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SUMMARIES OF GROUP DISCUSSION

Subject III

Impact of Economic Reforms on Rural Employment

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This session of the Conference suffered from a serious handicap. Although there were two full length papers and twelve papers in summary form accepted, only the authors of one full length paper and one summary paper were present at the session, apart of course from the Keynote paper-writer. Luckily the lack of paper-writers was compensated for by the presence of around 30 persons who made interventions that have been put together in this report.

A major issue that the session repeatedly came up with was the periodisation of data. The keynote paper had treated the 1983/1993-94 period as the pre-reform years by omitting data from the 43rd Round of the National Sample Survey (NSS) because of it being an abnormal year in terms of a bad monsoon and the 1993-94/1999-2000 period was characterised as the post-reform period. On the basis of this periodisation and after making adjustments keeping the Population Census data in mind, it was pointed out that though the overall employment for rural workers picked up from 0.33 per annum in the pre-reforms period to 0.66 per cent per annum in the post-reform period, this was a disappointing performance and did not reflect an employment-friendly scenario. However, if we adopt a periodisation of 1977-87 and 1987-89, then, keeping in mind that 1987 was a bad year, it should depress the growth rate of employment for the period 1977-87 and inflate the growth rate for the subsequent period. However, it turns out that the rural employment growth rate declined from 1.57 per cent per annum during 1977-87 to 1.15 per cent during 1987-99, mainly on account of a slowdown in the growth of rural non-farm employment. Hence, a need was felt to look at the NSS data set from a long-term perspective, say beginning from 1972-73 so as to be able to fathom whether there is a longer term trend in rural employment that is continued, accentuated, or diverged from in the nineties for which we have essentially two data points.

The other important issue associated with this was that all the papers treated employment as a stock by measuring it in terms of the labour force participation rate amongst usual status workers. However, this does not tell us for how many days such workers were employed which implies that employment should be measured as a

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flow variable such as in terms of the current daily status. However, given that the data set on usual status is more dense in that information on other variables associated with it such as education, quality of employment, etc., are also available, most researchers continue to use the stock concept of employment. Inasmuch as they do so, however, claims made about changes in employment need to be cautiously interpreted.

Some of the findings that were highlighted in the session were as follows: Firstly, it was observed that the labour force participation rate was declining in the 1990s in the rural areas and this decline was predominant in the lower age groups, especially in the age group 15-19 years. This, it was pointed out, was associated with an increased attendance in educational institutions indicating that a shift from the labour market to acquiring more education was occurring amongst adolescents.

Secondly, the proportion of male workers in the rural primary sector has been declining over the past 25 years though in the nineties this has happened at a much slower pace. By contrast, female workers in the rural sector ended up being more dependent on the primary sector for employment.

Thirdly, there has been increased casualisation of rural employment in the nineties, fairly steeply for male workers, and a little less so for female workers.

Fourthly, the increased employment in the nineties was in the transport-storage-communication, construction and manufacturing sectors. However, for the transport-storage-communication sector the sizable employment growth of males went along with a substantial decline in the employment growth of females.

Fifthly, the regional pattern of growth was varied with Bihar, Gujarat, Kerala and Punjab witnessing an increased growth of rural employment in the nineties as opposed to a lackadaisical or declining growth in the other states.

Sixthly, a preponderant proportion of agricultural workers was uneducated, more so amongst females than males.

The session attempted to understand the reasons for this pattern of employment. One route to linking economic reforms to employment that was stressed was through deregulation in the economy which it was pointed out that the *a priori* impact of barter terms of trade on agricultural supply was ambiguous theoretically due to substitution, income, and wealth effects, and empirically, agricultural growth was in fact lower in the reforms period despite an improved barter terms of trade. It is therefore to be expected that the reduced agricultural growth has resulted in reduced employment growth.

A second route to linking reforms with employment growth stressed was through the growth and composition of government expenditure. With fiscal reforms the reduction in government expenditures on and for agriculture has resulted in slower output growth. Moreover, the composition of expenditures has been such that public investment in agriculture has been declining which has resulted in reduced output and employment growth in agriculture.

Third, the role of technology needed to be looked at in greater detail. For instance, the introduction of mechanisation so as to meet time schedules in sowing and harvesting in crop cycles might have resulted in a reduced demand for labour which needed investigation. However, the increased adoption of new seeds as in the case of oilseeds should have resulted in greater production and employment. The liberalised trade regime also would make technology adoption easier and so the impact of technology on employment has many nuances that could only be brought out through field and case studies and not through secondary data.

Fourth, the pricing of inputs have changed in the last decade and this would have substitution effects on labour demand. For instance, State Governments are slowly charging for electricity, prices of phosphorus and potash fertilisers have been decontrolled, and the deregulation of interest rates has made credit more expensive. The need was emphasised for more studies looking at labour demand as a demand for a factor of production when the prices of other inputs are affected.

Fifth, market fragmentation and structure issues needed to be addressed and whether market restrictions such as laws curtailing the storage of commodities, procurement levies, etc., as well as the tax and duty structure on agro-processing industries acted as impediments to the expansion of output and employment needed to be studied.

Sixth, the non-agricultural segment of the rural economy has been growing and we need to know why, for instance, Own Account Manufacturing enterprises have seen declining growth whilst Directory Manufacturing Establishments have been growing in the last decade. Also, whether the non-farm employment increase has been a push factor or a pull factor is an open question on which more work is required.

Seventh, to what extent are physical and economic infrastructure important to output and employment growth? Infrastructure availability such as power, irrigation, roads can increase output (through, for instance, multicropping) and employment. This needed to be studied in greater depth.

Eighth, it was pointed out that the proportion of educated people staying back in agriculture has increased (push or pull?) and that the wage gap between the illiterate and the educated has widened. Two types of studies are therefore required: one to find out whether skilled labour is substituting unskilled labour, and another, to figure out whether male-female wage differentials and employment absorption has been affected as a higher proportion of males is educated rather than females.

Ninth, the slow employment growth may be due to the rise in real wages that has been documented for the nineties. But why slower output growth in agriculture has been associated with rising real wages needed further exploration. Part of the explanation again comes from higher skills. However, the growth of labour productivity in the nineties has been negative. Hence, the cause of the growth of real wages is unknown and seeking an answer to this will unravel many of the secrets about rural employment in the nineties.

Finally, it was suggested that given the number of times issues of caste, community, landlessness, land reforms, and the migration of labour across states were raised by the participants in the session, the need was suggested to take an agrarian or institutional reform perspective on the rural economy. This would imply that the major debate on employment still is whether we have a segmented labour market or whether the reforms will eventually spawn a national labour market. This larger issue, the session felt, needed to be addressed so as to enable us to get a grip on the shape of things to come on the rural employment front in the near future.