CHAPTER II

REVIEW OF LITERATURE

Rural employment reveals the agrarian situation in the country. This also reflects the availability and preference of employment in rural India. It is related to quality of employment and explained by income or wages which also represent casualisation, labour productivity and poverty. Ownership of land, types of farm family and tenancy relations are the important parameters of employment in the rural India. The employment scene has undergone a lot of changes in the light of New Economic Policy and international policy changes. With these, an attempt is made in this Chapter, to study the impact of the New Economic Policy on rural employment. The Chapter is categorised into:

1. Rural employment in India, and
2. World Bank studies on rural employment.

RURAL EMPLOYMENT IN INDIA

Sheila Bhalla1 has analysed certain aspects of wage determination and labour absorption in Indian agriculture. She observed relationship between wage rate and the volume of employment. The author found that agricultural wage rates in India are systematically below the marginal product of labour, and the gap between the wage rate and productivity tends to widen progressively whenever labour productivity goes up.

Further, the determination of labour absorption in Indian agriculture has been analysed in this paper. The result is that the employment elasticities in agriculture have fallen rapidly during the last two decades. At the individual crop level the study observed negative employment elasticities with respect to yield at least for one crop in all plain States. The rural employment growth rate has collapsed form 2.52 percent in the mid-sixties to 0.95 percent in the mid-sixties. This has resulted in the fall of employment growth rate for the entire economy to well below population and labour force growth rates in India.

The researcher felt that, "Yet there is plenty of scope for the expansion of employment within agriculture in certain regions and in the production of particular crops. The evidence suggests, first that farm employment policy interventions have to become more sophisticated and explicitly designed to meet the requirement of diverse region level situations. The feasibility of a coordinated strategy which marked agricultural development and employment objectives is also revealed by the analysis. From the employment generation point of view, efforts to push up yields of existing crops by encouraging the increased use of intermediate inputs, especially fertilizers, and by improving agricultural infrastructure, especially irrigation, would create most productive jobs in Andhra Pradesh, Gujarat, Karnataka, Maharashtra, and Tamil Nadu, and also in the low farm labour productivity states of the east: Bihar, Orissa, and West Bengal."1

1 SHEILA BHALLA., op. cit., p 462.
Amalash Banarjee\(^3\) has discussed a wide range of the New Economic Policy and its impact on trade, finance and industry. He observed that the stabilization and structural adjustment, the two components of the new economic policy, have several issues which directly affect production and demand for factors of production. Moreover, in a segmented agricultural labour market, the new economic policy including the farm policy will heighten the class relation among the peasantry.

The author has strongly felt that structural reform in agriculture by improving the asset holding of the agricultural labour will reduce the rural poverty among agricultural workers. He also questioned as to how the different approaches to structural reform in agriculture will improve the asset holding of agricultural labour which reduces the rural poverty among agricultural workers. It is because the condition of agricultural labour is likely to worsen in a truncated reform which eludes land reform and the basic structure of production relations in the agrarian sector which emphasizes on agro-industries and infrastructure development by private investment depending on profitability and market condition. The green revolution area reflects mechanization, high wage and demand for labour; backward zones reflect traditional agriculture and labour surpluses with consequent high intensity of poverty. The study found that the recent changes in the economic policy for stabilization will not benefit the agricultural workers.

Pandey and Ashok Kumar⁴ have examined the wages, output and productivity in Orissa by using analysis of variance technique. The technique was used by using data pertaining to different districts of Orissa. They explained that in India, the structural measures to realign the production in favour of agricultural labourers and legislative support to wage in agriculture have not produced significant results. They argued that high growth rate of agricultural production does not seem to have brought about improvement in the level of wages of agricultural labourers. The study found that a significant variation in real wages over the years and the variation during the period were not significant. Real wage rate was declining in all these years in the State. The relative wage rate of male to female labour has decreased in the Districts. In Orissa the real wage rate was less than the national wage rate. The study found a positive effect of wage rate on paddy cultivation in Orissa.

Senthilnathan and Varadarajan⁵ have examined the rationality of egalitarian and ethical considerations in fixing wages to work towards full employment in order to achieve welfare State. The striking observation by the authors is that a free labour market condition would keep labour at subsistence level of living it would be below the decent level defined by the poverty line. Therefore, market failure is evident and policy intervention to determine the wage of farm workers is essential.

⁵ SENTHILNATHAN, S, and VARADARAJAN,S., “Market Failure in Determination of Farm Wages: An Empirical Analysis”, ibid., pp 488-496.
According to Dayanatha Jha⁶ articulated that agricultural diversification really started in the early eighties and it has picked up momentum over the recent past. The diversification was examined in various dimensions ranging from crop-mix, mix of crop and non-crop enterprises on the farm, farm to non-farm sectors in the rural areas, and so on. According to him changes in demand pattern provide strong stimulus to diversification. He further, discussed the effects of static or slightly declining percapita food grain consumption and substantial increase in the non-food grain items.

Hanumantha Rao⁷ has brought out the major issues and approaches concerning liberalisation of agriculture as part of the on-going economic reforms process in India. He found strong reasons to extend market reforms in India to agriculture. “India, like several other Asian countries, has a comparative advantage in agriculture, so that there is considerable scope for raising farm income and employment by stepping up already achieved due to reforms. Agriculture can thus serve as the bigger safety net in the process of structural adjustment in India. Indeed, in the successful reforming economies in East Asia where high growth has been associated with equitable sharing of benefits, agricultural reform and high agricultural growth preceded the over all economic reform process.” He concluded that the prospects for agriculture in India are bright in the context of overall economic reform including liberalisation of agricultural trade. This would result in raising process of essential commodities.

But the immediate and premature deregulation of certain activities such as deep sea fishing would lead to the displacement and impoverishment of the poorer sections on a massive scale much before liberalisation starts yielding positive results in terms of rise in employment and income of the poor.

Joel^8 listed following items as the challenges for the implementation of the new economic policy:

1. "The effects of resource crunch when the economic management progressively moves from a regime of physical controls, licensing and administrated or partially administered prices to an environment of competitive free market, making it difficult and even imprudent to sustain heavy input subsidies and output price supports;

2. opening up of the economy to the influences of global markets through more free imports and exports of goods and services;

3. entry of multinational companies and corporations (MNCs) in agro-based processing industry and input supplies such as superior quality hybrid seeds, patented technology (including patents on plant and animal materials), contract production for processing for domestic and export markets;

4. Pressures for improvement of quality of production which is cost-effective in the national and international market."

The author postulated the dire need for developing state-of-the-art production, processing, market technologies and strategies in order to capture due share of the international market and effectively face competition from foreign suppliers in the national market. He clearly stated that the rural agricultural credit system needs to be streamlined in order to provide adequate and cost-effective financial support to the commercialization of agricultural business in the country.

The farm policy is a radical step from the standpoint of socialistic dispensation in the new economic policy implemented in the country. Such a policy is essential to release the tremendous entrepreneurial energies, which at present stand severely circumscribed. It will improve the mobility of the redundant agricultural labour that is bottled up in the rural areas and also to boost the rate of capital formulation in the agriculture sector that would generate more direct and indirect employment opportunities and internal capital resources through agricultural surpluses.

Tushaar Shah⁹ had explained that the policy of liberalizing the licensing and control procedures and of inviting private enterprise in sectors like credit, dairying, agri-business and others had removed important protective armour and began to pit farmer co-operatives against private capital in sector after sector. Strengthening of the cooperatives in the new environment is essential.

Chatterjee\(^{10}\) in his paper on "Emerging Perspectives of Agricultural Development in India" said that the current structural reforms programme lays emphasis on marketisation, involving decision-making primarily guided by market process and market incentives and globalization involving mainly deregulation of foreign trade and foreign investment. In this study he had examined the problems and prospects of market orientation and globalization of Indian agriculture. With regard to labour market, his main point of contention is that any framework of development which does not lead to substantial shift of labour force away from agriculture will not be conducive to rational land use and hence agricultural development in India.

With regard to Indian agriculture economies, of scale are not very significant due to pressure of population. Indeed, without alternative employment opportunities, millions of farmers who may be bought out of their land due to abolition of land ceilings will just swell the ranks of the hapless and helpless rural landless labour force. This indicates that Indian agricultural situation is not ready for full marketisation of the agricultural sector in the near future. The author argued that if labour cannot be transferred from land, land reforms may turn out be at best a single-generation relief in only a limited number of cases.

\(^{10}\) CHATTERJEE, P.K., "Emerging Perspectives of Agricultural Development in India," op. cit., pp 510-516.
According to Amalesh Banarjee\textsuperscript{11} agricultural reform is a concomitant of the new economic policy. The structural reform programme has envisaged deregulation of industries and trade, reduction of public sector and privatisation of financial institutions. Such a policy has both negative and positive impact on agriculture. The negative aspect of reduction of government subsidies in fertiliser and other inputs has important effect on farmers in general and the marginal farmers in particular. As a result of this the cost of production will increase and also accentuates the intensity of poverty and deprivation.

The author felt that the reforming of agriculture is yet to take shape in India and there has been only a fractional development in selected crops and in selected regions. He favoured for integrated agricultural revolution comprising of green revolution, white revolution and all round development of farm and non-farm activities. The remodelled financial infrastructure will match the real infrastructure in agriculture development under private and public initiative as a logical sequence of new economic policy.

\textquote{The new economic policy of Liberalisation and the GATT agreement have brought about a challenge for our agriculture to provide food security and employment for the growing population as well as to earn export surplus for rapid growth of the economy. The negative aspect of the new economic policy with regard to agriculture is the reduction of subsidies on fertilizer, electricity, irrigation, credit and public distribution. Price, trade and distribution will be based}

on market principle. The cost of these inputs will increase and this will whip up the scourge of inflation and poverty. The impact of negative aspect of Dunkel agreement will be on scientific innovation and research in agriculture and other areas of technical adaptation. The positive aspect of the new policy is the emergence of market principle in our otherwise parasitic subsistence system. Access to world market has brought about an opportunity for diversification of Indian agriculture. Inspite of competition and protection, the GATT agreement and WTO rules have shown a new direction for Indian agriculture to become a leading sector for economic development."

Marvania\textsuperscript{12} found that over a period, the share of agrarian sector in the GDP has been decreasing. But it is a major sector providing employment and income to majority of the Indian people. The wind of change in the policy perceptions and prescriptions of industrial and trade sectors is bound to affect agricultural sector also. In the course of new economic policy a fresh look is given to issues like input subsidies, output pricing, and exports-imports of agricultural produce. The new policy is for free interplay of market forces. The pertinent issue is to assess whether our agrarian sector is mature enough to receive such changes at its present level of development.

Chadha\textsuperscript{13} in his paper traced the history of new economic policy in India from 1991 and provided a detailed study of the impact of economic reforms on


rural employment. He has drawn upon more than one source of data through NSS data gathered over different rounds. In order to understand the employment changes in the rural areas in the total context of the Indian economy estimates are also given separately for rural and urban areas, in most of the tables. He has given employment estimates separately for male and female workers for rural and urban areas. The important findings of the study are:

1. In recent years there is a small decline in the proportion of rural persons offering themselves for work.

2. The labour force participation rate (LFPR) for the rural people has declined from 44.9 percent in 1993-94 to 42.3 percent in 1999-2000.

3. The labour force participation rate for the urban people has declined from 36.3 percent in 1993-94 to 35.4 percent in 1999-2000.

4. The decline in the overall LFPR in rural India is clearly contributed by a varying degree of decline by persons in the age-groups 10-14 years, 15-19 years and 20-24 years, rather than by persons in higher age-groups.

5. The workforce participation rate does not throw up disturbing signals in general and there is no much change in the proportion of those seeking work and those actually getting the same.

6. The rural female workers did not witness the uninterrupted trend of the type witnessed by their male counterparts. Their dependence on the primary sector employment too witnessed a steady decline but only until 1987-88. In the post 1987 years, the proportion of these workers
engaged in the primary sector remained more or less constant at 85-86 percent.

7. The halting pace of rural workers' shift to non-agricultural sectors, witnessed during the years of economic reforms, clearly signals to their relative incapability of gaining access to these jobs, perhaps because of the low level of their human capital index.

8. The study showed a changing mode of employment between 1972-73 and 1999-2000 in the rural and urban areas.

9. In rural India the incidence of self-employment has been consistently on a relative decline, both for male and female workers. For rural males, it declined from around 66 percent in 1972-73 to 55 percent in 1999-2000 and for rural females, it dropped from 65 percent to 57 percent.

10. Employment in various categories has increased in the period of the study.

11. The overall employment for rural workers picked up from an extremely low of 0.33 percent per annum during 1983/1993-94 to a very low of 0.66 percent per annum during the post-reform years, is hardly a reflection of an employment-friendly scenario; the most disappointing improvement from 0.02 percent to 0.15 is discernible in the case of rural female workers.

13. Improvement in agricultural employment during the post-reform period compared to pre-reform period were in Bihar, Gujarat, Jammu and Kashmir and Punjab, in the remaining States agricultural employment growth rate is either slackened or declined.

14. The informal sector is experiencing expansion side by side with contraction. Construction, transport storage communications hotels-restaurants point towards an expansionary trend, while crop production, retail trade, personal, community and recreational-cum-cultural services and a variety of manufacturing activities point towards a contradictionary tendency.

15. It is redeeming to see that during the past 12-13 years, the proportion of educated persons choosing to stay back in agriculture has increased. This is possibly so because the new agriculture too demands higher levels of educational and training pre-requisites.

The study found that “the post-reform years have thrown bare the sectors/activities that can be confidently looked at as future source of rural employment expansion.”

Yet another study\textsuperscript{14} by Arindam Bandyopadhyay and A.K.Giri has apprehended that the new economic policy would affect employment in rural and urban areas. In turn this will have consequential effect in the other sectors of the economy. This study dealt with changes in Work Force Participation Rate. The

\textsuperscript{14} ARINDAM BANDYOPADHYAY and GIRI, A.K., “Pattern of Employment in India and Major States,” Indian Journal of Agricultural Economics, op. cit., pp 526-537.
study found that Work Force Participation Rate was declining in the rural and urban areas. The rate of decline was faster in the post-reform period than in the pre-reform period. However, positive changes in this was observed in the States of Gujarat, Punjab, Haryana etc., In Assam and Karnataka positive changes was observed in the urban areas.

In that study, the authors have found no significant change in the case of self-employed, regular employee and casual labour. The new economic reforms, which envisaged a boom in private investment in the rural sector through small-scale and agro-industries and thereby promoting employment for self-employed establishments, could not attain desired change in this direction. The analysis of State wise sectoral contribution highlighted that the pace of diversification of rural economy increased during the post-reform period for a number of States as there was a gradual shift of labour force away from the primary sector and a positive change in labour absorption in the secondary and tertiary sector.

The changing facets of employment in rural India was analysed by Biradar and Bagalkoti on the basis of the following objectives:

1. To examine the workforce participation in rural economic activities during the pre- and post-reform period;

2. To work out the growth rates of employment and unemployment in rural India during the same period;

3. To analyse the extent of casualisation, informalisation and feminization of rural employment during the post-reform period as against pre-reform period;

4. To examine the diversification of rural employment away from the agricultural to the non-agricultural sector during both the periods, and

5. Based on the findings of the study, to offer important inferences to evolve better packages to tackle the age-old and structural problem of unemployment in the rural economy.

The study was conducted by using secondary data between the periods from 1972-73 to 1999-2000. The period from 1983 to 1987-88 and 1993-94 to 1999-2000 were regarded as pre-and post-reform periods respectively. The important findings of the study are:

1. During the period from 1993-94 and 1999-2000, the percentage growth rate of labour force has increased much faster than the population and eventually has led to migration of rural work force to the urban areas in search of better livelihood opportunities.

2. A marginal decline in the growth rate of total workforce in India and a dramatic decline are observed in the case of female participation in the rural areas.

3. The decline in the workforce participation can be attributed to an increase in the age wise student population ratios, declining employment opportunities and increasing casualisation of rural employment.
4. The quality of rural employment especially in the case of women seems to be significantly deteriorating during the post-reform period.

5. The rate of casualisation and informalisation of employment has been increasing in the recent years.

6. The incidence of casualisation is not uniform across the different levels of education and activities in the rural and urban areas.

7. The increasing casualisation and informalisation of employment in the formal sector seems to have resulted in feminization of rural employment.

8. There is moderate shift of rural workers from agriculture to non-agriculture until the late 1980s and virtual stagnation in the early 1990s, and this started gaining momentum in the late 1990s. Such shift with interregional gender and activity wise variations can be attributed to growth related and poverty related factors, and other push-pull factors.

The study observed that the debate on growth of non-agricultural employment being growth led or distress induced is still inconclusive. This is because of lack of employment in the non-agricultural sector. Therefore, they recommended that in view of such changing employment scenario in the rural economy, a multi-faceted and multi-pronged strategic package needs to be worked out to face the challenges in the market driven economy.
Hanumanta Rao and Rajyalakshmi16 studied the impact of new economic reforms following a comparative static framework using indicators like rates and growth of labour force and workforce, status of employment, incidence of casualisation among different categories of employed, distribution of workforce across sectors, average number of days employed and the real wage rate of casual workers. They have used NSSO data for the periods from 1983 to 2000. The major findings are:

1. The fall in female labour force participation rates in some of the major States and in all age-groups resulted in a decline in labour force participation rates in 1999-2000. The improvement in the school enrollment rate could be a reason for such change.

2. The deceleration of employment growth and rise in un- and under employment rates during the reform period, more so, among females were observed.

3. The high levels of casualisation among female workers and rural labourers are some of the adverse consequences of the reforms.

4. Though the real wage had increased in the 1990s, the gender disparities in wages, both in agriculture and non-agriculture sectors, confirm that female workers were utterly at a dis-advantage.

5. The ratios of agriculture wages to non-agriculture wages have been raising for male casual workers during the 1983 to 1999-2000 while

there was a noticeable decline for female workers confirm gender discrimination.

6. Altogether, the economic reforms found to be unfavourable to female workers.

According to Sukhpal Singh17, the new economic environment of liberalisation, privatization and globalization, the role of the Multi-National Corporations are under scrutiny once again as their record in the past in terms of contribution to development in general, and rural development in particular, has been less than satisfactory. In the agribusiness the Multi-National Corporations are perceived to be harmful to domestic production and social systems as they affect large sections of the rural economy and society by intervening in the rural production systems. The study found that in Punjab the Multi-National Corporations have hardly generated employment as required. He felt that the Multi-National Corporations would remove the low paid employment from the State and also perpetuating many of the existing problems of the farm sector.

Yet another study by Birari and others18 have examined the impact of changes in the output prices, land use and cropping pattern on farm employment and income in Western Maharashtra. The study was based on collected form 100 farm families for each of the years from 1993 to 1994 and to 1997-98 under the

Centrally Sponsored Comprehensive Schemes. They found that the area under Bajra and Gram crops increased during the period from 1993-94 to 1997-98. The farm income showed two-fold increase during the above period. The wage earning level has increased by 99 percent and 205 percent contributed by human labour and bullock labour respectively. Further, during the study period the days of employment for crop production increased for owned and hired human labour by about 31 and 523 percent respectively. The major finding is that the economic reforms have positively influenced the income and employment of the farm families in the study area.

Rai and others\textsuperscript{19} have observed that the share of agricultural labour force in total labour force has declined over the years but the pace of decline was much lower than the decline in its share in total national income. The prices of both agricultural inputs and outputs have increased continuously over the years. The study found that favourable barter term of trade in agriculture has positive and significant impact on agricultural labour force. Further, gross capital formation in agriculture on private as well as public account and percapita income had brought significant positive impact on agricultural labour force. The study could not bring out a conclusive inference on the economic liberalisation on agricultural employment.

Changing scenario of employment in agriculture and allied sectors in Maharashtra was analysed in the context of new economic policy by Pagire and Shinde.\textsuperscript{20} They evaluated the new economic policy in terms of employment situations both at the national and state level. The share of agricultural employment was high in the 1960s and 1970s when green revolution was at its peak. But with the introduction of liberal policies in the economy of the country, the industrial growth picked up. This has resulted in absorption of surplus agricultural labour. The study found that the number of workers increased with the rise of population and this increase was 79 percent in 1990-91 as compared to 1960-61. The average daily employment in the state has increased at a faster rate in the post-reform period than in the pre-reform period. The study observed that the employment has increased since 1980s and 1990s in several fields, but it declined in agriculture and related industries. It may be due to the impact of liberalisation.

Solanki and Sharma\textsuperscript{21} have examined the impact of economic reforms through canal irrigation which played a vital role in determining the magnitude of labour absorption in crop production. The authors have chosen two villages purposively consisting of one irrigated and one non-irrigated village. A sample of 50 farmers was randomly chosen for the study. The study observed that the total labour use in crop production activity in the command area was higher by 21.48


percent at 311 hours per farm as compared to non-command areas. The increased use of family labour, attached labour and casual labour per farm was to the extent of 39.43 hours, 16.83 hours and 2.89 hours respectively over the labour use in the non-command area per farm. The share of female workers in total labour absorption in crop production was found to be 42.45 percent per farm in the command area and 30 percent in the non-command area. Altogether, the study found a significant impact of economic reforms on rural employment through irrigation.

Rai and Modi\(^2\) observed that the introduction of new technology will create more non-farm employment and generate additional income to the surplus labour. They found that when significant and positive impact of agricultural modernization takes place, labourers who are not directly absorbed in to more productive agricultural jobs may be absorbed indirectly into non-farm jobs in industry directly or indirectly related to agriculture. Moreover, increased consumption expenditure of farm population resulting from increased income may lead to creation of more jobs in other industries producing durable as well as consumable goods.

Jeemol Unni suggested that the income and employment prospects of poor rural groups can be considerably enhanced by changing the size and composition of livestock enterprises particularly on dairy animals. Further, farm groups and resource regions vary widely in terms of their relative performance in different dimensions of diversification, diversification schemes conceived broadly and implemented within an area and in this respect it was found that group-specific context on resource allocation have greater chance for success.

Billings and Arjun Singh have projected in to the future the demand for human energy taking in to account the use of the HYV and modernization even before the introduction of economic reforms. They studied the use of several improved implements, some of which substituted labour while others added to the existing demand for labour. They considered the simultaneous effect of the use of pump-sets, threshers, cane and corn-sellers, and tractors and reapers as alternatives to the conventional method of using labour for most of the farm operations. According to them the effect of mechanization will reduce variations and contain the increase in the wages of labour.

Joshi has examined the level of employment, wage and income of agricultural labourers in the post-green revolution belt as compared to the non-

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green revolution belt in Saurastra region of Gujarat. He found that in the post-green revolution belt, employment for 283 man-days per annum was available to the agricultural labourers as against 119 man-days of employment in the non-green revolution belt. In addition, wage rates for men, women and children for different agricultural operations were also higher and hence the incomes of the agricultural labourers were higher in the post-green revolution belt than in the non-green revolution belt.

Sheila Bhalla\textsuperscript{26} articulated that agricultural wage rates in India are systematically below the marginal product of labour, and the gap between the wage rate and productivity tends to widen whenever labour productivity goes up. The researcher felt that, "Yet there is plenty of scope for the expansion of employment within agriculture in certain regions and in the production of particular crops. The evidence suggests, first that farm employment policy interventions have to be more sophisticated and explicitly designed to meet the requirement of diverse region level situations. The feasibility of a coordinated strategy which merges agricultural development and employment objectives is also revealed by the analysis. From the employment generation point of view, efforts to push up yields of existing crops by encouraging the increased use of intermediate inputs, especially fertilizers, and by improving agricultural infrastructure, especially irrigation, would bring most productive jobs in Andhra

\textsuperscript{26} SHEILA BHALLA, "The Dynamics of Wages and Determinants and Employment Generation in Indian Agriculture", \textit{Indian Journal of Agricultural Economics}, Vol.48, No.3, July-September 1993, pp447-470.
Pradesh, Gujarat, Karnataka, Maharashtra, and Tamil Nadu, and in the low farm labour productivity states of the East Bihar, Orissa, and West Bengal”.

Pandey and Ashok Kumar\textsuperscript{27} have explained that in India, the structural measures to realign the production in favour of agricultural labourers and legislative support to wage in agriculture have not produced significant results. They argued that high growth rate of agricultural production does not seems to have brought about improvement in the level of wages of agricultural labourers.

Yet another study\textsuperscript{28} examined the employment pattern and the magnitude of cash income received under different farming systems, based on analyses of data collected from a sample of 384 cultivators from the bajra growing region and 192 cultivators from the jowar growing region of Western Maharashtra. The study found that either in the irrigated or dry jowar base and bajra base areas, it is advisable to maintain the livestock which will help in generating employment opportunities and increasing the incomes of the farm families.

A.Narayanamoorthy and Atul R.Deshpande\textsuperscript{29} have argued that one of the important issues that emerged against the background of the economic reforms is whether the reforms have helped to accelerate employment and real wages for the

\textsuperscript{27} PANDEY, R.K and ASHOK KUMAR: “Economic Study of Agricultural Wages, Output and Productivity in Orissa”, \textit{Indian Journal of Agricultural Economics}, op.cit. pp477-481.


Agricultural labourers or otherwise. The study found that the real wage rate of field
male labour has declined in 16 states during the post-reform period. The real wage
rate of carpenter has declined in 16 states. Per hectare use of labour has declined
in all the crops except rapeseed and mustard.

N. Rajesh and N. Chitra have evaluated the impact of economic reforms
on the market for agricultural labour in determining wage rate. The study found
that as part of economic reforms, with modern technology, productivity of labour
is enhanced by the use of contemporary use of inputs like high yielding varieties
of seeds, fertilizers, machineries and farm protection measures. The rates of
growth in real wage rate are very desperate. Above all imperfections in labour
market are observed in the study.

The DOHA World Trade Organisation’s Ministerial Declaration of 2001 is
that “We recognize the work already undertaken in the negotiations initiated in
early 2000 under Article 20 of the Agreement on Agriculture, including the large
number of negotiating proposals submitted on behalf of a total of 121 members.
We recall the long-term objective referred to in the Agreement to establish a fair
and market-oriented trading system through a programme of fundamental reform
encompassing strengthened rules and specific commitments on support and
protection in order to correct and prevent restrictions and distortions in world
agricultural markets. We reconfirm our commitment to this programme. Building
on the work carried out to date and without prejudging the outcome of the

RAJESH, R., and CHITRA, N., “Impact of Economic Reforms on Rural Employment in Tamil
NADU: An Analysis”, Indian Journal of Agricultural Economics. op. cit., p 559.
negotiations we commit ourselves to comprehensive negotiations aimed at: substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support. We agree that special and differential treatment for developing countries shall be an integral part of all elements of the negotiations and shall be embodied in the schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development. We take note of the non-trade concerns reflected in the negotiating proposals submitted by Members and confirm that non-trade concerns will be taken into account in the negotiations as provided for in the Agreement on Agriculture.\textsuperscript{31}

Kurian\textsuperscript{32} observed an alarming aspect of the Indian economy during the recent past has been the deceleration in the growth of employment which accompanied the accelerated economic growth. He systematically explored the employment potential in the rural areas with particular emphasis on agriculture and allied sectors. He remarked that agriculture cannot continue to be the ‘parking lot of the rural poor’ indefinitely. Therefore, rural development should necessarily imply a gradual decline of the share of labour force dependent on primary production in agriculture. The Indian experience was that the share of non-agricultural employment has been increasing in those regions where agricultural


\textsuperscript{32} KURIAN, N.I., “Employment Potential in Rural India-An Analysis”, Economic and Political Weekly, VOL.XXV, No.52, December 29, 1990, pp A-177-A188.
prosperity has been already achieved. He emphasised that agricultural development is a pre-condition for overall development of rural India.

Mahendra Dev and Vijay Mahajan\(^\text{33}\) have analysed the nature of the employment problem in Andhra Pradesh based on recent trends in employment and unemployment and the quality of employment. The study found that the employment growth declined drastically in the 1990s compared to the previous decade. It has declined from 2.40 percent per annum during 1983 to 1993-94 to 0.29 percent per annum during 1993-94 to 1999-2000 in the State. The rural work participation rate in the State has increased from 53.5 in 1983 to 54.2 in 1999-2000 in the rural areas, while a marginal change was found in the urban areas of the State during the same period. The study observed casualisation of employment in the rural areas.

Bhalla and Peter Hazell\(^\text{34}\) in their paper discussed the factors influencing employment and income growth in agriculture and non-agriculture in rural and urban areas. The study found that the percentage share of agriculture in GDP at 1993-94 prices has decreased from 44.8 in 1972-73 to 27.6 in 1999-2000. The percent share of agriculture in employment has also decreased from 73.9 percent to 60.2 percent during the same period. The Ninth Plan projected 8 to 9 million jobs to be created during the period from 1997 to 2002. But the actual growth of


employment was much below the targeted one. They quoted the Gupta Committee suggestion of change in investment priorities and giving much more emphasis to the growth of agriculture, in particular regions of India. They observed that with base-line growth of 6.5 percent per annum, even with high employment elasticity for agriculture, the tightening of the labour market takes place only after 2017.

Rural manufacturing and agro-processing also offer important opportunities for the creation of productive employment in rural areas. The input, output and consumption linkages provided by higher agricultural growth should create the right climate for fostering these activities. There is considerable scope for expanding this sector through promotional policies and investment in infrastructure at the village and small town level. They recommended for mix of policies for promoting labour-intensive and high income generating allied agricultural and non-agricultural activities in rural and urban areas for domestic and export markets.

Bina Agarwal\(^\text{35}\) has articulated that the pace of agrarian transformation in India left the majority of the population still dependent on land based livelihoods, but the form it has taken has created significant gender disparities in non-farm livelihood options. She emphasised that there is need to view the issue of women’s independent access to land and livelihood as linked not just to welfare improvement and poverty alleviation, but also to found important ways to improve

productive efficiency. She found that the percentage of all rural workers in agriculture declined from 84 in 1972-73 to 78 in 1993-94. Such a decline was due to male workers moving to non-agriculture and the female workers remain in agriculture.

WORLD BANK STUDIES ON RURAL UNEMPLOYMENT

Ernst Lutz attempted an applied and practical research related to agriculture and the environment in the developing world. The study summarized current knowledge through specific examples, stating the approaches and conditions which worked or not, and the reasons for failure. It is emphasised that a better strategy with a renewed commitment for sound development in the rural sector is required to encompass farmers and their communities alike. "The observations and findings suggest that environmentally sound increases in productivity will be harder to achieve than in the past, though a significant potential for attaining these increases do exist. To this end, reforms are necessary, so that policy and institutional frameworks support an intensified sustainable agriculture, conducive to an environment that gives way to technological innovation."

The authors in this report, reviewed subjects relating to integrating environmental concerns in rural development policies, natural resources degradation, small-farmer decision making, agricultural trade reforms, research initiatives, property regimes, etc. Institutional and social perspectives, together

\footnote{LUTZ, Ernst., Agriculture And The Environment - Perspectives On Sustainable Rural Development, World Bank Document No. 18583, 2000.}
with technical issues and perspectives were also analyzed through various subjects in this volume.

The report analysed India’s continued good progress in increasing incomes, and improving living standards over the past decade. After experiencing the setback associated with the 1991 balance of payments crisis, economic growth picked up with poverty continued to decline, and many social indicators, in particular literacy, continued to improve. Likewise, there has been an opening to private activity, ‘trade policy and the exchange rate regime’ have been further liberalized, and capital markets have been reformed, leading to an improved investment climate.

An effective program of civil service reform should include measures to achieve the following three objectives: improve access to information; strengthen accountability; and, reduce political interference. Of special concern, are the weaknesses in the service delivery of social sectors i.e., education, health and social safety nets and it has been argued that decentralization and local empowerment will ultimately improve the quality of service delivery at the village level.

The study suggests improving the productivity enhancing investment climate, with a special look at infrastructure development, while promoting rapid agricultural and rural growth considering its importance in the socio economic and
political fabric of India. Continued progress on poverty reduction will require a major push to reinvigorate the reform agenda.\textsuperscript{37}

Ferreira Luisa\textsuperscript{38} measured the structural adjustment's impact on growth and on the poor in Tanzania. Adjustment reforms have contributed to robust growth. The rural average per capita income in 1991 was, in real terms, significantly higher than in 1983. The Economic Recovery Program, launched in 1986, has positively affected income, although the increase is not yet reflected in such basic social indicators as infant mortality rates or levels of primary schooling. Structural adjustment appears to have benefited many poor households. The population in poverty declined from 65 percent in 1983 to 51 percent in 1991. The population near the poverty line benefited the most, while those with extremely low incomes appear to have become somewhat poorer. Increases in the inequality of income distribution eroded some of the potential for poverty reduction that would have otherwise resulted from growth. In both years, the stock of human capital was low for the poor, as measured by educational achievement. Possibly the lower incidence but greater severity of poverty is attributable to a liberalization process that rewards those with education, who are better able to respond to new opportunities. This suggests the importance of improving the quantity and quality of education to increase the ability of the poor to benefit from market reforms. Targeting human capital investments to the very poor should be a high priority during adjustment.


\textsuperscript{38} FERREIRA, Luisa, M., Poverty And Inequality During Structural Adjustment In Rural Tanzania, World Bank Report No. 1641, 2001.
According to Jack van Holst Pellekaan\textsuperscript{39} agricultural and rural development sector have been undergoing structural changes, with a reduction in rice, and wheat production, in response to moderate demand growth for food grains, and an expansion of production of other high value crops, that bodes well for the long-term sustainability of growth in the sector. However, the country ' s agricultural performance during the 1990s was low, and, despite the depreciation of the exchange rate and trade liberalization in other sectors that improved the overall terms of trade for agriculture, agricultural products were over-regulated, facing unbalanced policies with negative impact on rural employment. Such policies constrained the ongoing structural change in the sector, and need to be reformed to improve long-term sustainability of income gains.

Rural poverty reduction has stalled to some extent, partly as a consequence of the neglected agricultural development policies, which were not at the top of the Bank ' s strategic agenda, a neglect which also held up development of relevant Bank analytical work. Measured against the Bank ' s core objective of poverty reduction, the outcome of the assistance program for agriculture/rural development was moderately satisfactory, institutional development show mixed results - modest for the first half of the decade, but substantial as of then due to changes at the state level - sustainability though, has been judged uncertain.

\textsuperscript{39} VAN HOLST PELLEKAAN, Jack., India: evaluating Bank assistance for agricultural and rural development - a country assistance evaluation, World Bank Document No. 24590, 2002.
According to Gaurav Datt and Martin Ravallion,40 there has been much debate about how much India’s poor have shared in the economic growth unleashed by economic reforms in the 1990s. The authors argue that India has probably maintained its 1980s rate of poverty reduction in the 1990s. However, there is considerable diversity in performance across states. This holds some important clues for understanding why economic growth has not done more for India’s poor.

Indian economic growth in the 1990s has not been occurring in the states where it would have the most impact on poverty nationally. If not for the sectoral and geographic imbalance of growth, the national rate of growth would have generated a rate of poverty reduction that was double India’s historical trend rate. States with relatively low levels of initial rural development and human capital development were not well-suited to reduce poverty in response to economic growth. The study’s results are consistent with the view that achieving higher aggregate economic growth is only one element of an effective strategy for poverty reduction in India. The sectoral and geographic composition of growth is also important, as there is the need to redress existing inequalities in human resource development and between rural and urban areas.

Peter Lanjouw and Nicholas Stern explained that starting in the 1980s and then with greater emphasis in the early years of the 1990s, the government of India introduced a number of economic reforms. Per capita economic growth picked up significantly following these reforms. By the second half of the 1990s, average growth rates of 5-6 percent a year had become the norm (and are viewed as more sustainable than the initial acceleration of growth during the 1980s). This performance is much higher than the "Hindu rate of growth" (around 2 percent a year) which had seemed the best possible in the decades before the reforms.

Technological change in agriculture has occurred in three important respects i.e., an expansion in irrigation, the adoption of modern cultivating practices involving new seeds, chemical fertilizers, better irrigation, and higher yields; and some mechanization toward the end of the survey period. The first two aspects of technological change can be seen as land augmenting technological change (permitting double cropping, for example) while the last is more clearly associated with labor displacement. Technological change in agriculture has been associated with dramatic increases in yields of paddy (one, among several important summer crops). It is clear that in the face of sharp population growth, these changes in agricultural practices have been vital in preventing incomes from collapsing.

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41 PETER LANJOUW and NICHOLAS STERN, "Opportunities off the Farm as a Springboard out of Rural Poverty: Five Decades of Development in an Indian Village," in Gary Fields and Guy Pefferman, Paths Out of Poverty, (Kluwer Press, 2003), as taken from World Bank Website.
Kaushik Basu, Garance Genicot and Joseph E. Stiglitz\textsuperscript{42} have analysed that the supply behavior of labor frequently depends on the demand conditions that prevail on the labor market. If demand is inadequate, households may send additional household members, who otherwise would not have worked, to look for work, for fear that the main income earner may lose his job. This paper is a study of the theoretical consequences of this "added worker" affect. It is shown that this can give rise to multiple equilibriums in the labor market. Surprisingly, a minimum wage law set below the prevailing market wage can now cause the market wage to fall and unemployment to rise. Unemployment benefits, by countering some of the risk of unemployment can neutralize the inefficiencies caused by the tendency of households to oversupply labor.

Labor market "rigidity" and the success of economic reforms across more than one hundred countries were studied by Alvaro Forteza and Martin Rama.\textsuperscript{43} This paper shows that labor market policies and institutions have an impact on the effectiveness of economic reform programs. The analysis compares annual growth rates across 119 countries, using data from 449 adjustment credits and loans given by the World Bank between 1980 and 1996. The results indicate that countries with relatively "rigid" labor markets experienced deeper recessions before adjustment and slower recoveries afterwards.


The paper also disentangles the mechanisms through which labor market rigidity operates. It finds that minimum wages and mandatory benefits are not detrimental to growth. But the relative size of organized labor, in government and overall economy appears to be crucial. Labor market rigidity thus seems to be relevant for political reasons, more than for economic reasons. The paper shows that the results are robust to changes in measurement, controls and sample, and argues that they do not suffer from self-selection bias. These findings suggest that insufficient attention has been paid to vocal groups who stand to lose from economic reforms.

It is clear from the literature that the New Economic Policy has altered the rural employment situation in India and in other countries. The studies discussed above on rural employment provide enough scope for the present research work. In the next Chapter, the profile of the study area is presented to provide a data base for the rationality of the introduction of the policy change for rural employment.