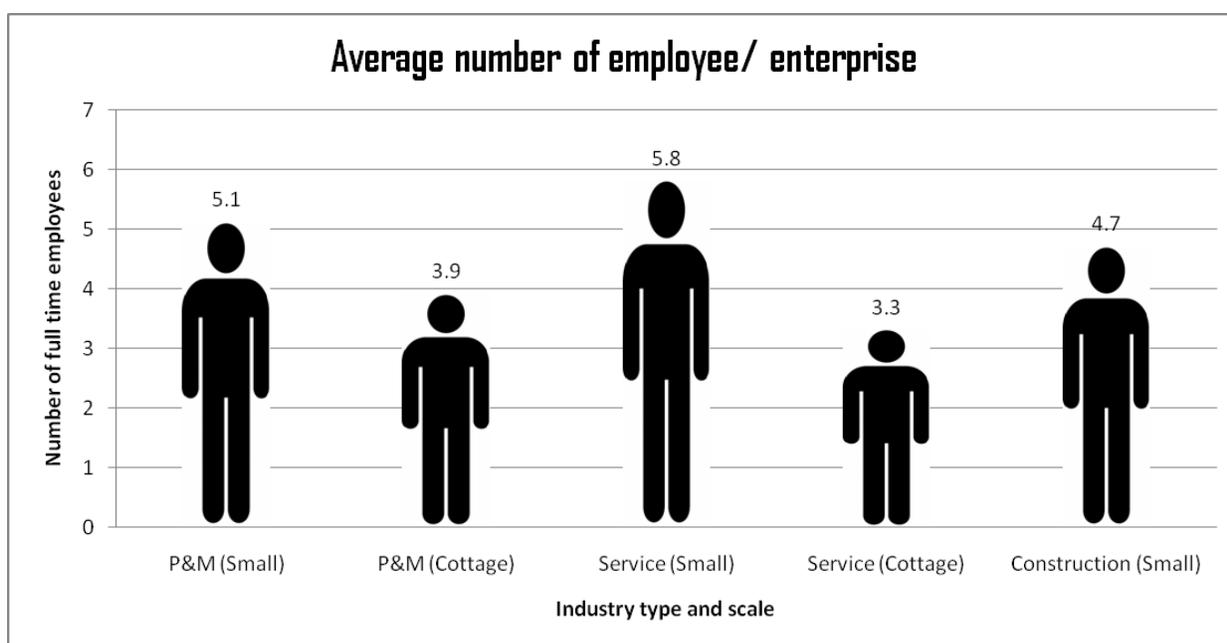
Type of enterprise	Sample size
P&M (Small)	22
P&M (Cottage)	35
Service (Small)	26
Service (Cottage)	180
Construction (Small)	98

The employment figure is inclusive of the owner of the business and includes only full-time paid Bhutanese employee at that given time. Seasonal or part time jobs offered or expatriates were precluded from the survey. Expatriates were excluded for two reasons: first, employing expatriates does not contribute towards addressing unemployment problem and secondly, because of extant foreign labour rules and regulation, complete honesty in divulging the correct number of foreign workers employed could not be expected from all entrepreneurs.

Results & discussions

The average number of employee varies by sub-category (fig. I). It indicates that small-scale service industries employ the highest number of people (5.46 per enterprise). Cottage –scale service industries which include many small restaurants, ticketing and travel agencies, consultancy firms, repair and maintenance services etc. employ the least number of people.

Fig. I: Average number of people employed by type and scale of enterprises

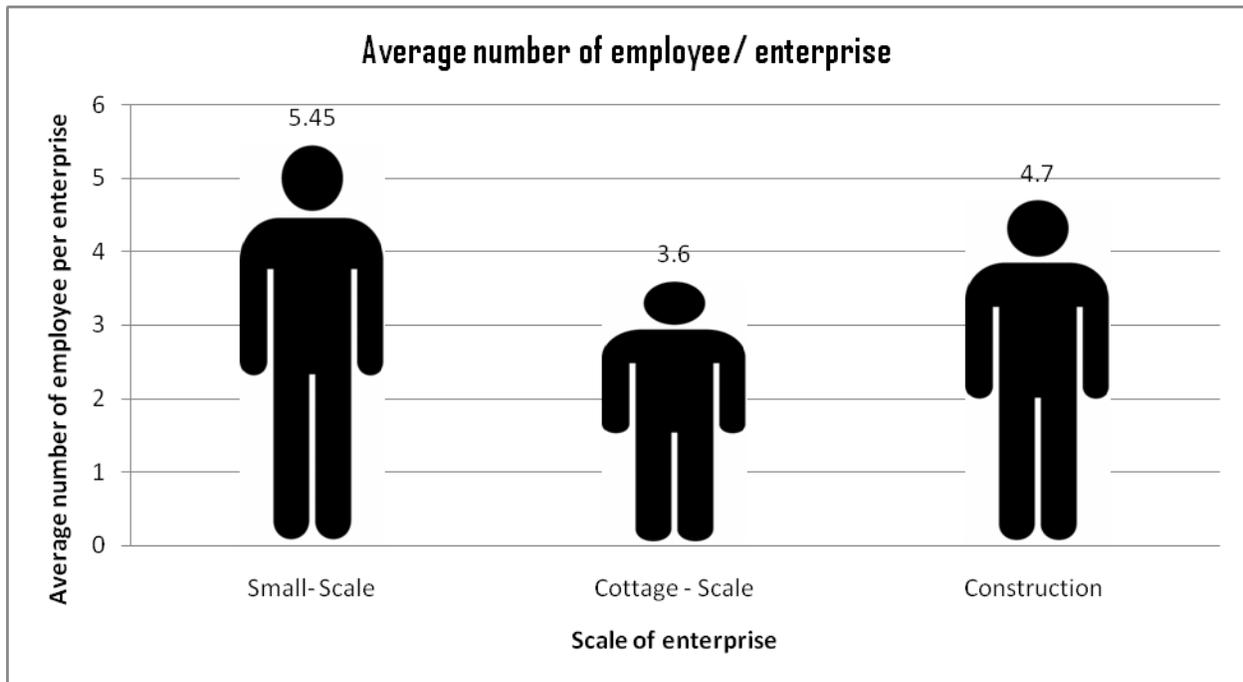


When service and P&M categories are combined to determine average employment by scale, small-scale industries employs more than double of the average employed by the cottage scale enterprise (fig. II).

When compared to 2011, the average employment per small-scale enterprise decreased by 1.35; while for cottage-scale, it increased by 1.7 employee per establishment. However, direct comparison is not desirable, because of the differences in the survey and analytical method; (i) in 2011 survey, even enterprises that would have employed more than 19 employees was used for analysis, (ii) in 2011 survey, construction enterprises were categorized as either small- scale or micro-scale

An estimated 14.5 per cent of cottage-scale industries are self managed and operated without employing other people. Even 10.5 per cent of small-scale industries do not employ permanent employee - though these are mainly rural based ventures involved in agriculture and forest-based ventures. They employ family labour and hire hands on a seasonal basis.

Fig. II: Average number of employee by scale



Women in the CSI sector

Women constitute approximately 32 per cent of the total work force in the CSI sector. In terms of ownership, women own roughly half of all cottage-scale service industry. However, only 25 per cent of small-scale establishment (service and P&M) are owned by women. In the construction sector, only 14.29 per cent of enterprises are women owned.

Conclusion

Though, the survey did not determine the quality of employment provided by CSIs, it proves that they are significant contributors in numerical terms. While the average employment per

cottage-scale enterprise is respectable, the average employment per small scale enterprise is still low.

The survey also reveals that there are a number of enterprises that are operating as a small-scale industry though they should have been classified as medium scale industry. There is a need for the government to determine the extent of such deviations and encourage or get them to upgrade to the appropriate scale.

Acknowledgement

The department of cottage and small industry would like to thank all those entrepreneurs who took part in the survey for their time and frank answers and opinions.

Reference

- i. CSI Annual Report, 2014, Department of Cottage & Small Industry, MoEA