

Structural Shift *in* Rural Employment

Moving out of Farm Jobs for other Vocations Reveals an Aspiring India



October 2013





Structural Shift *in* **Rural Employment**

**MOVING OUT OF FARM JOBS FOR OTHER
VOCATIONS REVEALS AN ASPIRING INDIA**

October 2013

The Associated Chambers of Commerce and Industry of India

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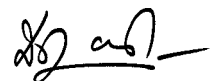
D S RAWAT
Secretary General



FOREWARD

ASSOCHAM – India’s apex corporate body represents the interests of over 4,00,000 units – analyses and understands the board dynamics of the economy before articulating the genuine, legitimate needs and interests of the country’s business sector. The apex Chamber acknowledged as India’s knowledge Chamber also got a mission to impact the policy and legislative environment so as to ensure all round development of the country. Needless to mention, ASSOCHAM is a learning organization that sensitizes both corporates and policy makers with the emerging economic growth and developmental needs and opportunities.

ASSOCHAM has bought out the present publication, “**Structural Shift in Rural Employment: Moving out of Farm Jobs for other Vocations Reveals an Aspiring India**”, with the objective of highlighting the structural issues in rural employment and the transformation in employment pattern. The study has outlined the role played by MGNREGA in raising rural wages and changing consumption patterns in rural areas. The report presents a very useful insight into the rural employment and consumption behavior. I hope this will be very useful for all the readers.



(D.S.Rawat)

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STRUCTURAL SHIFT IN RURAL EMPLOYMENT: MOVING OUT OF FARM JOBS FOR OTHER VOCATIONS REVEALS AN ASPIRING INDIA

Introduction

ASSOCHAM, India's apex corporate body that represents the interests of over 4,00,000 enterprises is deeply committed to the all round growth of the country. ASSOCHAM is happy to see a slew of data that seems to establish a significant and robust change taking place in the rural hinterland of the country. This gains prominence more so when data elsewhere, especially macroeconomic data over the last three years, has been raising concerns across the country over the economic situation. The Chamber therefore undertook the analysis of the data from the 66th to 68th NSSO surveys and other macroeconomic indicators to evaluate the rural reality. There is a stir in the rural hinterland that is unmistakable though its actual extent could be disputed.

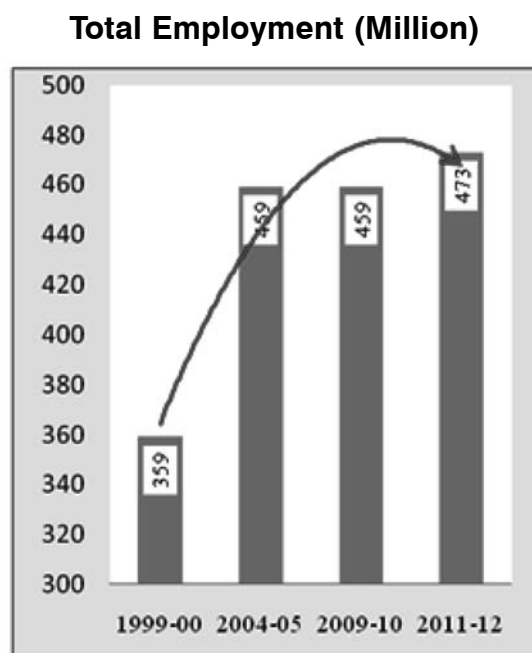
The latest data mainly of rural employment and monthly per capita expenditures (MPCE) has rightly drawn considerable disbelief. In essence the data claims that while employment (both rural and urban put together) almost remained stagnant between 2004-05 and 2009-10 at 459 million despite the first four years of it being years of high growth hovering around nine percent, the next two years (2009-10 to 2011-12) added 14 million jobs taking employment to 473 million level despite these being years which saw a big drop in GDP growth to near six per cent along with a steep rise in inflation.

The main components of this new data have been derived from the 68th NSSO survey. Normally these surveys are done once in 5 years but the Central Government considered that the impact of the specific macroeconomic situation of the last two years when growth sputtered and there was a general economic downturn needed to be measured additionally to get a better grip at the economic policies for the coming five years of the 12th Plan. The findings that showed high

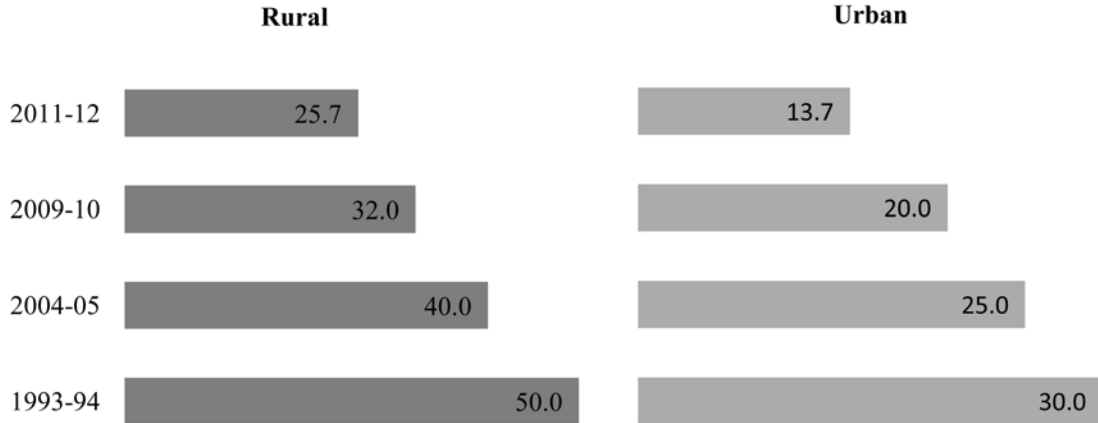
growth in jobs, expenditures and incomes and went contrary to the depressing macroeconomic indicators made many critics question the data itself.

On the strength of the latest data the Planning Commission claimed that India's poor had dropped to a "record 22 per cent". In 2011-12, 25.7 per cent in rural areas and 13.7 per cent in urban areas were classified as poor, using the Tendulkar methodology that uses expenditure levels and changes in consumption pattern to draw the imaginary and controversial "poverty line". The sharp rise in total employment by 13.9 million in the two years Fy 10 and Fy12 as against the stagnant job scene in the earlier five year period is considered a major cause of this fall in poverty headcount. "Seven million jobs (each) created in two years when the economy was not doing well, isn't trivial" pointed out chairman of the National Statistical Commission, Dr. Pranab Sen. The data also revealed that while employment rose, unemployment had gone down in the two years from 6.6 per cent to 5.6 per cent of the labour force.

The basic data from the 68th NSSO survey as far as employment is concerned presents quite a robust picture:



Percentage of Poor

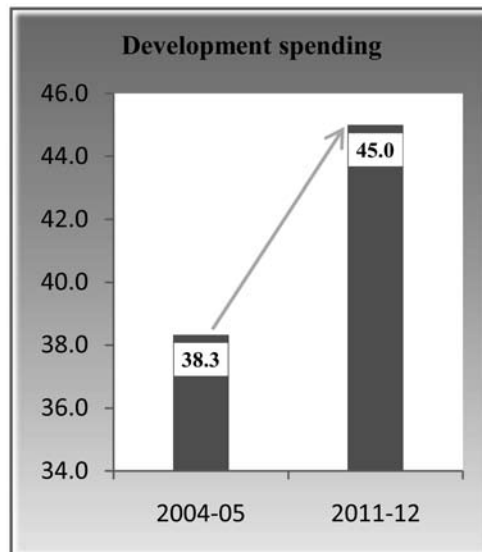


There is, however, a wide variation of poverty ratios from state to state:

Only 0 to 10 per cent	Kerala, Goa, Punjab
10 to 20	TN, AP, Haryana, HP, Rajasthan
30 to 40	UP, Bihar, MP, Odisha, Assam
40 plus	Jharkhand, Chhattisgarh

(illustrative not exhaustive)

Development spending: (Percentage of revised budget estimate)



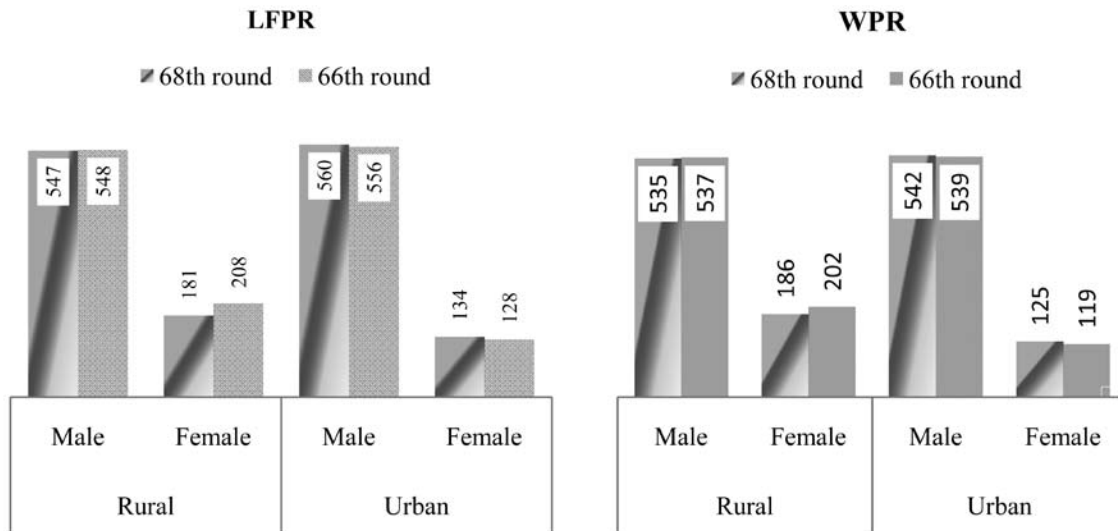
Some indications: whether the data is absolutely reliable or not, it is clear that the trend is towards a massive increase in government expenditure that must have had some impact on the economy in terms of job and income creation. There has been significant impact on poverty, more money is flowing into rural areas due to rise in minimum support price for major cereals, spending on rural housing, roads etc under Bharat Nirman and rise in rural wages as a result of job entitlement under MGNREGS with a minimum assured wage that acts as a trigger and bargaining chip for higher wages on the farm, etc. In evaluating their impact we must also account for some time lag between programme implementation and outcome in the context of complex administrative procedures and funds allocation.

Whether the actual fall in the number of the poor is as claimed or not, one thing is self-evident: there is a strong trend towards more and more households moving out of the poverty trap even if the upward movement is not large in terms of rural household incomes. Two lines of data in this respect are important. One is the ratio of labour force participation to the population and ratio of work force to population. The second important indicator is the wage rate rise or fall per day in the rural areas along with significant shift in profile of rural employment.

The following data is taken from NSSO surveys, the 66th Round covering five year period ending 2009-10 and 68th Round that assessed developments in the subsequent *two years, 2010-11 and 2011-12.*

Employment Scenario

(Ratio of category to 1000 population)



		Rural		Urban	
		Male	Female	Male	Female
LFPR	68th round	547	181	560	134
	66th round	548	208	556	128
WPR	68th round	535	186	542	125
	66th round	537	202	539	119

LFPR- Labour force participation rate per 1000 population

WPR-Ratio of work force to population (all those in labour force may not be in work force necessarily as some may withdraw or may not get work). Data from the NSSO surveys, 66th covered five years period ending 2004-05 to 2009-10 and 68th two years 2010-11 and 2012.

What comes out is that 2010 onwards there was a dramatic shift with both labour force and work force shrinking, more specifically in the female work force so far as rural areas are concerned. But the opposite is the case in urban areas where both men and women offering work and getting it rises. **In the usual status, labour force participation of rural females reduced from 106.2 millions in July 2009-June 2010 to 103.6 millions in July 2011-June 2012, and rural**

female workforce participation for the same period decreased from 104.5 million to 101.8 millions.

We have to view this data in the light of household income levels and changes in them.

The following data comparing the results of average household income in the 05-09 period and subsequent two year period (66th and 68th NSS survey results) seems to support the tremendous change in the last two year period.

		NSS survey number	
		66 th	68 th
MPCE (Rs.)	Rural	927.7	1285.5
	Urban	1781.8	2401.7
MPCE Grew	Rural	1.4 per cent	9 per cent
	Urban	2.8 per cent	6.6 per cent

The gap between rural and urban MPCE has narrowed from 100.3 per cent to 92.3 per cent between the two time periods. (MPCE is monthly per capita consumer expenditure. The assumption here is that the monthly per capita income trends follow the trends in monthly per capita consumption expenditure.)

Once we view these trends between the 66th survey and 68th survey in the larger context of changes between the previous surveys, it gives solid reason to come to the conclusion that there is a large area of convergence in these trends. Though the actual figures may still be disputed (68th survey results are provisional) there is no doubt that there is a continuous change towards betterment especially in rural areas.

Labour force, work force and Unemployed (Million)*



Labour force, work force and Unemployed (Million)

	1993-94	1999-2000	2004-05	2009-10
Labour force	381.9	406.8	470.3	469.9
Workforce	374.5	397.9	459.0	460.2
Unemployed	7.5	9.0	11.2	9.7

*The numbers derived by applying the NSS segment-wise work-population ratios and the labour force-participation ratios to the census population.

All figures for work force-participation is for usual principal and subsidiary status

Gender-wise break-up of labour force (in millions)

Year of survey	Male	Female	Male	Female	M Total	F Total	All Total
1999-2000	202.0	106.8	78.9	19.3	280.9	126.0	406.9
2004-05	222.9	126.5	94.2	26.5	317.2	153.0	470.1
2009-10	236.1	106.4	103.1	24.3	339.2	130.7	469.9

Gender-wise break-up of the work force (in millions)

NSS Round	Rural		Urban		Male	Female	Total
	Male	Female	Male	Female			
1999-2000	198.6	105.7	75.4	18.2	274.0	123.9	397.9
2004-05	219.3	124.2	90.8	24.7	310.1	148.9	459.0
2009-10	232.3	104.8	100.2	22.9	232.4	127.7	460.2

Labour force refers to total persons available for work; work force refers to persons either offering to work or recruited for work in the specific time frame. The difference between the two may refer to the non-availability of work or in the labour force but not wanting to work for various reasons; for instance, female workers might prefer to do household work as family income rises or may go back to training for future better jobs or withdrawing from work force due to other reasons also.

Some General Observations:

Even before 2010-11 and 2011-12, both the labour force and work force had been rising though there was a persistent gap between the two exposing prevailing unemployment levels. For instance, while the labour force rose between 1993-94 and 2009-10 from 381.94 to 469.87 million, the work force also rose from 374.45 million to 460.17 million, the gap between the two also rose from 7.49 million to 9.70 million which could be considered as the unemployed figure.

When you go into the details, some very interesting developments emerge that could be signals that the situation especially in the rural areas is changing for the better.

“In a distinct break from the past, the labour force declined, albeit marginally from 470.34 million in 2004-05 to 469.87 million in 2009-10”, points out Dr. C. Rangarajan, chairman of the economic council to the Prime Minister in an article he with others wrote in the Economic and Political Weekly (September 24, 2011).

@ While for the 10 years 1993-94 to 2004-05, there is a steady rise in labour force, there is a marginal fall in it in 2009-10.

@ There is a rise in the workforce across the entire 15 year period between 1993-94 to 2009-10, though in the terminal year the rise is again marginal.

@ Read together the fall in labour force in the terminal year, however marginal, and the rise in work force, however, marginal, denotes a change in the environment. It is likely that unemployment did come down and that less number of people were offering themselves for work. It should be noted that the difference between the labour force and work force, that is between those who are available for work and those who actually opt for or get work, rises between 1993-94 and 2004-05 and then declines significantly from 11.2 million in 04-05 to 9.7 million in 09-10.

@ This trend of less number of people offering themselves for work is pronounced in the case of female workers. **Gender wise break up of both labour force and work force in both rural and urban sections, reveals a significant fall in the absolute number of women:**

Rural women in work force: 126.49 million in 2004-05 and 106.49 million in 2009-10, some 20 million less women were in the rural workforce; in urban areas the work force women numbered 26.50 million in 2004-05 and 24.25 million in 2005. As women offering for work in rural areas is around 75 per cent, decrease in women work force seems to indicate that either more women are not getting work, or that many women are not offering for work due to various reasons. The decrease of women in both labour force and work force seem to rule out the first cause- it is more likely that there are less women offering for work. As Dr. Rangarajan has pointed out(in the Economic and Political Weekly quoted above) that there is a definite trend of more women remaining in school due to various government schemes that encourages school enrolment of girls. The improvement in household incomes as revealed in the MPCE rise every five year period could also be an incentive that encourages fewer women to seek work. That even in urban areas there is a fall in women in labour force as well as in rural areas, is a positive indicator that more girls are now involved in education and skill improvement rather than in seeking work at an early age. The trend has continued for rural women alone between 2010 and 2012 as the 68th NSSO survey reveals continuing fall in rural women offering for work and at work:

Female work force (Million)

	Rural		Urban	
	66 th Survey	68 th Survey	66 th Survey	68 th Survey
Labour force	208	181	128	134
Work force	202	176	119	125

On the other hand the figure for urban women in labour force and at work is seen to have risen between the two surveys indicating more women coming to work in urban areas which are to be expected as urbanization of the population rises sharply and two earning members in each household become the norm. Also it is in rural areas that the drop out in school after primary education has been sharp all these years but this trend is now beginning to change. So girls aged 12 year onwards are now more likely to remain in school than previously when they used to go to work or even get married under traditional compulsions. It is most likely that this trend of more and more girls remaining in school and /or seeking high skill development in rural areas would continue and bring about significant change in rural scene and strengthening women empowerment. Governments both at the Centre and the States are going out of the way to promote continuing education for girls after the primary stage, for instance like the Government in Bihar offering to provide free cycles for girls pursuing education beyond middle school. This could easily be inferred from a correlation with the drop in school dropout rates.

In percentage terms women's labour participation rate fell from 29.4 per cent in 2004-05 to 23.3 per cent in the first five years of the UPA regime and then went even lower to 22.5 per cent in 2011-12. The work force participation that shows the actual employment, also reveals that women working as a percentage of the total population fell from 28.7 per cent to 22.8 per cent and then to 21.9 per cent in the two time periods. We have already seen how the disaggregated figures reveal a significant number of women withdrawing from the labour market more specifically in rural areas. Though a separate study is needed to

pin down the cause of such withdrawal the general trend we have presumed like higher retention of girls in middle and higher schools, improved rural incomes at the bottom level households, larger percentage of remittances from men folk who have got work in urban and semi-urban areas in specifically construction projects, etc. seem to account for this phenomenon. If that is so, it is a trend we should welcome for the improvement of the rural socio-economic system.

If we look at the proportion of men and women per 1000 aged between ages 15 and 59 in the labour market, the trend is even clearer:

Proportion of persons per 1000 aged between 15 and 59

	Male	Female	Average
Willing to work in 2011-12	827	331	583
In the same category but who Were employed in 2011-12	809	323	570

Our study also shows some contradictory trends: While there is evidence about work force of women falling, more so in agriculture (primary sector) it is somewhat intriguing that in the two years 2010-12, unemployment rate among both males and females went up in the very primary sector where the percentage of labour employed has gone down. The male unemployment rate in the primary sector went up from 2.2 to 3.4 percent and female from 3.3 to 3.7 per cent, showing growth of jobless in the sector to have risen from 9.2 million to 10.4 million, as pointed out in the Hindu dated June 24, 2013. How do we make any sense out of these contradictory revelations?

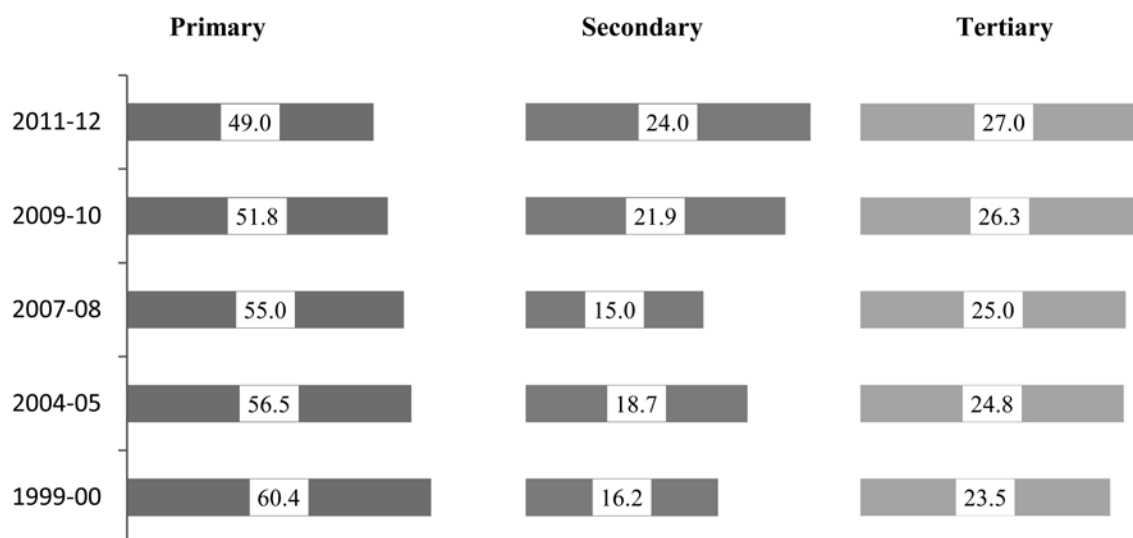
It seems the unemployed people include those who are traditionally in the labour force but cannot be or are not employed for various reasons that are mired in the rural socio-economic complexities. Traditionally also a section of the female/male workforce do not get employed although they are classified as farm workers. Therefore this level of “unemployment” need not detract from the general trends we have seen in the macro data about labour force and work force.

That the fall in female workers in rural areas is considerably due to rising enrolment of girls and their continuing in education is also underlined in the data on education and specified in the Economic Survey 2012-13. *“The students to population ratio increased faster in rural areas and more so, for females”*, the Survey says. Gross enrolment ratio for girls especially in traditionally backward states like Bihar (98.5 per cent in 2009-10), Chhattisgarh (106.6), Jharkhand (121.5), MP (125.6), Odisha (104.6), Rajasthan (95.2), is a very positive trend. It reveals a trend of girls moving out of work at age 12 or 13 that had been the bane of backward societies.

Sector-wise Jobs

The available data also reveals a significant shift in the rural job profile with a reduction in the proportion of workers engaged in agriculture and an increase in secondary and tertiary sectors, in self-employment and in regular work.

Sector-wise Job Profile (all India)

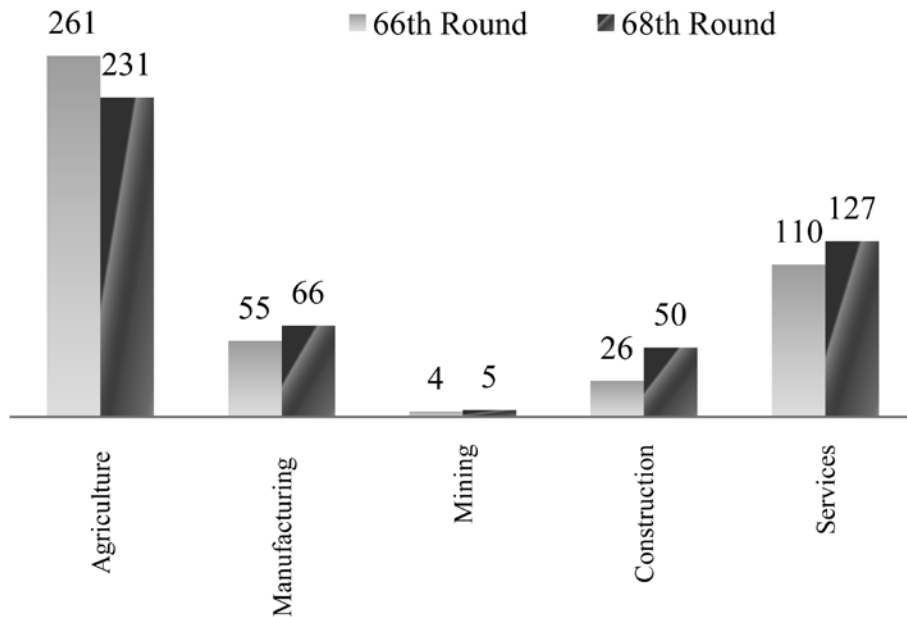


	Primary	Secondary	Tertiary
1999-00	60.4	16.2	23.5
2004-05	56.5	18.7	24.8
2007-08	55.0	15.0	25.0
2009-10	51.8	21.9	26.3
2011-12	49.0	24.0	27.0

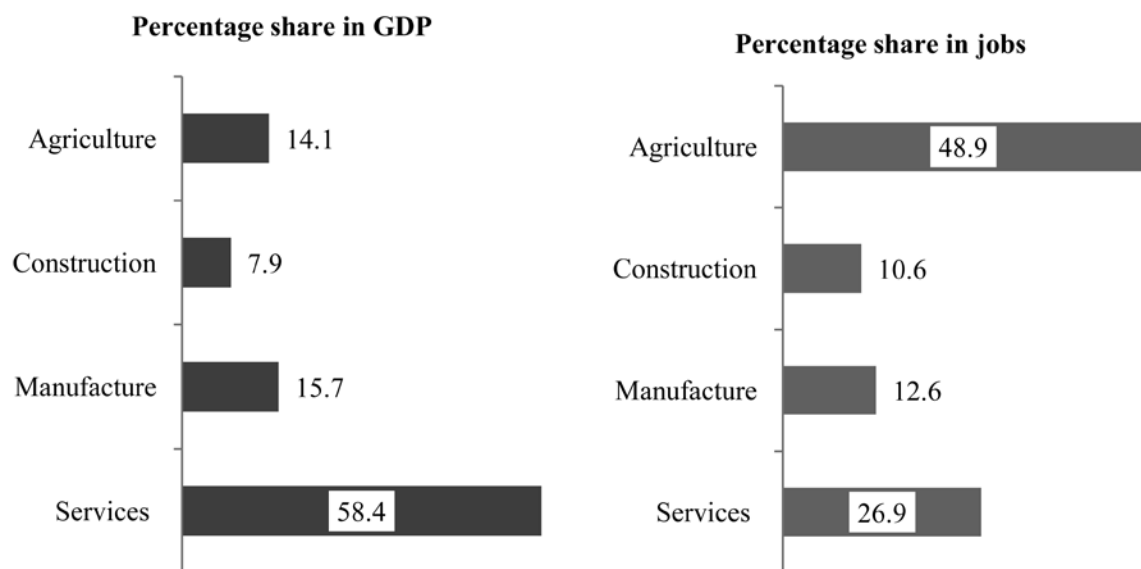
(based on NSSO surveys but figures for 07-08 and 11-12 are approximate)

(Primary is mainly agriculture, secondary industry and tertiary services in a broad categorization)

Employment in millions sector wise between 66th survey and 68th survey



**Percentage share in GDP and percentage share in jobs
sector-wise 68th survey**



Among rural working population 56 per cent is classified as self-employed, 9 per cent as salaried/regular wage receivers and 35 per cent as casual workers.

Rural-urban differences in sector wise and gender wise employment 68th round

(figures represent percentage of male/female workforce working in the three sectors, total 100 percent in each of the four sections below)

Sector	Rural		Urban	
	Male	Female	Male	Female
Primary	59	75	8	11
Secondary	22	17	35	34
Tertiary	19	8	59	55

Largest number of female workers is in agriculture in rural areas and in urban areas the bulk of female workers are in tertiary and secondary sectors.

The shift in the job profile seems to question if not demolish the impression that analysts often flaunt that some 70 per cent of the people are working on agriculture and allied activities. The deceleration of the percentage of agriculture jobs over the years since year 2000 from (near about) 60 to 56 in 2004-05, then to 55 in 2007-08, to 52 in 09-10 and then dropping below the Rubicon of 50 percent to 49 in 2011-12 is perhaps a very big story that needs to be celebrated.

(In this context it must be noted that earlier while the share of primary sector (agriculture) in the GDP has been falling over a long term, the share of people in agriculture has not been falling very much. As Dr. Rangarajan has observed “the 66th round results suggest that has changed.” We find that this change has accelerated in the subsequent two years of the 68th survey. Though the data may be distorted by the fact that the two year period 2010-12 was one of high agricultural growth, there could be as many reasons for farm employment to go down because of higher rural incomes (fewer women need to work for instance) as there are reasons for the growth rise to create incentives to raise workforce as more workers are needed for the larger farm output. In this study we were more inclined on a balance of data to go with the general conclusion that the workforce had decreased due to many opting out of work.) As observed by eminent agricultural economist Ashok Gulati, chairman of the Agricultural Costs and Prices Commission, *“employment in construction sector has almost quadrupled from 1993-94 to 2009-10. Share of agriculture in total employment has fallen from 64.8 per cent in 1993-94 to 53.2 per cent in 2009-10”*. **Figures for construction sector are 3.1 and 9.6 per cent respectively. Here it is important to keep in mind that as per the 64th NSS, 57 per cent of urban migrant households migrated from rural areas.**

The conclusive evidence of fall in employment in the primary sector reveals a fundamental change as all economists agree that agriculture whose share in the GDP had been falling could not be expected to support the 60 per cent of the population working on the farms. Such an imbalance would necessarily keep rural wages low and rural households at a subsistence level for ever. Workers

are now moving out of agriculture and the proportion of workers in sectors like construction is on the rise, the shift is to the sectors where wages would be far higher than on the farms though the jobs may be more casual, temporary or irregular. The percentage of rural people working on construction has also been rising reinforcing the view that there is a fundamental shift in the villages from farm work to self-employment and more skilled areas like infrastructure (roads, buildings, ports, rail lines, etc). This also partially at least explains why the women workers in rural areas are now withdrawing from work force as household incomes rises with the new openings in construction and self-employment. Then there are over 4 million self-help groups mostly of poorer sections of which 60 per cent are women. With Central Government claiming to have spent over Rs. 42,168 crores till last December on these SHGs as stated in the Economic Survey 2012-13 and with 14 million odd self-employment created, the shift of workers particularly women workers to move out of farm employment could be expected and even welcomed. It must also be noted that several consumer marketing firms like Hindustan Unilever are now aggressively training and encouraging women to be entrepreneurs for the marketing of their products and this has also promoted self-employment as against back-breaking but low paying farm jobs like paddy transplantation, weeding etc. This again partly explains women in rural areas dropping out of work force. The shift of rural population out of agricultural jobs as a fundamental change could also be due to availability of other jobs, skilled or semi-skilled elsewhere as an outcome of massive developmental expenditures also. *The Economic Survey 2012-13 claimed: "The pattern of sectoral share of employment has changed over the last two decades with the share of agriculture falling from 64.75 per cent in 1993-94 to 53.2 per cent in 2009-10.....share of services and construction sectors increased from 19.7 per cent to 25.30 per cent and 3.12 per cent to 9.60 per cent."* The data from the 68th survey as we have noted above has further decreased the share of labour in agriculture to below 50 per cent. This is effective even in the lowest rung of the socio-economic order as the tertiary sector employment in rural areas has gone up from 6 per cent in the 50th round of NSS survey to 9 per cent in the 66th round (1st quintile of rural areas). In the third quintile also a similar 2 per cent growth in tertiary sector

employment is seen. **The fact that 137 million women opted out of work by 2009-10 is a very heartening development in our country where it had been a lot of rural women particularly who joined the labour force very early in life. It confirms that there is a heartwarming stir in the hinterland of the country.**

Rural wages and MGNREG as the baseline to improve bargaining power of rural labour

“There is widespread labour shortage in large parts of rural India”. If anyone had said this ten years ago, he would have been laughed out of court. But people who feel the pinch are saying this now. The business daily Business Standard dated August 17, 2013 quoted the director Rajesh Thakur of a major farm equipment manufacturing firm Sonalika Agro-Industries, as saying: ***“We have witnessed rapid growth in the rural areas in the recent past, because of labour shortages.”***

This experience is widely shared in the agri implements and accessories manufacturing units across the country. A few more observations in the same daily newspaper and others go on to support the finding of a labour shortages and thereby a shift to greater mechanization of farm operations. “We have been doing very well over the last few years. In order to meet robust demand, we are expanding our manufacturing capacity” says Haryana based company Ashoka Foundry and Engineering Works MD Kapil Gupta. He too is expanding manufacturing capacity “in order to meet robust demand” obviously caused by labour shortage or changing crop patterns or both. In the South, where use of tractors and other farm machinery was traditionally marginal the change is even more magnified. In 2013 itself Murugappa group (Coromandal International Ltd) is going in for Japanese technology for expanded farm equipment manufacture. Greaves Farm Equipment has launched a compact mini-tractor. A vehicles finance company Bajaj Finance is quoted in the report as looking forward to expanded tractor loans in FY14. Himachal Pradesh based Indo-Farm Equipment is stated to be zeroing in for high powered tractors. Another equipment manufacturer M&M is reported as expecting a revenue of Rs 2.5 billion from its farm equipment

sales – tractors, combine harvesters etc. The Rajkot based Captain Tractors is quoted as planning an investment of Rs 500 crores to expand its mini-tractor and agriculture equipment division in the coming five years. Comparing all this with the last 30 years when tractorization was largely a Punjab based phenomenon we cannot escape the conclusion that across rural India a different scenario is emerging. The farm equipment market in Haryana alone is stated to be Rs 1000 crores. Many state governments have raised the subsidy for different farm equipments upto 50 per cent. The All India market, excluding tractors, is stated to be now worth Rs 4000 crores. In the north over 400 SME manufacturers are in competition. Rural India is now beyond tractors going for a whole range of farm equipments like multi-crop threshers, sadd drills, rotator bed planters, tractor mounted sprayers, potato diggers, caster threshers, sugarcane cutters and planters, to list a few.

If there is labour shortage on the farms in many parts of the country there could be many reasons for this. It could be due to rural wages going up making labour intensive farming uneconomic. Another reason could be many who were earlier doing farm work or owning small plots and also supplementing incomes from wage work, have shifted out of agriculture itself. Large scale urbanization and growth of real estate provide opportunity for owners of small farms who also alternate as farm workers to get good money by selling their land and shifting to construction and other urbanizing jobs. Yet another reason could be availability of more paying work in construction or increased opportunities for self-employment. New jobs might be opening up in rural areas as mechanization leads to increased demand for drivers, mechanics, suppliers of spare parts and farm inputs and in service economy as schools, hospitals etc. are set up under Bharat Nirman and PURA programmes. The rural teledensity has risen to 40 per cent now and that also has its economic impact by raising awareness about various opportunities in the expanding economy and the welfare programmes of governments. At any moment in most locations one or all of these factors might be at work. We examine a few more data to come to a well documented conclusion.

Rural Wage Levels

To appreciate the significance of such a fundamental change in the rural employment structure (it could have enormous economic and political consequences if the trend strengthens in the years to come) we have examined the impact of each of these items.

The rural context has to be seen with the over all picture of the growth of rural incomes in the 68th survey, if we are to explore the contribution of various inputs to the fundamental change that is unfolding now.

Growth of average MPCE in Rs at 2004-05 prices

NSS Round	Year	Rural	Urban
61 st Round	July 04-June 05	558.8	1052.1
66 th Round	July 09-June 10	599.1	1200.0
68 th Round	July 11-June 12	707.2	1359.8

In constant prices the gap in average MPCE between rural and urban people seems to be narrowing much faster than when the same data is viewed in current prices which is also a far more reflective of the real situation.

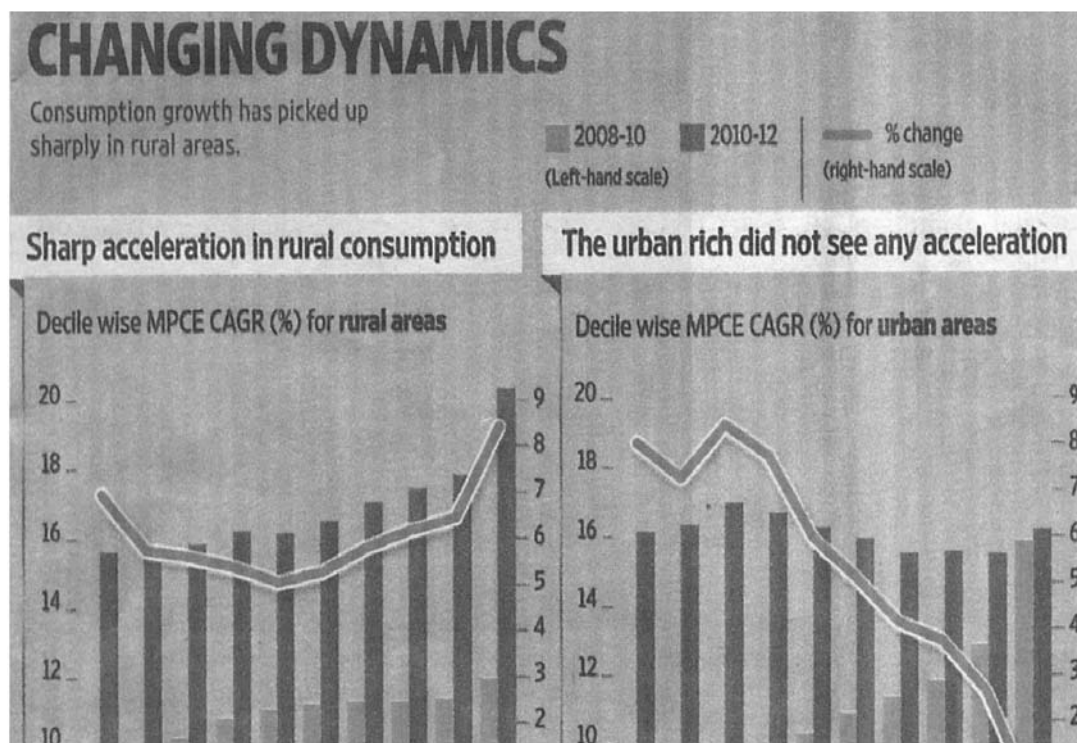
A closer view of the impact of developmental expenditures on MPCE of different deciles of the population:

Decile	Rural		Urban	
	Limit	MPCE	Limit	MPCE
1 st Decile	597.0	503.5	860.0	702.3
2 nd Decile	597-719	661.2	860-1086	977.3
3 rd Decile	719-824	770.8	1086-1235	1189.6
4 th Decile	824-922	873.8	1235-1509	1380.0
5 th Decile	922-1030	974.0	1509-1759	1630.7
(total 10 deciles)				
All India		1281.45		2401.68

(Each decile consists of 10 per cent of the target population starting from the lowest income group in ascending order).

Poorest 10 per cent of India's rural people have an average MPCE of Rs. 503.49 while in urban India it is Rs 702.26. Top 10 per cent of urban India at Rs 7651.68 is about 10.9 times that of bottom 10 per cent. In rural India at Rs. 3459.77 it is 6.9 times. In rural India: 40 per cent of population had households where MPCE was below Rs. 922; 50 per cent below Rs. 1030; 60 per cent below Rs. 1362 and 10 per cent above Rs. 2054. This is a profile that is not happy but it is far better than the earlier position and shows rising real income at lower levels though the inequality persists but it is narrower in rural India compared to urban India which is not surprising and also indicates improvement at lower deciles.

A comparative chart of MPCE at various deciles between 66th and 68th surveys



Source: www.Livemint.com, Jan 31, 2013.

Graph above shows that the growth of income was the highest in the lowest decile. At the lowest rung in the rural areas the MPCE rose from 8 per cent in 66th survey to nearly 16 per cent in the 68th. At the next decile the change was from 9 per cent to 15 per cent. The third decile the growth was from 10 to 16 per cent. At the topmost the growth was from 10 to 18 per cent. In urban areas

also the growth in MPCE is very sharp in the first four bottom deciles but almost only marginally higher at the topmost decile (could reveal a sharper narrowing of inequalities in urban but also reduction in inequalities in rural sector).

With this backdrop this study has sought to evaluate impact of daily wage rates to get an idea of how the sectoral shift in rural employment is working out. Data at various levels show considerable upward movement of rural wages—one more reason to induce farm owners to substitute machinery for labour in farm work. We also need to consider whether this upward movement of rural wages is mainly due to either the implementation of the right to employment under the Mahatma Gandhi National Rural Employment Guarantee Act's that provides legal entitlement for at least one adult in every household to unskilled /semi skilled jobs at a flat rate of Rs 100 per day, so called “push” effect or whether it is largely due to the “pull” effect of massive development expenditure and growth of the economy. It could also be due to a combination of both push and pull effects. Either way the conclusion would guide further expenditures and shift in the pattern of rural employment that the planners would wish to come true.

The growth of rural employment and wages over the last two decades has been differently commented upon by different analysts though all agree that the movement has been forward though at times it had fluctuated. In the last ten years a new element has been introduced into the rural scene with the enactment of the Mahatma Gandhi National Rural Employment Guarantee Act that entitles the rural people to a minimum of one job for each household for maximum of 100 days in a year at a wage rate of Rs 100 per day (subsequently revised). The Act was first enforced in 200 districts in 2006 but later extended to the entire country. As Union Rural Development Minister Jairam Ramesh has pointed out in a review of the implementation over 2012, “notwithstanding some initial skepticism about the practicality and viability of this initiative, six years later the basic soundness and high potential of the MGNREGA are well established. That, at any rate, is one of the main messages emerging from this extensive review of research on MGNREGA. It is also a message that comes loud and clear from the resounding popularity of MGNREGA- today about one-fourth of all rural households participate in the programme every year.”

The investment /expenditure on the programme has been enormous. Rs 1, 10,000 crores has directly gone as wage payment to rural households and 5 crore households have been provided employment every year since 2008, as per the Minister's claim. Eighty per cent of households are being paid directly through bank/post office accounts leading to 10 crore new bank/post office accounts being opened. The notified wage now varies from Rs 122 per day to Rs 191.

The introduction of this new element therefore must have had an immense impact on the pattern and level of rural employment and wages. The question has been raised by many analysts whether the economic and social investments of the five year plans have been the main generators of employment and rising wages in the rural areas or whether the MGNREGA has merely added to it and if so whether the addition has been substantial or marginal. Certain understanding of the rural employment and wages scenario is essential for further planning in the countryside and we have to disaggregate the impact of growth and the impact of the bottom up schemes like the employment guarantee programme to come to verifiable conclusions regarding future investments.

Dr. Ashok Gulati and his researchers have produced a discussion paper from the National Commission for Agricultural Prices and Costs which he heads, exploring the impact of development expenditure on rural employment and wage over a decisively long period and compared the result with the more recent data after the MGNREGA was implemented over the last eight years. His observation is that "It is interesting to note that the real farm wages increased by 3.7 per cent per annum during 1990s compared to only 2.1 per cent in 2000s. If real wages had followed the same trend of 1990s in 2000s as well, the current level of rural farm wages would have been higher than what it is today with MGNREGA. However, during the 2000s there is sort of a V shape behavior in real farm wages, declining 1.8 per cent per annum during 2000-01 to 2006-07 and then rapidly rising by 6.8 per cent per annum during 2007-08 to 2011-12, and it is this latter half that seems to be the result of MGNREGA "push" as well as strong growth's "pull".

Prof. Gulati goes on to say that “the growth of “pull” factors seem to have influenced the rise in farm wages since 1990-91 more than the “push” factor of MGNREGA.”

MGNREGA pushing up rural wages is graphically detailed in the Rural Development Ministry’s review of the programme.

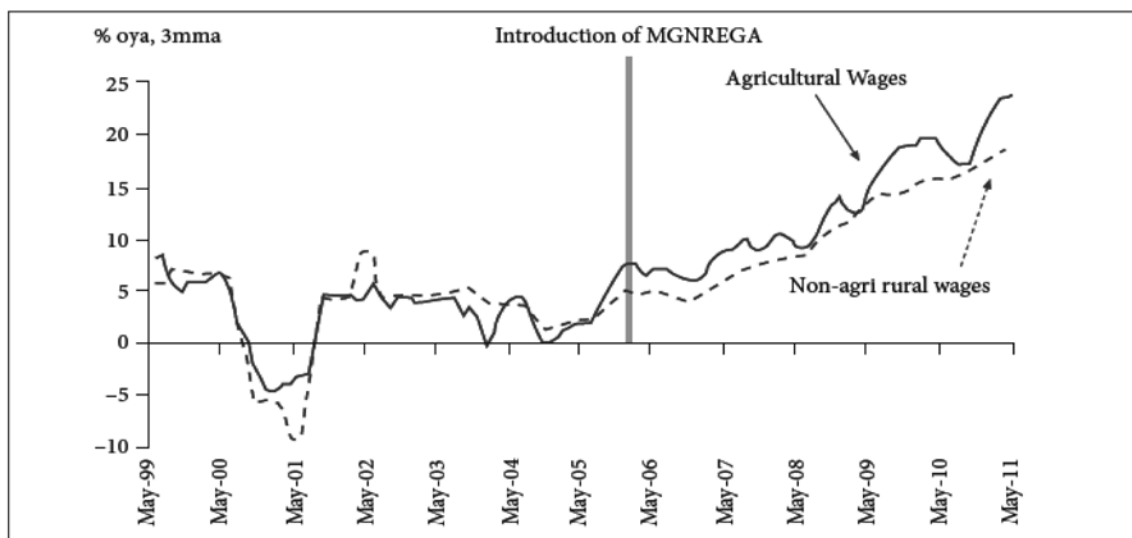
In the post MGNREGA period, average wage increased by 9.7 per cent between 2006 and 2009, and between January 2010 and May 2011, the annual nominal wage rate increased by 18.8 per cent. Since 2010, the agricultural wage rose by 20.2 per cent and non-agricultural rural wages by 16.7 per cent over a year ago.

The study based on several analysis by various researchers sought to find out whether MGNREGA notified wages had created an upward pressure in market wages. “A majority of literature supports this claim.”

Such a conclusion is eminently sensible, ASSOCHAM’s compilation of data shows for one thing, the notified wages under MGNREG after recent revision were higher than the legal minimum farm wage in 19 states; even the earlier wages were in many states higher than the legal minimum wage. Our understanding of the rural scenario has been that in many cases the legal minimum wages were earlier not being paid often as it was all at the private sector level and government machinery was slack in enforcing any minimum wage. In that context the finding that average wages had been going up post MGNREG is even more significant. The RD Ministry study says that “based on NSSO 64th round survey during agricultural year 2008-09, both male and female workers reported earnings of an average of Rs. 79 per day for work under the Act. These earnings are 12 per cent higher than average daily earnings for casual workers. Data put together by the Ministry of Statistics and Programme Implementation points to a “significant structural break” in rural wage structures after MGNREG was implemented. Between 1999 and 2005 pre-MGNREGA nominal wages in the rural economy “grew at an average annual rate of 2.7 per cent over a year”, after the Act was enforced the increase quadrupled to 9.7 per cent between 2006

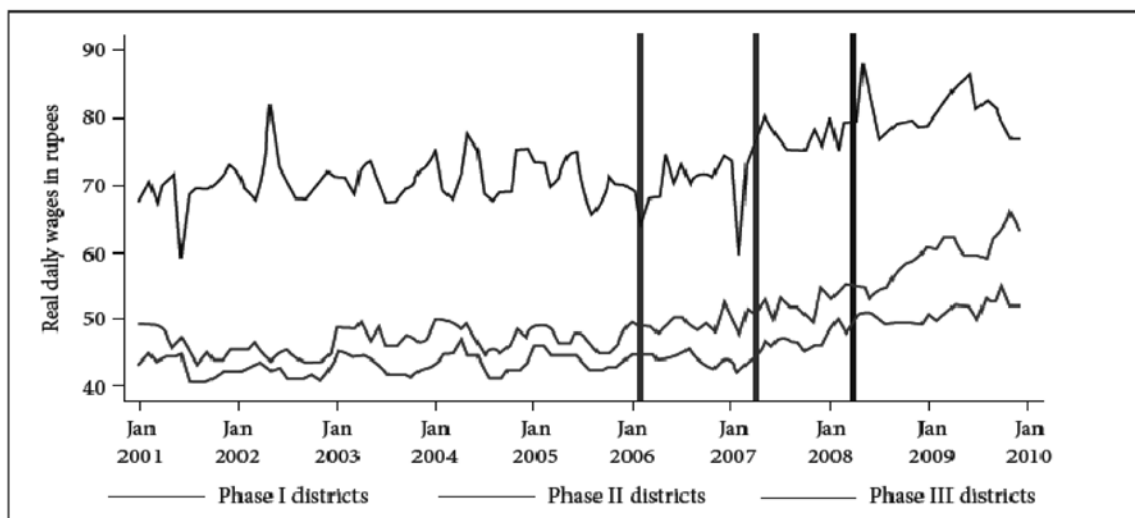
and 2009. Subsequent two years saw growth averaging 18.8 per cent. The fact that agricultural wage rose 20.2 per cent over the year while non-farm wages rose only by 16.7 per cent, again strengthens the claim advanced on behalf of the job entitlement programme.

NOMINAL RURAL WAGE GROWTH- POST MGNREGA



Source: JP Morgan, 'Wages in Rural India Accelerated Sharply Post NREGA', 2011.

REAL WAGE GROWTH - POST MGNREGA



Note: The figure shows real daily field labour wages in January 2000 prices. The rates are averaged across the field labour sub-categories across men and women and across all districts in each phase. The vertical lines show the line of introduction of MGNREGA in each phase. Monthly observations.

Source: Berg, Bhattacharyya, Durg and Ramachandra, *Can Rural Public Works Affect Agriculture Wages*, 2012.

However, these claims have not gone unchallenged. Relationship between growth figures of state level GDP in different sectors and rural wages shows that 10 per cent increase in GSDP (overall), GSDP (agriculture) and GSDP (construction) leads to 2.4, 2.1 and 2.8 per cent increase in rural farm wages. There are also different variables in this relationship between different states. Growth variables are found to be “highly significant” all over the country but MGNREGA is significant (in terms of impact) in Andhra Pradesh, Assam, MP, Punjab, Rajasthan, TN and West Bengal. The RD Ministry publication on MGNREGA has quoted from a wealth of research papers both on the benefits of the scheme as well as the veracity of its claim as a means of enhancing rural wages all round. It is almost axiomatic that where the participation of rural low income households in the scheme is low as in Punjab where there is only 5 per cent demand jobs under it, the impact on rural wages would also be minimal. However, we must take into consideration the fact that this is a demand driven scheme and if the demand for jobs is very low it means that the level of employment for casual or regular agricultural labour is very high. Punjab agriculture attracts a large number of migrant workers from Bihar and eastern UP, Orissa etc., and regular wages are high enough to keep this migration active during the specific seasons. It is the same situation in Kerala where the farm wages are already very high at Rs 300 to Rs 500 per day and some 25 lakh migrant workers from other states crowd in there (see Indian Express, 21 February 2013), therefore with high rural wages 9.80 per cent getting Rs 500 a day, 35.53 per cent between Rs 300 to Rs 400 per day, Kerala is an exception to the general rule of rural wage. But there can be no more any doubt that rural wages have been going up all over and MGNREGA where government bodies offer employment at a wage higher than existing minimum wage does act as a trigger for higher rural wages throughout. That often the full wage is not paid or not paid in time, could dampen enthusiasm for the scheme among the low income, low wage labour. On examining the CAG report on the scheme, we found that the faults in implementation pointed out in the report included delayed payment and payment below notified wages, “significant inefficiencies in implementation of annual plans” (CAG noted that only 30 per cent of the plans were completed in the time frame set). However,

the impact of the scheme noted by the CAG was largely beneficial “Sixty-three per cent of the beneficiaries responded that the MGNREGS had helped them avoid migration in search of work. In addition, 53 per cent of the beneficiaries also felt that MGNREGS helped them doing works which they did not want to,” according to the CAG report. Much more significant is the fact that CAG noted that about 71 per cent of respondents felt that useful assets had been created in their villages, though this was not the case uniformly in all the states. What is even more significant was that it was in the smaller states like Haryana, HP, Kerala, Meghalaya, Mizoram, Nagaland, Tripura and Andaman and Nicobar islands “over 90 per cent of the beneficiaries felt that the MGNREGS helped them in a significant way.” In some of the bigger states, less than 50 per cent were prepared to endorse the benefit of the scheme. At the same time 75 per cent felt there was no improvement in family income or it was only marginal. Our research however shows that the reason for the last item was because the scheme is only a booster and a balancer and not meant to add to family income substantially. It raises the bargaining power of rural labour and also acts as a baseline to fall back in times of extreme distress. This situation we believe could change and the scheme could become a matter of greater benefit as recently wage rates have been raised and several new developmental and asset creation plans have been added as job creators within the scheme. The RD Ministry has claimed that it acted as a “self-targeting programme” (Page 12 of the review) “with high participation from marginalized groups including the SCs and STs,” which we consider as an unexpected bonus to the societal change.

How far has the scheme strengthened the bargaining power of rural labour and thereby raised farm wages (and consequently wages in other rural jobs also) is illustrated by the fact that in Godavari delta of Andhra Pradesh a farm labourer costs upto Rs 400 per day during peak season, it was only Rs 100 six years ago. That over 14 million people have moved out of farming jobs is a commendable result of the scheme. This was the result of higher rural wages and consequently incomes creating demand for a variety of goods and increasing demand for consumption items apart from food grains. The NSSO survey 68th round shows that higher incomes have enabled rural families in lower deciles to reduce

expenditure on food to 50 per cent or still lower and release more money to buy more nutritious food items.

The further good news from MGNREG is that it has had a visible impact in reducing distress migration. The RD Ministry review quotes specific instances of sharply reduced migration in widely different areas like Bastar in MP, Anantapur in Andhra, Sidhi in MP and other places. Most of those who were affected said they got now work nearer home due to MGNREG and so could avoid distress migration.

Finally where we found rural wages were generally below Rs 100, the 68th round of survey could report a general improvement:

All India: average Rs 396 per day: Rural Rs 299, urban Rs 450.

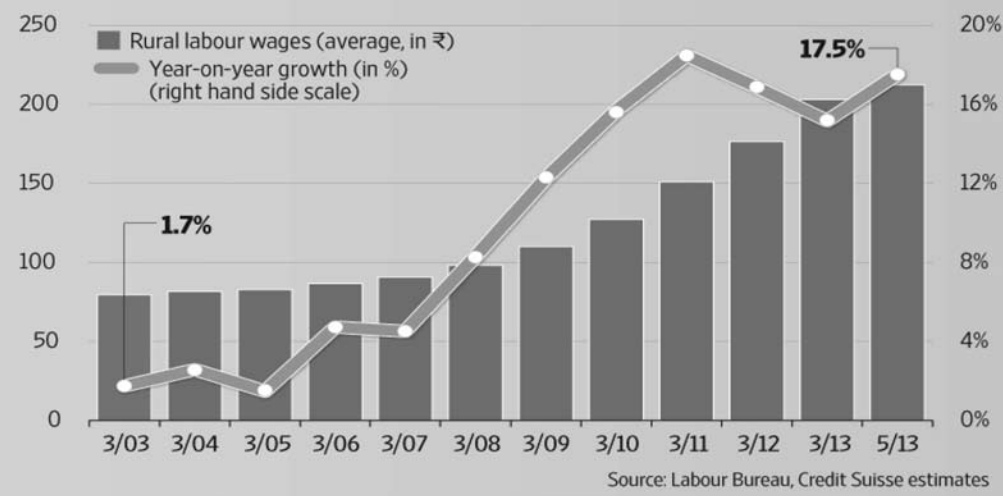
Rural	Male	Female
➤ Regular work	322	202
➤ Casual work	149	103
Casual in public		
➤ Works other than MGNREG	127	111
➤ Wages in MGNREG work	112	102

(Rupees per day of work)

Ever since 2009, indications of rising rural wages have been coming from different sources. In addition to what has been reported in a large number of research papers about the impact of MGNREG, Labour Bureau data provided in a recent report by Credit Suisse also supports the rise in rural wages since 2009.

UPWARD TRAJECTORY

Rural wage growth has been strong and rising every year since fiscal year 2009.



Source: <http://www.livemint.com/Money/vuMM5x6w7OvhM3zwaW6f4K/Rural-wage-growth-comes-as-a-silver-lining.html>

Year on year rural wage growth has zoomed from 1.7 per cent to 17.5 per cent in the 13 quarters from 2009. This has happened in the context of a general declaration of the economy. Indisputably it is a confirmation of the green shoots growing in the rural economy, for long considered as unchanging and stagnant.

Based on the Credit Suisse report, business daily Mint (28th August 2013) said that “analyst views and company management discussion reports after the recent June quarter results pointed to greater rural growth compared with cities and towns. Car maker Maruti Suzuki India Limited reported 30 per cent of its sales coming from rural areas now compared to just 5 per cent in 2007. This could rise further due to the good monsoon rains in 2013. What the incursion of FMCG into rural areas does is that it widens and shifts employment opportunities. More cars means more mechanics, petrol pump attendants service centres, even tyre puncture attendants etc. It induces a shift in employment that we already are seeing as a work in progress in rural India, drawing people away from farm labour and raising incomes.

CONCLUSION & SUGGETIONS

Our study has revealed that the rural employment pattern has undergone significant change and these changes are likely to continue in future as they are driven by high level of public and private investment in rural areas and also trickle down impact of investments in urban areas, particularly in construction works apart from improvement in agriculture itself. Large numbers of women have opted out of work in rural areas seeking to improve their education and skill levels or due to better household incomes. These changes are reducing the number of people working on farms thereby reducing dependence on incomes from farm work. For the first time the percentage of people depending on agriculture has come down from 60 ten years ago to 49 in 2012 with more and more people even in rural areas working on construction or infrastructure jobs or taking up casual employment. Rural wages on the whole have gone up and increasingly mechanization is spreading in rural areas for farm work. Post 2006, MGNREG has played a significant role in raising rural wages and changing the pattern of consumption expenditure in rural households. Mechanization of farm operations has begun to take off and demand for agri-machinery, apart from tractors is rising significantly across the country. It has created demand for skilled workers like drivers, mechanics, service personnel, maintenance artisans, electricians, plumbers, etc. More people are going for self-employment more specially women workers. Gender wise also there is a shift in women asking for low skilled farm jobs, they are moving over for other service jobs and also becoming self-employed with government supported schemes like promotion of Self-Help Groups. MGNREG is acting to trigger off some of these changes and enabling workers to improve their bargaining power for better wages.

Rise of semi-urban centres

In considering changes in rural employment we have to note the increasing urbanisation of the country, from about 5000 towns over a decade the number of urban centres has grown to 8,000. Of these almost half are what are known as

census towns which have a semirural and semi urban character. We believe this will impact rural employment as such census towns offer more urban like services and manufacturing and construction jobs which villagers could access easily. We should also build into this the rapid availability of fibre based Internet access as government scheme to connect all panchayat centres with a countrywide network in three years kicks in. The urbanization of more rural areas would also encourage trade and attract villagers to take to setting up small shops like grocery selling, tea shops, service centres for products from cities, workshops for automobile products etc. More kirana shops are coming up as retail sales boom. Nearer an urban centre like a census town, greater is the pull on the nearby villages for urbanlike jobs, lifestyle and consequent changes in attitudes and work practices, breaking down old prejudices. This is a new start in the countryside and its impact is expected to rise as the urbanization intensifies in the years from now on.

ASSOCHAM therefore suggests that the Government must continue to emphasize employment entitlement scheme under MGNREG and push for greater mechanization of farm operations. It must encourage the shifting of farm labour to other vocations including self-employment and training to acquire semi-skilled or skilled qualifications. This is possible only through a vigorous implementation of skill development agenda of the UPA-II. For this the Government should ask a large number of SME establishments coming up to provide apprenticeships and stipend and learn to be a permanent worker or self-employed artisan. The next 10 years must see proportion of people employed in rural farm jobs diminish and those in manufacturing and services improve. For this, Government must get private sector to involve itself more and more.

The positive data about rise in rural farm and other wages has a social effect also. It is the people at the bottom of the pyramid who work in the farms as casual labour; they are also in our social context people at the bottom of the caste hierarchy. The double benefit of higher wages and opening up of many new employments as artisans creates both an income ‘push effect” and a social “push effect”. The change that is unfolding now has both an economic and

social dimension in rural India. Of lately it has been seen that several leading banks, mostly private banks are planning to move to rural areas whereas some of the private enterprises have already made the move.

Innovating on micro and medium lending to capture rural business, HDFC Bank that added 150 branches in rural India in this fiscal, is planning to take its total rural branches to 400 by adding another 72. Each branch works as a hub covering nearby villages, its target 10 million households. ICICI bank has doubled its rural branches to 650 in 15 months, and claims to have about half-a-million women customers aided through self-helps groups. There are several other private banks like Axis Bank and Yes Bank that are pushing into rural areas. Such financial inclusion by micro enterprises in rural areas helps in pushing the ongoing employment shift away from farm work into new areas, in addition to their lending to farm operations and allied activities like cattle rearing, poultry, forestry etc.

As the ITC's experience in intervening rural agricultural market through Internet based price information, procurement and creating pipelines between the farmer and the rest of the economy has demonstrated, corporate interest and involvement in rural economy must be encouraged. ASSOCHAM also suggests rising levels of public investment in rural infrastructure, education and skill development with the Government helping it through suitable set-offs. ASSOCHAM views the recent developments in rural employment as an opportunity that should be encouraged. Especially, the shift away from the dependence on farm jobs towards acquiring other skills and engaging in self-employment, trade and services. In the next decade, we would watch rural India undergo a transformation by and large in most parts of the country and self-employment emerge as a preferred job. The development would also help intensify financial inclusion in rural areas and contribute to national growth. Naturally this promotes breaking down of traditional attitudes and leads the society towards greater democratization.

★★★

THE KNOWLEDGE CHAMBER

Evolution of Value Creator ASSOCHAM initiated its endeavor of value creation for Indian industry in 1920. It has witnessed upswings as well as upheaval of Indian Economy and contributed significantly by playing a catalytic role in shaping up the Trade, Commerce and Industrial environment of the country. The Chamber has 300 Chambers as members and represent over 4, 00,000 large, medium and small scale industrial units.

ASSOCHAM derives its strength from the following Promoter Chambers: Bombay Chamber of Commerce and Industry, Mumbai; Cochin Chamber of Commerce and Industry, Cochin; Indian Merchant's Chamber, Mumbai; The Madras Chamber of Commerce and Industry, Chennai; PHD Chamber of Commerce and Industry, New Delhi.

VISION

Empower Indian enterprise by inculcating knowledge that will be the catalyst of growth in the barrier less technology driven global market and help them upscale, align and emerge as formidable player in respective business segment

MISSION

As representative organ of Corporate India, ASSOCHAM articulates the genuine, legitimate needs and interests of its members. Its mission is to impact the policy and legislative environment so as to foster balanced economic industrial and social development. We believe education, health, agriculture and environment to be the critical success factors.

GOALS

To ensure that the voice and concerns of ASSOCHAM are taken note of by policy makers and legislators. To be proactive on policy initiatives those are in consonance with our mission. To strengthen the network of relationships of national and international levels/forums. To develop learning organization, sensitive to the development needs and concerns of its members. To broad-base membership. Knowledge sets the pace for growth by exceeding the expectation, and blends the wisdom of the old with the needs of the present.

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