

Rural Non-Farm Employment

Abstract

The pace of structural transformation in favour of non-agricultural activities in the rural areas in the country picked up markedly during the post-Green Revolution period. However, the rate of rural diversification was not uniform across different states and regions. Nor were the factors associated with this process identical. The impact of the process of diversification on rural incomes and poverty levels was also uneven. Rural India is home to 65.0 per cent (Census 2011) of the nation's population and about the same proportion of the poor in the country. The gap between the number of new rural workers and the number of new jobs in agriculture is growing but agriculture alone will not meet the rural employment challenge.

In this background a study was conducted in four States of the country (Uttar Pradesh, Punjab, Tamil Nadu and Gujarat) with a view to identify factors that are associated with rural non-farm employment.

The objectives of the study were to map the RNFE activities in sample rural areas; to assess the extent of RNFE as compared to the agricultural employment and the differences across caste and gender in the RNFE; To assess the wage income levels of various RNFE activities in the select villages; to assess the activity status of all the women in each of the households. Source of demand for rural non-farm activities and their forward and backward linkages in the rural economy have also been analysed. Factors which encouraged employment in rural non-farm sector and constraints that inhibit the growth of rural non-farm sector were also envisaged to be assessed.

The States selected for this study were based on analysis of NSS data (2004-5 and 2009-10) and Census, 2001 data, and sectoral gross value added data across States. The States selected for this study are Uttar Pradesh (considerable decline in agricultural employment, but agriculture still continues to be the mainstay of majority of the rural population), Gujarat (one of the very few States in the country which is experiencing significant growth in agriculture), Punjab (despite a relative decline in the contribution of agriculture in State GDP, agriculture contributes around one-third of State GDP), Tamil Nadu (one of the most urbanized State in the country and contribution of agriculture to State GDP is one of the lowest).

From each State, Districts were selected based on the ratio of rural non-farm workers to total rural workers (Census, 2001). Accordingly, all Districts have been categorized either as high RNFE District (if the ratio of rural non-farm workers to all rural workers for the District was higher than the State average) and low RNFE District (if the ratio of rural non-farm workers to all rural workers for the District was lower than the State average). Finally, two Districts from each of the high RNFE and low RNFE groups were selected from each of the four States.

Major Findings across States

1. Self cultivation was the most important source of livelihood only in Uttar Pradesh, implying continued dependence of its rural population on agriculture. This proportion was the lowest in Tamil Nadu, indicating increasing importance of rural non-farm employment in the State.

2. There has been a gradual shift of population outside agriculture. However, in Punjab there has not been much employment opportunities generated during the last 10 years outside agriculture and this has resulted in large scale exodus of workers outside the country.

3. Substantial proportion of population in Gujarat was still dependent on agriculture. However, this should not be seen as a negative development in the State, particularly when the State has been experiencing growth rates in the range of 9 – 11 per cent per annum.

4. As for the reasons for shift in occupation away from agriculture, the low RNFE districts in all the States except Tamil Nadu identified low agricultural income, smallness of size of holding as the principal factors. The same reasons hold true in high RNFE districts as well, but another important factor that adds on is the employment opportunities in construction sector which is actually pulling workers into it. In Tamil Nadu, setting up of industries in the vicinity of rural areas in both high and low RNFE districts is attracting workers into it.

5. Construction sector emerged as the largest employer of non-agricultural labour in all the four States studied, in both high RNFE and low RNFE areas . However, it is interesting to note that the two relatively more dynamic States (Tamil Nadu and Gujarat) have a considerable proportion of non-agricultural workers employed in manufacturing sector.

6. The non-agricultural employment opportunities in Punjab and Gujarat are located within the village, contrary to the other two States. It may be noted that agricultural output in Punjab still continues to contribute significantly to State GDP, and Gujarat has one of the highest agricultural growth rates in the country. Therefore, it is likely that the non-agricultural employment opportunities in these two States are positively influenced by agricultural development (in the past and at present). In Uttar Pradesh, it is basically distress driven non-agricultural employment opportunities forcing workers to look for employment opportunities outside the village. In Tamil Nadu, setting up of manufacturing units within close vicinity of villages is resulting in a situation where people work in urban centres while reside in rural areas. Excellent road network is helping this phenomenon of strong rural-urban linkage.

7. In the low RNFE Districts of UP and Gujarat, majority of non-agricultural workers got employment for less than 6 months, while in the high RNFE Districts it was higher than 6 months . In Tamil Nadu for both high and low RNFE Districts, majority of non-agricultural workers got employment for more than 6 months. But the absolute number of workers who got employment in non-agricultural sectors was higher in high RNFE Districts than in low RNFE Districts.

8. In all the four States, social group-wise variations in earnings from non-agricultural employment could be observed. Average earnings of SCs and STs were the lowest. Among all the four States, average earning was the highest in Tamil Nadu implying greater opportunity of work availability in the State in non-agricultural sector and also relatively higher wage rate.

9. In Uttar Pradesh, Gujarat, and to some extent in Punjab, the dynamics of change seem to be different in different regions. In the agriculturally dynamic regions, the process of diversification in favour of non-agricultural activities is more closely related to the internal dynamic of the agricultural sector. Linkages between agricultural and non-agricultural sectors appear to be stronger in these regions. In regions where agriculture is not developed, overcrowding of agriculture coupled with low productivity is forcing workers to seek non-agricultural employment in low income generating activities in the informal sector. In Tamil Nadu, it is the manufacturing units (like match box, fire crackers) which are being set up in the vicinity of the villages in both high RNFE and low RNFE Districts and are providing rural workers employment opportunities.

10. Age has been found strongly correlated with RNFE. Younger people are drifting away from agriculture and taking up non-farm activities in almost all the districts.