

Changing dynamics of employment in rural west Bengal: during post reform period

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ABSTRACT: This paper attempts to understand employment diversifications process in rural west-Bengal. Rural household diversify its activities by increasing the number of workers in the household or by the participation of each member in more than one economic activity. The correlates of employment in the non-farm sector have also been examined. This paper reveals that employment growth in the rural non farms was probably a response to the income crisis. Under conditions of distress, when income levels fall below sustenance, then the normally non-working population is forced to enter the labour market to additional household income. The study is based on rural data of different NSSO rounds i.e 50th, 55th, 61st, 66th. On the basis of multivariate analyses at two levels, this study concludes that though non-farm employment in rural areas is primarily distress-driven, there are some significant entry barriers for rural workers in the nonfarm sector in terms of education, age and gender.

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I. INTRODUCTION:

In the era of post reform period Indian agrarian economy is continuously shifting its path of development. Traditionally rural household is excessively rely on agriculture for their survivals in form of employment and income. While theories of development advocate traditional labour surplus agriculture sector moves to modern sector by labour exhaustion from agriculture (Lewis, 1950). With the course of time the structure of rural sector transforms and muted into a new form (Mellor 1976; Saith 1991; Ranis and Stewart 1993; Unni 1996, Bangasser 2000; Lanjouw and Lanjouw 2001). The relationship between rural labour and other developing countries India experienced with the emergence of rural non-farm sector. Where rural labour was stuck between traditional and industrial sector in the course of development.

Rural non-farm economy, in recent times, is considered as an effectual strategy for decentralization of economic activities to rural India. The Economic Census of India estimates that around 41.89 million rural people are employed in non-agricultural establishments which registered a growth rate of 4.56 % during 1998-2005. However, the sector has been contending with a number of factors like inadequate rural infrastructure, particularly roads, electricity and communication facilities, lack of sufficient skilled labour and adequate access to credit, information and training facilities etc. The present study investigates the strengths and weaknesses of the rural-non-farm-sector of India analyzing the structure and growth of rural-non-farm-sector and its trends towards employment and income generation to arrive at certain inferences like formulation of possible approaches with a view to promote rural-non-farm-sector self-sustaining in the changing competitive environment.

II. REVIEW OF LITERATURE:

Since the early 1970s there has been attention to the significance of the non-farm sector in the rural Indian economy. The linkages literature launched by John Mellor in the early 1970s originated with reference to the rural Indian economy, and has emphasized the intimate relationship between the agricultural and non-agricultural sectors in rural areas (see for example Mellor and Lele, 1972 and Mellor 1976). As a result of emerging green revolution technologies, Mellor saw a virtuous cycle emerging whereby increases in agricultural productivity and thus the incomes of farmers would be magnified by multiple linkages with the nonfarm sector. These were production linkages, both backward, via the demand of agriculturalists for inputs such as plows, engines and tools, and forward via the need to process many agricultural goods, e.g. spinning, milling, canning. Consumption linkages were also thought to be important: as agricultural income rose, it would feed primarily into an increased demand for goods and services produced in nearby villages and towns.

Furthermore there were potential linkages through the supply of labor and capital. With increased productivity in agriculture either labor is released or wages go up. And the new agricultural surplus would be a source of investment funds for the nonfarm sector. To complete the cycle, growth in the nonfarm sector was expected to stimulate still further growth in agricultural productivity via lower input costs (backward linkages),

profits invested back into agriculture, and technological change. Thus growth in the two sectors would be mutually reinforcing with employment and incomes increasing in a dispersed pattern.

Hazell and Haggblade (1990) use state and district level Indian data to look at the relationship between rural non-farm income and total agricultural income interacted with factors thought to influence the magnitude of the multiplier: infrastructure, rural population density, per capita income in agriculture and irrigation. The estimations were done for rural areas, rural towns (urban < 100,000), and the combined area. They calculate that on average a 100 rupee increase in agricultural income is associated with a 64 rupee increase in rural non-farm income, with 25 rupees in rural areas and 39 in rural towns. Vaidyanathan (1983) estimated a regression of the importance of non-agricultural employment in total employment on farming income, its distribution, the importance of cash crops and the unemployment rate, using several state-level data sets for India. In all cases he found a strongly significant, positive relationship between unemployment and the importance of non-farm employment. Where agriculture was unable to provide widespread employment, the non-farm sector played an important role in picking up part of the slack. The incidence of non-farm employment was also found to be positively associated with both higher farm incomes and a more equal distribution, pointing to consumption linkages. Average daily wage rates in non-agriculture are found to be highest in states with high agricultural daily wages, as expected, a relationship which is confirmed in the more disaggregated district level study of Hazell and Haggblade (1990). Overall, wage rates in the rural non-farm sector were found to be higher than the agricultural wage, indicating that nonfarm activities are not mainly low productivity; residual activities in rural

Unni viewed the process of diversification into two different levels –a. macro level i.e, the regional levels and b. micro level i.e, individuals or household levels. She had classified the literature into these two broad areas, where according to her a vast portion of studies explains the relationship between various macro indicators such as agricultural development, urbanization, poverty and unemployment and proportion of agricultural employment at aggregate levels. Besides this other would explain dynamic associations of growth of non-agricultural employment over two time periods with changes in various macro indicators. These would elucidate whether the growth of non-agricultural employment at macro level was growth led or distress induced.

To recognize the reason behind and the process by which an individual or household diversifies its economic activities of engaged in non-agricultural activities, these was done only by viewing these from micro level. Unni identifies households as the basic decision making unit for the distribution of family labour between various economic and non-economic activities. While discussing it from these perspectives she recognized following reason for diversification i.e, 1. “Diversification can occur from a position of strength as a process of investment of surplus generated from the primary, agriculture of non-agriculture” (these may be regards as production risk reduction strategy) and “multiple economic activities can also occur from a position of vulnerability and used as a house hold strategy of survival.”

III. METHODOLOGY:

This paper is based on secondary source of information. NSSO reports on employment and Unemployment situation. Data from four quinquennial rounds. i, e, 50th, 55th and 61st and 66th and available information at the time of writing. This study includes employment and unemployment only for rural worker usually employed in non-farm economic activities.

Objectives of study:

On the basis of above arguments this paper attempt to answer following objectives...

1. Examine the nature of employment diversification in rural west bengal...
2. Determine the relationship between employment diversification and gender .

Analysis:

National trends of agrarian structure:

The labour force participation rate (LEPR) is the key concept we used to first to explain the changing employment status. The LEPR is the percentage of working population and unemployed people (seeking work) and can be an indicator of well being as it provides an idea of economically active population. There was a partial recovery of participation rate in the 2000s from its initial downfall during 1990s.

	1993-94	1999-2000	2004-2005	2009-2010
Rural Male	56.1	54	55.5	55.6
Rural Female	33	30.2	33.3	26.5
Urban Male	54.3	54.2	57	55.9
Urban Female	16.5	14.7	17.8	14.6

Labour Force Participation Rate (LEPR): India

above table shows that the RLEPR for both male and female declined from 56.1% to 54% for male and from 33% to 30.2% for female. In the next five year period 1999-00 to 2004-05 there was an obvious

recovery in RLEPR from 54% to 55.5% for male and from 30.2% to 33.3% for female. But the RLEPR at 2004-05 for male remained below the 1993-94 level and the same almost remained stagnant for female for the same period. The story remains for urban areas as well. The urban labour force participation rate decreased marginally both for male and female population between 1993-94 and 1999-2000. During 2004-05 the ULEPR both for male and female increased substantially from 14.7% to 17.8% for female. The 66th NSSO data show that the recovery is lone for female both in rural and urban areas. LEPR showed increasing trend for only urban male with some oscillation in the rate of participation but remaining constant for rural male. Therefore the trend of RLEPR overtime is a broad indication of worsening of participation of the female in particular during twenties. Based on 1999-00 NSSO data in comparison with that of 1993-94 the protagonists of economic reforms argued that the decline in LEPR is an otherwise welcome tendency as age specific LEPR indicates a decline in labour force participation for younger (school going) and old age group people. These scholars explained this trained by withdrawal hypothesis (chadha and sahu 2002), which states that with the higher level of development population belong to school going age group and old age group withdraw their participation from labour force. There claim has been substantiated by a decline in the age specific worker participation rate or WPR (both principle and subsidiary status) for all categories of younger age and old age groups in 1999-00 in comparison to 1993-94. This is no doubt an indication of great achievement. Yet the withdrawal hypothesis is not sustained in true sense considering other age groups and at least for female workers is concerned. This point will be clear by analyzing the secondary data on worker participation (WPR) over the entire period we have taken this study.

Participation rate increased for male both in rural and urban areas over the entire period although rate of participation for rural male was lower in 2009-10 than what was achieved in 1993-94. There was a decline in participation for female both in rural and urban areas over the entire period and over the entire reform period. There is a clear tendency of gender discrimination in employment structure.

Considering WPR for the potential working age group 30-59 years the observations are (1) decline in WPR for rural female, urban male and female during nineties. WPR remains constant for rural male during the same period. (2) In the next period (1999-2000 to 2004-05) WPR shows an increase for rural and urban female but remain stagnant for both rural and urban male. (3) Participation increased for male both rural and urban in the next period between 2004-05 and 2009-10 but there is massive decline work participation by female both in rural and urban areas. For rural male the WPR level in 2009-10 is higher than 1993-94 level but for urban male WPR remains constant at 1993-94 level. For rural female the decline was from 59.82% to 47.07% during 2004-05 to 2009-10 and for urban female the decline was from 29% to 24% for the same period. The WPR levels at 2009-10 for rural and urban female for working age group were indeed lower than 1993-94. Therefore it cannot be established that participation increased particularly for female in India during the liberal regime. There is clear gender discrimination in opportunities of work.

It is already has been welcomed that WPR for old age people has declined during nineties. However the 61st round data show that there is sudden increase in participation in the old age group (60 and above) for all categories. WPR for rural male in the age group 60 years and above increased from 63.9% in 1999-00 to 64.4% in 2004-05 and remains constant in 2009-10. The most striking point is that WPR for rural female work force above 60 years increased sharply from 21.8% in 1999-2000 to 25.3% in 2004-05 but declines in 2009-10 yet the latter was even higher than that achieved in 1999-00. This tendency refutes the withdrawal hypothesis syndrome in particular female is concerned. Nevertheless decline in participation for old people is observed for both urban male and female with some oscillation during second reform period.

since the experience of developed countries thought us that household dependency of agriculture would gradually fade away and income sharer from agriculture due to the course of development as increase of per capita income. (Kuznets, 1966). But Indian economy witnessed a contrasting result, as the per capita income from agriculture had significantly declined in addition with a Sharpe decline in the share of household dependency on agriculture.

Table :1:Distribution of rural household according to household type.

NSSO rounds	self employed		Labour		other
	agriculture	Non agriculture	Agriculture	other	
50th	37.8	12.7	30.3	8	11.2
55th	32.7	13.4	32.2	8	13.7
61th	35.9	15.8	25.8	10.9	11.6
66st	31.9	15.5	25.6	14.8	11.2

Source: Unit level data of different Rounds of NSSO on employment and Unemployment Situation in india.

Table 1 reveals that during 2009-10(66th round), members of about 47 per cent of the rural households had recourse to self-employment. They constituted nearly 52 per cent of the rural population. Another 39 per cent of the rural population belonged to rural labour households. Such households constituted 40 per cent of all rural households. in rural areas, the proportion of households depending on self-employment had increased by 6 percentage points between 1999-2000(55th round) and 2004-05(61st round), there has been a decrease in the proportion by 5 percentage points between 2004-05 and 2009-10..

Over the period of 1991 to 2002(i, e, 48th and 59th round NSSO) a declining trend in farm dependency had been observed. According to the table 1 share of household relying on farm sector has fallen from (state) which is 6.2% at all India level during this said period2: Taxonomy of Rural Non-Farm sector:

The structural composition of rural work force followed a change in its course across the time with a high intensity in favour of the non farm economic activities. Thus it is becoming essential to consider the composition of the non farm sector at all India level before discussing later sections of this paper. An analysis of different rounds of NSSO reveals that

Nssorounds	usual status (ps)						usual status (ps+ss)					
	self-employed		regular/wage salaried employee		casual labour		self-employed		regular/wage salaried employee		casual labour	
	male	female	male	fem ale	male	female	male	female	mal e	fema le	male	femal e
66 th (2009-10)	530	503	87	55	383	442	535	557	85	44	380	399
61 st (2004-05)	576	564	91	48	333	389	581	637	90	37	329	326
55 th (1999-00)	544	500	90	39	366	461	550	573	88	31	362	396
50 th (1993-94)	567	513	87	34	346	453	577	586	85	27	338	387

Source: Unit level data of different Rounds of NSSO on employment and Unemployment Situation in india.

An overview of West Bengal:

West Bengal shows the same trends. The total number of establishment was 59.06 lakhs (6th economic census) with a positive change of 41.36 percentage during 2005-2013. In 2011 population census expose that 94 percentage of its area comes into rural and remaining 6 percentages is under urban area. Now the distribution of establishment has shown 42percentage situated in rural areas and 58 percentages in urban. It is worth to mention that urban areas are attracting more number of establishments with a percentage of 74.01 than as compared to rural (24.48%) between 2005 to 2013. If we classify establishment according to broad categories then 89% of it is categorized as non- agricultural establishment and 11% is followed in agricultural. (table-1)

share of establishment by structure and by location			
Type of establishment	% of establishment outside of HH with fixed structure	% of establishment in side of HH	%of establishment outside of HH without fixed structure
Agricultural activities	38.87	14.96	18.53
Non-Agricultural activities	46.65	8.50	24.14
Rural	44.4	33.17	22.40
Urban	47.7	27.14	25.11

Source: 6th economics census report (Author calculation)

The data suggests that establishments operating outside of household premises with fixed structure are much higher in non agricultural activities 46.65% as compared to agricultural activities. Urban locations are marginally preferred in such kind of establishments with percentage of 44.4% for rural and 47.7 percentage for urban. The total number of 13.90 lakhs of establishments is functioning in outside of household without any fixed structure. Majority of it are non –agricultural activities (24.14%). once again urban areas are the preferred location of operation. But this is not the same in case of establishments operating inside of household, where agricultural activities dominates in this case (14.96%) and rural areas are more suitable for this particular type of establishments (33.17%).

Distribution of establishments by types of establishment						
Rural			urban			
Type	Without hired worker	At least one hired worker	all	Without hired worker	At least one hired worker	all
Agricultural	92.22	79.77	91.49	7.78	20.23	8.51
Non-agricultural	58.51	37.98	54.01	41.49	62.02	45.99
All	62.79	39.28	58.05	37.21	60.72	41.95

Share of establishments across various Economic Census				
Type of establishments	4 th EC	5 th EC	6 th EC	Percentage change 2005-2013
Own account	71.75	65.68	79.83	70.71
With at least one hired worker	28.25	34.32	20.17	-17.45

As we concentrate on location wise details of these establishments at state level data there is a prominent representation of own account in rural areas (62.79%) and remaining 37.21% in urban location. Though this own account establishment primarily in rural areas are agricultural activities (92.22%) but there is a significance presence of non- agricultural activities too (58.51%). The number of 17.54 lakhs of establishments are situated in urban areas and most of it non agricultural activities (41.49 %). More hired worker are associated with non-agricultural activities in urban areas, since 60.72 percentage of establishments are operating with at least one hired worker in urban areas. Significantly 6% of west Bengal areas are under urban but 41.95 percentages of establishments are working, on the other hand rural areas constituted remaining 58.05 percentages of establishments.

Non- agricultural employment :

Performance of employment growth in the state has been gloomy and rural area in particular witnessed a low growth of employment generation over the years. The overall farm/ agricultural activities employment growth, compounded annual growth rate (CAGR) was 9.03 during 2005-2013 has turned out to be much less than non-farm or non- agricultural sector employment i.e, 12.86. In rural areas of west bengal too non-farm employment performed much better than agricultural sector. Farm sector has shown a downtrend (2.77) and lower than non-farm sector (7.17) growth. Employment in rural area recorded 1.43 percent growth rate and urban area constituting 4.27 annual growth rates.

		CAGR	Percentage change Between 2005-2013
Rural	No. of establishment	2.77	24.48
	Employments	1.43	12.01
	Employment in Farm	9.03	99.68
	Employment in Non-Farm	0.20	11.19
Urban	No. of establishment	7.17	74.01
	Employments	4.27	39.70
	Employment in Farm	12.86	163.20
	Employment in Non-Farm	3.22	28.22
Combined	No. of establishment	4.42	41.35
	Employments	2.73	24.09

Source : economic census report (2013)

One of the distinct features of rural non-farm employment is highly gender biased while males predominantly dominated the non-farm occupations; females have much lower share in this particular sector. Principle status of various rounds of NSSO justified this bitter truth of employments scenarios of Indian labour force. Though females dominates employment share in farm activities from 50th to 66th rounds but this results is not followed in non-farm sector.

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Industry division	NSSO round (survey period)		rural male		rural female	
			Principle status	all	Principle status	all
agriculture	66 th	(2009-10)	625	628	789	794
	61 st	(2004-05)	662	665	814	833
	55 th	(1999-00)	712	714	841	854
	50 th	(1993-94)	737	741	847	862
non agriculture	66 th	(2009-10)	375	371	212	206
	61 st	(2004-05)	338	335	184	168
	55 th	(1999-00)	287	287	160	148
	50 th	(1993-94)	261	259	154	139

Source: Unit level data of different Rounds of NSSO on employment and Unemployment Situation in india.

Distribution of employment in type of establishments						
Type of establishments	Rural			Urban		
	Total	Male	Female	Total	Male	Female
Own Account	53.42		57.88	46.58		42.12
With at least one hired worker	37.11		51.35	62.89		48.65
All	47.45		55.86	52.55		44.14

Sub sector:

Rural employment growth in west Bengal is 2.16 during 2005-2013. However, few of it shown better performance in terms of employment. Manufacturing , retail trade(except motor vehicle), construction, whole sale trade, transportation and storage, accommodation and food service activities , education, finance and insurance service, administration and support service activities have registered a fairly reasonable growth. In rural areas retail trade and manufacturing sector dominates in providing employment in own account type of establishments. Manufacturing is alone accounted 35.91 percent employment followed by retail trade 33.90 percent. In urban areas situation are reversed manufacturing sector provide only 26.23 percent of employment in own account type but largest employment is offered by retail sector with 36.20 percent. It is significant to note that though education sector offered only 8.65 percent of employment in rural areas but it provide second highest employment in hired worker category (20.99 percent) followed by manufacturing sector(33.93 percent) and retail trade after that (15.21 percent). Whereas, non-farm activities such as mining and quarrying, electricity, gas, steam and air conditioning supply, water supply, sewerage, waste management activities were found to be less important in terms of employment in the west Bengal where there share is too small.

Distribution employment in non agricultural sector and type of establishments						
Type of Estb	rural			urban		
	Own Accounts	At least one Hired worker	total	Own Accounts	At least one Hired worker	total
Mining and quarrying	0.08	0.49	0.23	0.06	0.39	0.25
Manufacturing	35.51	33.93	34.93	26.23	35.85	31.87
Electricity , gas, steam and air supply	0.08	0.84	0.36	0.07	0.43	0.28
Water supply ,sewerage, waste management	0.31	0.30	0.31	0.13	0.22	0.18
Construction	2.23	2.76	2.42	2.88	2.37	2.58
Whole sale trade, repair of motor vehicle and cycle	0.53	1.03	0.71	0.74	2.00	1.48
Whole sale trade (not include in above)	2.82	3.45	3.05	1.77	3.63	2.86
Retail trade	33.90	15.21	27.00	36.20	22.15	27.96
Transportation and storage	6.68	3.68	5.57	8.68	3.66	5.73
Accommodation and food service	4.93	3.69	4.47	5.52	5.40	5.45
Information and communication	0.29	0.55	0.38	0.71	1.94	1.43
Financial and	0.96	1.49	1.45	1.03	2.33	1.79

insurance						
Real estate activities	0.15	0.16	0.15	0.96	0.48	0.68
Professional and scientific and technical	0.35	0.35	0.35	0.86	1.07	0.99
Administration and support service	0.69	1.38	0.95	0.93	2.78	2.01
Education	1.42	20.99	8.65	3.20	6.55	5.14
Human health and social activities	1.42	4.12	2.42	1.21	3.81	2.73
Arts entertainment and amusement and recreation	0.63	0.51	0.59	0.83	0.44	0.60
Others	7.01	5.08	6.30	8.00	4.56	5.98

Source: economic census report

IV. CONCLUSION :

Apparently all the tendencies related to work participation rate, casualization, and diversification are welcome. In the second part of the reform period we have observed an apparent phenomenon of de-casualization, a steep increase in self employment re-diversification in terms of increase in non-agricultural employment. Both the LFPR and WPR increased in this phase. But these tendencies are also accompanied growth (better to say agrarian crisis) even below the population growth rate, a decline in agricultural investment and a decline in agricultural wage (Jha 2007, Himansu 2005). Therefore the so called welcome tendencies have not been substantiated by any development of remunerative or productive employment. The country wise deep agrarian crisis followed by a decline in agricultural investment had led to a push back of agricultural labourer and they had no option but to opt low paid/non-remunerative non agricultural employment. Therefore the process is not a story about re-peseantisation or agricultural led-development. Rather it is nothing but a story of helplessness and desperation on the part of the population who are compelled to join over the non-agricultural 'job'. Since there is no job available at non-agricultural sector they again have no other option but to promote themselves into self-employed (and 'became his own boss') in a hand to mouth situation. Particularly when there was a decline in wage employment programme (say IRDP), how is it possible that the non-agricultural employment would rise?

The distress of the rural work force no doubt registered an increase during the reform period. But the distress was by and large feminized, as we have seen that the female participation increased but the increase was more for the old age group.

Occupation wise distribution reveals that the proportion of 'domestic activity' in female participation rate not in labour force dominates and overshadows the relative increase in 'student' for the same. For all the years the proportion of female casual employment was at least more than double that of male.

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