

# Rural Employment and Poverty in India

Prof. S. Mahendra Dev  
Director and Vice Chancellor,  
Indira Gandhi Institute of  
Development Research, Mumbai

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# Changes in poverty (official)

	Poverty Ratio (%)			Number of Poor (million)		
	Rural	Urban	Total	Rural	Urban	Total
1993-94	50.1	31.8	45.3	328.6	74.5	403.7
2004-05	41.8	25.7	37.2	326.3	80.8	407.1
2011-12	25.7	13.7	21.9	216.5	52.8	269.3
Annual decline 1993/94 to 2004/5 percentage points	0.75	0.55	0.74			
Annual decline 2004/5 to 2011/12 percentage points	2.32	1.69	2.18 Poverty decline faster in the second period			

# Poverty by Social Groups: Rural

	Share in Populat ion(%)	Poverty (%)		Change (percen tage points
		2004-05	2011-12	
Scheduled Tribes	11.1	61.9	42.7	19.2
Scheduled Castes	20.8	52.7	32.3	20.4
Other Backward Castes	45.0	41.0	24.0	17.0
Upper Hindus	16.0	21.6	12.3	9.3
Upper Muslims	5.7	42.9	25.6	17.3
Others	1.4	4.2	1.7	2.5
Total	100.0	41.8	25.7	16.1

# Poverty by Occupation: Rural

Occupation	Poverty in 2011-12	Change between 2004-05 and 2011-12
Self Employed in Agriculture	23.9	9.2
Self Employed in non-agriculture	18.7	17.2
Regular Employees	10.2	--
Casual Labour in agriculture	41.1	23.0
Casual labour in non-agriculture	34.7	13.5
Others	13.1	5.2
Total	27.1	15.3

# Reasons for decline in rural poverty

- Increase in real wages
- Higher agricultural growth
- Changes in structure of rural employment
- Rural non-farm employment
- Role of manufacturing and services
- Social protection like MGNREGA
- Need for decent work
- Urbanization
- Need for higher participation rates of women

# Growth in Real Wages: Rural

	Annual Compound growth rates (%)	
	1999-2005	2006-12
Unskilled	-0.47	5.96
Sowing	-0.40	4.75
Ploughing	-0.65	5.04
Carpenter	-0.03	2.84
Construction/mason	0.40	3.02

# Growth of Wages of Casual Labourers

Category	1994-2005	2005 to 2012
	Percent increase per annum	
Casual Agri labourers	2.24	7.4
Casual non-agri labourers	2.81	4.5



# Higher Agricultural Growth

- Since 2004-05, agricultural growth was around 3.8% per annum.
- During 11<sup>th</sup> Plan period (2007-12), agricultural growth was 4.1% per annum.
- Agricultural growth also spread to rainfed areas.
- The higher growth in agriculture also contributed for reduction in poverty.
- But, in the last two years India had severe drought.
- Agricultural growth in 2014-15 was -0.2 and 2015-16 around 1.1%.

# Structural Change in Rural Employment

Sectors	1993-94	2004-05	2011-12
Agriculture	78.4	72.7	64.1
Mining	0.6	0.5	0.5
Manufacturing	7.0	8.1	8.6
Electricity, water etc.	0.2	0.2	0.2
Construction	2.3	4.9	11.1
Trade, Hotel	4.3	6.2	5.6
Transport and commu.	1.4	2.5	3.9
Finance	0.3	0.5	0.8
Public administration	5.5	4.6	5.3
<b>Total non-farm</b>	<b>21.6</b>	<b>27.4</b>	<b>35.9</b>
Total	100.0	100.0	100.0

# Rural non-farm employment

- Rural non-farm employment rose significantly. All the regions and social groups benefited.
- Factors determining rural non-farm
- Traditional factors: agricultural growth, public expenditure
- Recent changes and factors: Roads, communication, urbanization.
- Links with urbanization are also becoming important.
- Many village studies have also shown that the share of income from agriculture in total rural income is declining (only 30% in some cases)

# Make in India: Manufacturing

- As shown by the East Asian experience, we need labour intensive manufacturing.
- In this context, 'Make in India' is right initiative. Aim is to increase share in GDP to 25% and create 100 million jobs.
- However, there are two related issues.
- 1. Whether we can increase employment under manufacturing?
- 2. Services are equally important for 'Make in India
- Historical experience on manufacturing employment shows the following.
- Early industrializing countries like Japan, Taiwan, Korea could improve the share in employment.

# Make in India: Manufacturing

- But in late industrialized countries like China, Indonesia and Thailand the share of manufacturing rose but not employment
- Employment in manufacturing today is not comparable to that of earlier times.
- Earlier, manufacturing used to employ directly for a variety of services but now they outsource them for service enterprises.
- Thus, manufacturing today generates less direct employ. but more indirect employment in services.
- There are constraints even for raising GDP in manuf.
- Export led growth is not easy. Global situation may not be able to accommodate another export-led China (Raghuram Rajan). Make for domestic market.



# Make in India: Manufacturing

- Manufacturing growth also depends on several other factors: Ease of doing business, infrastructure, land acquisition etc.
- Employment growth is also difficult as the sector in India has been capital intensive.
- Focus on service sector also.
- However, services generate less employment for low skilled while manufacturing generates substantial employment for them.
- Inequalities in services empl. are higher than manufa.
- Manufacturing for unskilled work. Services for skilled and unskilled workers. Structure of manufacturing sector different in India (85% less than 50 workers) as compared to China which has large firms.

# Manufacturing in GDP and Employment

Country	Period	Peak share (%) of manufacturing in	
		GDP	Employment
Japan	1970	36.0	27.0
South Korea	2000	29.0	23.3
Taiwan	1990	33.3	32.0
China	2005	32.5	15.9
Indoneasia	2004	28.1	11.8
Thailand	2007	35.6	15.1
India	2011-12	15.7	12.8

Source: NSS for India; Ajit Ghose, 2015 for rest of the countries

# Services in GDP and Employment: 2013

Country	% Share in GDP	% Share in Employment
USA	78.6	81.2
Germany	68.4	70.2
France	78.5	74.9
UK	79.2	78.9
Brazil	69.4	62.7
China	46.1	35.7
Japan	72.4	69.7
South Korea	59.1	76.4
India	<b>58.4</b>	<b>26.7</b>

Source: Economic Survey, 2014-15

India is an outlier in terms of the difference between share of services in GDP and employment (32 percentage points difference)



# Demogra Dividend: workers by level of educa.

Educat. Categ.	2011-12		
	Female	Male	Total
Not literate	51.3	23.5	31.2
Below primary	9.4	10.8	10.4
Primary& middle	23.0	32.4	29.7
Secondary&high er secondary	9.8	21.7	18.4
Diploma/certific at	0.8	1.6	1.4
Graduate& above	5.7	10.0	8.8
Total	100.0	100.0	100.0

Even in 2011-12, **around 42% of total workers are either illiterate** or have been educated upto primary level. For females it is 60%. Only 9% graduate and above. Skills of workers are much lower than many other countries. Only 10% vocational education.

# Social Protection Programmes in India:

## Targeted programmes

- 1. *Targeted programmes* for the poor and vulnerable: provide socio-economic security. Major programmes are:
- Food and Nutrition Programs (*Targeted PDS, ICDS, Mid-day meals*). Some are universal.
- Self Employed Programs (*National Rural Livelihoods Mission (NRLM), National Urban Livelihoods Mission*)
- Wage Employment Programs (MGNREGA)
- Protection for socially disadvantaged sections (SCs and STs) and other vulnerable groups
- Cash and kind transfers: Housing programs, National Old Age Pension (NOAP), widow/disabled pension, rural educational scholarship, free text books, free hostels, free uniforms)

# MGNREGA (public works progr)

- Despite many problems, MGNREGA has achieved significant results.
- At a relatively modest cost (0.3% of GDP) about 50 million households are getting some employment.
- A majority of NREGA workers are women, and close to half are Dalits or Adivasis.
- A large body of research shows that the NREGA has several benefits , including the creation of productive assets
- Recent research also shows that corruption levels have steadily declined over time.

# MGNREGA

- Four positive outcomes stand out
- (a) provide some income security to rural poor
- (b) productive assets in and outside agriculture
- (c) High female participation and empowerment
- (d) Modest tightening of rural labour market
- However, there are many problems. In implementation; wages are paid late; local village councils do not always have technical power; not always paid attention to quality assets
- The evidence on MGNREGA shows wide variations across states with regards to implementation

# Social Protection for Informal workers

- Dualism in Indian economy: Formal and informal
- India has about 472 million workers in 2011-12. Around 92% (436 million) of those employed are informal workers.
- They suffer from two sets of problems: (a) capability deprivation; (b) the second one is adversity, no fallback mechanism to meet contingencies such as ill health, accident, death and old age.
- For decent employment, earlier Commissions advocated three pronged strategy: (a) Minimum level of social security (b) Conditions of work (c) promotion of livelihood
- Minimum level of social security: old age, health insurance and maternity benefits



# Social Protection for Informal Workers

## ■ Salient Features of Conditions of Work Proposals

- Eight-hour working day with half-hour break
- One paid day of rest
- National Minimum Wage for all employments
- Piece-rate wage to equal time rate wage
- Women's work to be remunerated on par
- Deferred payment of wages attract penal interest
- Deductions in wages attract fines
- Right to organise, Non-discrimination
- Safety equipment and compensation for accident
- Protection from sexual harassment
- Provision of child-care and basic amenities at workplace

# Role of women

- Participation rates of women are low and declined in India.
- IMF Chief said increase in women's participation rates would increase 40% GDP. McKinsey report also said GDP could increase by 16% to 60% by the year 2025.
- It is true that increase in women's participation is important.
- But, women's 'work' and 'non-work' may be misleading. Non-earning is not same as non-working.
- Time use surveys indicate women's unpaid work as home makers and care givers is quite high.
- Some estimates show that if we monetize unpaid work of women, it amounts to around \$ 250 billion per annum (almost 10 to 15% of GDP).

# Conclusion

- Rural poverty declined much faster during 2004-05 to 2011-12.
- Several factors contributed: Higher growth in real wages, agricultural growth,
- structural changes in rural employment, rural non-farm sector.
- Rise in rural-urban linkages, Social protection. All these factors contributed for poverty reduction.
- One has to go beyond agriculture to remove poverty.
- Promotion of both manufacturing and services
- Need for increase in women's participation rates
- Last two years, the story of agriculture and rural has not been satisfactory.
- Policies have to focus more on rural areas.



THANK YOU