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Rapporteur's Report on Rural Non-Farm Employment

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The subject of non-farm employment was discussed in a seminar on "Non-Agricultural Employment in India: Trends and Prospects" co-sponsored by the Indian Society of Agricultural Economics (ISAE) and the Gujarat Institute of Development Research in 1989. The main objective of the seminar was to review the facts regarding the nature, magnitude and composition of changes in non-farm employment and the parameters associated thereof. However, several issues related to the nature and patterns of changes in rural non-farm employment, factors responsible for changing composition of non-farm employment, impact of government policies, rural-urban nexus, women's participation needed further explorations particularly under the changing economic scenario. The ISAE therefore have thought it appropriate to discuss the subject in greater detail. Though in terms of number of papers received the response was reasonably good, the distribution of these papers under various themes has been quite uneven and overlapping to a great extent. In all, 38 papers have been accepted for discussion. The papers have been grouped under four broad themes. The findings emerging from the paper are summarised in the next four sections and the issues that need to be discussed are identified in the last section. In this brief report, it is not our intention to spell out the details of the papers included for discussion. Rather we shall draw on the main findings and conclusions of the papers to identify the key issues.

I

TRENDS, PATTERN AND COMPOSITION

In all, 14 papers have examined the trends, pattern and composition of non-farm employment either at macro or micro levels.

In a review paper, S. Senthilnathan and C. Sekar concluded that the share of rural non-farm employment has been increasing. At the same time, dependence of the people for their livelihood on agriculture has not declined significantly. A statewise analysis carried out by D.P. Pal *et al.* also indicated an increasing share of non-farm employment particularly for male workers during 1981-91 in all the states. The increase has come mainly from the tertiary sector both for male and female workers. K. Sain brought out in his all-India level study that the major agro-based non-farm sectors like manufacturing, construction, and services recorded a significant increase in the proportion of rural workers engaged in them. The study further showed that under-employment of rural workers at national and regional levels has declined. The study by A.J. Singh *et al.* revealed that during 1972-73 and 1987-88 both for male and female workers the proportion of non-agricultural employment showed an increase of about 50 per cent. Narayani Shrivastava reported that in Madhya Pradesh employment in the non-agricultural sector increased at an annual rate of 1.9 per cent during 1973-91. However, the participation of rural main workers in manufacturing, trade and commerce, livestock, forestry and household industries were almost negligible. S.T. Bagalkoti found rural non-farm employment to be still insignificant in Karnataka though diversification is taking place in favour of manufacturing and services. H.R. Sharma *et al.*

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reported that the employment days available in non-agricultural occupations to agricultural labour households remained constant in Uttar Pradesh, Maharashtra, Karnataka, Kerala and Orissa whereas it declined in other states.

Using field level data S.S. Chahal *et al.* reported that the share of non-farm sector employment was marginally higher than that of farm sector in Bilaspur village of Punjab. Government jobs followed by self-employment, wage earners and jobs in private sector formed the structure of non-farm employment in the study village. M.L. Chakraverty and P. Mishra reported that in Bauri community of Orissa, wage employment, trade and commerce contributed a larger share to non-farm income to the low and the middle income groups as compared to the service sector, trade and commerce in the case of higher income groups. Satyendra P. Gupta in a case study of Chhattisgarh region reported that the share of non-farm activities was nearly 48 per cent and 36 per cent respectively of the total employment and income. In their inter-temporal study of occupational diversification in a hilly village of Himachal Pradesh, S.P. Saraswat *et al.* found that significant occupational changes took place and services supplemented agriculture. A decline in the percentage of households dependent on rural crafts was observed. Per capita man-days of gainful employment had declined over the three decades, despite occupational diversification. In inter-farming system study of Himachal Pradesh, B.R. Sharma *et al.* found non-farm activities playing a major role in all the farming systems observed in terms of their contribution to both income and employment. H.N. Atibudhi and B.K. De reported that in Teliamura block of Tripura, the agricultural sector is still the major source of employment. Non-farm sector does not provide adequate opportunities.

J.P. Singh and Trupti Mohanty reported that the most dominant source of non-farm employment was migration of the two tribal communities of Keonjhar district in Orissa. Similar findings were reported by H.S. Shylendra and P. Thomas for a semi-arid tribal village of Gujarat.

The findings from the macro and micro studies summarised above clearly reveal that although non-farm employment share is increasing with varying magnitudes, agriculture still continues to remain the major contributor of rural employment. At the same time, the results of micro studies revealed that the contribution of non-farm sector to household income is much higher as compared to its employment contribution.

II

DETERMINANTS AND CORRELATES

A large number of studies have attempted to find out the factors affecting the growth of non-farm employment. A few studies also attempted to test the residual sector hypothesis.

B.N. Verma and Neelam Verma in their empirical attempt to test the residual sector hypothesis found in the eastern regions of India an inverse relationship between farm size and percentage of non-farm households which is indicative of greater diversification of employment structure of the marginal groups. The flow of excess labour from farm labour market to non-farm labour market has not led to intermarket transmission of growth impulse, rather what is evident is a distress diversification in terms of disguised unemployment, under-employment and poverty in the non-farm sector. A.J. Singh *et al.* found that rural non-agricultural employment was positively and significantly affected by poverty and negatively and significantly affected by agricultural density. C.S. Vaidya *et al.* reported that

the marginal farmers are comparatively less dependent upon the farm sector for employment than small farmers due to scarcity of land. Shylendra and Thomas in the context of a semi-arid tribal village in Panchmahals district of Gujarat attributed the growing non-farm migratory activities to distress factor like under-employment, poverty and indebtedness. S.P. Upadhyay *et al.* reported in a case study of Ghaziabad district of Uttar Pradesh that rural labour force with and without land basically engaged in wage earnings.

Parveen K. Sardana *et al.* reported that non-farm employment has increased significantly in the districts of Haryana which are not agriculturally advanced. The capital investment by the State Government in rural industries has increased non-farm employment significantly. According to M.S. Jairath and B.K. Gupta, the positive growth of rural non-farm employment in Himachal Pradesh could be ascribed, among other things, to the impact of horticulture, industrial growth, infrastructure, tourism, rural development, community and social services, trade and services. Similar results have been reported by Virender Kumar and J.S. Guleria for the state. Bagalkoti found in Karnataka the degree of urbanisation, literacy levels and levels of general non-agricultural development of a region having strong association with non-farm employment. However, government expenditure, agricultural modernisation, land-man ratio and landlessness did not show any significant association. S. Iyyampillai and N. Jayakumar reported that urbanisation and literacy have effectively influenced rural non-farm employment in Tamil Nadu as well as at taluka level in Tiruchirapalli district. The study of Ashutosh Shrivastava *et al.* indicated a great variation in the extent of non-farm employment between two districts of Madhya Pradesh due to differences in agro-climatic conditions. The authors indicated that non-farm employment was higher in the case of marginal and small farms than on the medium farms. The occupational shift in Allahabad district from farm to non-farm sector in favour of trade, services and professions, growth promoting agricultural technology and rural financial institutions was attributed by D.K. Singh and S.K. Tripathi to demographic factors and social attitudes, and expansion of business activities, education and lower wages and migration. While Chahal *et al.* found a positive relationship between literacy and non-farm employment in Punjab; Pal *et al.* reported the reverse in the case of West Bengal.

J.S. Chawla in his study of rural Amritsar indicated that rural areas in close proximity to urban centres experienced greater spurt in non-farm activities vis-a-vis distant areas. A.K. Gauraha reported similar findings from Raipur district of Madhya Pradesh. G.N. Singh *et al.* attributed the increase in non-farm employment during post-machinery use period in Etawah district of Uttar Pradesh to increased public and private expenditure.

B.L. Kumar's findings indicated that irrigation facilities resulted in high density of processing units and increase in sales outlets in the study villages of Matar taluka of Gujarat. Activities like inland fisheries (P.K. Katiha and S.C. Tewari) and bee-keeping (O.P. Chhikara *et al.*) showed potentiality to generate significant employment outside agriculture.

A mixed evidence, thus, comes out regarding the factors affecting or determining the diversification of occupation in favour of non-farm activities. Both distress and developmental factors seem to have played a role in the type of occupational diversification that has taken place in the country.

III

WAGES AND TECHNOLOGY

A few papers have also dealt with the issues pertaining to trends as well as differences in wages income and technology in the non-farm sector. R.K. Khatkar *et al.* reported that both farm and non-farm wages have increased at a higher rate as compared to prices and productivity in Haryana, and there was a direct positive relationship between wages and productivity. A.J. Singh *et al.* found wages for agricultural, skilled and industrial workers increasing in real terms in Punjab. In their inter-state study, H.R. Sharma *et al.* found an increase in the daily money wage earnings of both male and female workers.

The study of a village in Ludhiana district by Chahal *et al.* showed that traders had higher income as compared to other non-farm workers. It also indicated a positive association between literacy and earnings. R.K. Sharma *et al.* observed that in all the states the daily real wage earnings were higher for male labour than for female labour. The real wage earnings from non-farm occupation were higher than agricultural wages both for male and female labour except in the case of Punjab. In a case study of two districts of Madhya Pradesh, Ashutosh Shrivastava *et al.* found that male workers not only constituted the bulk of the total non-farm employment but also earned higher wages than females for similar jobs.

Sardana *et al.* in their case study of Haryana found that not only the output per worker in rural industries had declined but at the same time employment in traditional industries like oil ghanis and gur and khandasari had declined due to technological advancement. In a study of 40 rural industries of Mirzapur district in Uttar Pradesh, Babu Singh *et al.* reported variations in labour absorption across different types of rural industries. Both output and employment increased along with the increase in the capital employed.

The papers summarised above thus indicate that wages in the non-farm sector are not only higher as compared to farm wages but also have increased in real terms over the period. However, significant wage differentials could be observed between sexes as well as occupation of different types.

IV

INTERVENTIONS AND WOMEN'S PARTICIPATION

Another major sub-theme discussed by many authors is the nature and extent of participation of women in non-farm activities and the role of various developmental interventions in promoting their enhanced role.

In a statewise analysis, H.R. Sharma *et al.* observed that female and child labour participation in non-farm occupations either remained constant or declined. In Madhya Pradesh, Narayani Shrivastava observed very low participation of female workers in non-farm activities. The study of Bagalkoti in Karnataka showed that female participation in rural non-farm employment is generally lower than that of males. The preference of women to work indoors or in a place nearby to their houses has been observed. Sushila Shrivastava *et al.* attributed low female participation in rural non-farm employment to low literacy rate, early marriages, social values, unfavourable attitude of employers, lack of organisational network, higher concentration of industries in urban areas, lack of opportunities for self-employment, and absence of legislation for female job reservations.

In a study of five women's primary fibre co-operative societies in Amalapuram mandal

of East Godavari district, Rajagopal found that fibre products of the societies were marketed by petty traders. Ineffective organisational linkages, poor technical know-how and low wages compared to sales realisation were identified as the major constraints. To enhance the capability of co-operative societies the author has suggested the need for technical know-how for producing variations in product designs, marketing structures, and soft credit loans.

A success story of a project involved in making leather shoe uppers for women's footwear intended for export was documented by D.K. Oza and K.G. Rama in Malavanthangal in Tamil Nadu. The project employed 30 women from three villages and paid daily minimum wages of Rs. 30. The unit still had problems to orient the poor rural women to industrial culture as well as to enable them to organise themselves into a self-reliant group. M. Thilagavathi and S.R. Subramanian in their impact study of Operation Flood on rural women in Madurai district of Tamil Nadu found that Operation Flood programme created nearly two fold more work days for rural women. Vidyulata *et al.* found that in Hisar district of Haryana, rural women have different skills, some of which have been impregnated by the training whereas several others remain unutilised. Though TRYSEM has contributed in the adoption of self-employment and income generating enterprises in the non-farm sector, its achievement has not been to the desired extent.

The above findings indicated relatively low participation rate of women in non-farm activities. Several socio-economic, organisational and even attitudinal factors have contributed for such low participation. Though interventions through co-operatives, NGOs and developmental programmes have enhanced the role of women to a great extent, the achievement seems to be still trivial.

V

ISSUES FOR DISCUSSION

The preceding review of the papers brings out the following issues for discussion.

1. A few studies showed that though the new technology in agriculture did need more labour, the increase was less than proportionate to increase in yield. As such the growth of agricultural employment both in absolute and relative terms to help increase in agricultural output was far less than expected. It is being increasingly recognised that the productive employment in the agricultural sector may eventually become highly restricted because of rising capital labour substitution in proportion to land. However, there is some evidence that as agriculture gets diversified and commercialised, more and more hired labourers are employed and family workforce start looking for better jobs outside the farm sector. It is, therefore, imperative to discuss the relationship between agricultural diversification and non-farm employment in view of the residual sector and interlinkage hypothesis. Some papers supported the residual sector hypothesis whereas others have lent credence to interlinkage hypothesis. It will be interesting to discuss how to synthesise the divergent views emerging from various aggregate and field level studies.

2. There is evidence in some papers that the share of the rural non-farm sector in the total rural labour force has increased and within non-farm sector, the increase in the tertiary sector exceeds that in the secondary sector. Also the proportion of casual non-farm workers has increased. The reasons for the dominance of the tertiary sector as well as the process of casualisation needs to be discussed.

3. A few papers have discussed the supply and demand linkages and rural-urban nexus associated with non-farm employment. The above factors and their potential role and limitations in different agro-climatic regions deserve to be discussed. The role of urbanisation, commercialisation, technology, locations of rural and urban industries in relation to non-farm employment may also be discussed in the context of current economic policies and environment.

4. The issue of appropriate state intervention to minimise rural migration, protect traditional industry, create employment through special rural works programmes needs discussion to assess the role and limitations of various interventions.

5. Analysis of the trends in rural wages, their spatial spreads and differences between farm and non-farm wages has been inadequately covered in the contributed papers. To fill this gap the Group may take up for discussion this issue to draw some policy implications.

6. Enough evidence is available on the increasing participation of women in non-farm activities either because of special interventions or due to some compulsive factors. It will be interesting for the Group to discuss the impact of increased women's participation on their status.

7. The traditional institutional arrangements have broken down and many community based resources have been degraded. The impact of changing natural resource management regimes and eroding institutional arrangements on the availability of employment opportunity at the village level needs attention and discussion by the Group.

8. There is a vast differentiation of activities within non-farm sector. The activities in which the rural poor are involved are quite different from those of the diversifying rural rich in terms of investment, risk and markets. Therefore, this issue needs to be discussed in the context of policy and planning.

9. The rural non-farm sector, except a few activities like dairy, handlooms and handicrafts, still remains in the domain of private or individual level ownership and control. Given the nature of the problem of the sector like marketing, technology and finance, some alternative forms of organisation seem necessary to provide such activities.