Chapter 1

Introduction

Development as a concept and its various models of operationalisation has been predominantly engaging the academic and institutional attention world over since the 1950s. The establishment of modern nation states is anchored on the shift in emphasis of the role of State from power and authority to development and welfare. This has taken myriad of forms across the world and resulted in successes and failures, based mainly on the indicators of aggregate material well-being of nations. The major achievements in living standards have been documented in the Human Development Reports (HDRs). The United Nations HDR has emphasised that there was more improvement in the overall living standards as evidenced by declining poverty in the last 50 years than in the previous 500 years. Yet much more remains to be done. In the quest for the holy grail of rapid development, many new conceptual frameworks with spatial and temporal dimensions have emerged. These conceptual frameworks are based on the available theoretical models which have historical, social, political and economic dimensions. The development theories in place have been themselves built on the West European and East Asian models of successes.

Development is a pluri-dimensional concept and Development Economics has by far dominated the development debate. The core of Development Economics is its concern with the issue of poverty in developing countries and transformation of the economy to a desired level. Since the concept is measured primarily with reference to aggregate income, mainstream thinking earlier has devoted attention to augmenting income and the dominant view had been that economic growth was the key determinant. While economic growth is a necessary condition for development, it is now recognised that development is not complete unless there are structural changes in the economy and society at large.

While per capita income, which signifies growth in real terms is a significant indicator of material well-being of a nation, the modalities whereby the growth in income is shared by different sectors of the economy and sections of population is
critical to development, which is growth with structural change. Apart from the equity issue, per capita income as an indicator also does not reveal betterment in living standards or improved access of the poor to their minimum basic requirements. Development is not complete unless the poor, who need the change, participate and benefit from it. Any change and growth that bypasses the numerous poor in developing societies can only be termed as plutocratic.

In the immediate aftermath of the World War II, with the establishment of the Brettonwood institutions there has been a global thrust, primarily State driven, to the practice of development. While the reconstruction of Europe was the immediate concern of these institutions, later focus shifted entirely to development. The attempts of individual nations at achieving the developmental goals was initially seen only in terms of income per capita, later in terms of human development and recently in terms of freedom. Historically, the efforts at development has also been analysed in terms of the ideological prism wherein, market-led approach is at the one extreme and central planning at the other. However, most operational models fall within this broad spectrum and have been a mixture of the two.

The success stories in development in terms of the economic criterion outside the developed West and Japan are the South East Asian countries. It has been pointed out that these success stories were relatively achieved on account of emphasis on market-led approach to development, whereas, those economies including India which relied heavily upon planning, have failed to measure up to the achievements of East Asian countries. The main proponents of the neo-classical school of thought in the development paradigm are the twin Brettonwood institutions. They lay stress on allocation of resources by market forces and minimal intervention by State. This point of view is articulated through the international financial and development agencies, which are vested with the international development finance resources that could transform the developing economies. The World Bank and International Monetary Fund (IMF) believe that only private enterprise initiatives guided by true pricing as determined by markets will spur investment and thereby growth. Therefore it has been proposed that "good policies" and peoples’ participation in the efforts of development are the best practices to be emulated elsewhere also. These international development finance institutions, have defined governance as the right policies of
Macro Economic stabilization and Structural Adjustment together with social safety nets, which are to be delivered with active peoples' participation.

According to the World Bank, the key to sound development policy-making, lie in understanding why some economies have performed much well than others in escaping absolute poverty. According to them, it is possible to identify factors that could explain the differences in technical progress, public spending, macroeconomic stability, and initial endowments of physical and human wealth. A large literature has emerged aiming to test such explanations for cross-country and inter-regional differences in the rate of economic growth. Though it has not, to the knowledge of the World Bank, been done yet, they believe that same approach could also be applied to cross-country differences in the rates of change in poverty relative to some agreed international poverty line. The ideas promoted by the World Bank, however, have become the dominant themes of academic works and professional journals evaluating and examining development issues. Often it has been pointed out that it is the availability of funds for research that drives the research concerns and the international development financial institutions have provided agenda for major research projects.

Critics of this approach to development have termed the wide agreement by various countries on the agenda so set by these development financial institutions as "Washington Consensus". They argue that economic development is more about societal transformation than mere growth. Joseph E. Stiglitz' argues that the transformation is about, "a movement from traditional relations, traditional ways of thinking, traditional ways of dealing with health and education, traditional methods of production, to more modern ways." He also expounds themes of "ownership of development strategies", "active social learning" and "partnership."

Izzud-din Pal² states that while development economics is an important and a useful subject, which provides a sense of direction to study conditions of economic progress it should not however, lose track of the fact that in the third world there is a diversity of cultures and societies. He opines, "The general and the specific perspectives must interact on each other in order to enhance the relevance of the paradigms. The desire to improve one's economic well-being is a universal
characteristic of human beings. The means to reach this goal may differ. This realisation, which is slowly emerging, would require the institutions such as the World Bank to respond to the new reality, or become irrelevant in the next world order because of their rigid messianic essentialism pursued by them in their economic policies." He also stresses the fact that the development debate in the world at large continue to proceed on the path chalked out by them which he describes as hegemony. He proceeds to discuss the ideological dimension. The World Bank according to him in its present structure is a moneylender with a mission, behind the facade of a Gramscian free marketeer, they exhibit ample ability to mix policy and paradigm to enforce their mission. He concludes, "It preaches good governance to the developing countries in order to promote the kind of laissez-faire that even the most advanced economies do not practice."

Dani Rodrik\(^3\) questions the convergence of the theory and practice of economic development in the last two decades on a remarkably simple view of the growth fundamentals. He discusses the Latin American experience, where policies pursued were in exact sequence as detailed under the Washington consensus, but yet they have failed to bring about desired results. He also disputes the East Asian success stories as flowing out of such consensus driven reforms, by alluding to the unique mode of operationalisation and the deviations from the reform guidelines. He stresses the need for broad-based equitable economic growth and the international economic arrangements that manage the interface between different national practices and adaptations as against the homogeneity in the development path chalked out under the Washington consensus.

Ignacy Sachs\(^4\) speaks about the developmental challenges of the impoverished nations from the perspective of different factors of production and their control by forces whose motives are not synonymous with the requirements for development. He refers to the problem thus: "There is striking contrasts between the restrictions of international mobility of labour and the increasing mobility of other factors of production". The process of change in the society that is unfolding is that instead of gradual transfer of redundant labour force to the modern sector, it actually results in the expulsion of surplus workers from the modern sector into the 'informal', 'grey' or quite simply 'black' sectors of the economy".
Rethinking development and alternative development are some of the emerging areas. These are attempts to seek a paradigm shift in the emphasis and delivery of the process of social and economic change. The main proponents of these alternative approaches criticize the Washington Consensus as being mercantilist in view of the excessive emphasis placed on export led growth. Thomas I. Palley has summarized the criticism of this approach thus: "The core theoretical criticism of the simplistic export led growth is that it suffers from a fallacy of composition whereby it assumes that all countries can grow by relying demand growth in other countries. When pursued globally, there is a danger of a beggar-thy-neighbour outcome in which all try to grow on the back of demand expansion in other countries, and the result is global excess supply and deflation". Development alternatives outlined by those who seek a change in paradigm shifts the emphasis to balance of political power and a reform process that does not compel a trade-off between ethics of democratic rights and efficient economic policy. Wolfgang Sachs goes a little further and questions the very construct of development, which according to him is essentially a western phenomenon.

Much of the disillusionment with the existing theories of development have arisen on account of the fact that they were built upon certain historical, geo-political and social contexts, primarily anchored in the rapid growth in urban manufacturing. Many of the newly independent countries were predominantly rural, more populous and have in egalitarian social structures. 'Development', despite increasing critical scrutiny, remains a concept mirroring social and economic reality and is central to the existence of Nation States. The Post world war success in rebuilding of Europe and Japan raised the aspirations of many nations at 'economy-building effort' with many operational models. The central index of Development has been the measurable income per capita (representative of Economics of Growth).

Despite positive economic growth, many nation states were still evidencing high incidence of poverty and the focus, therefore gradually shifted to 'pro-poor' growth. Unless economic growth is accompanied by the dynamic change in the livelihoods of the majority of the poor whose only asset is labour, it would not be meaningful development. Further the very process of western type development, which entailed huge negative externalities and which are unsustainable from
ecological and environmental aspects are now felt, may not be desirable. The shift away from determinism of growth theories and the need for looking at new concepts lead the development researchers to look at the problem of sustainable livelihoods at lower meso and micro levels. Much of the poverty remains concentrated in rural areas and the levels of economic activity in such areas are critically dependent upon the agricultural output. Consequently, rural development has assumed importance in the development discourse. More than seventy five percent of poor in many developing countries live and work in rural areas. Historically the main approaches to rural development have been the community development, intensive agricultural development, integrated rural development and livelihoods and human development. The traditional view of the rural economy was that it was essentially agrarian. While agriculture is the rural way of life, and in fact any conceptualisation framework of rural areas cannot be made without reference to preponderance of agriculture as the principal means of livelihood, rural societies also had significant other activities and crafts.

Since increase in population and limits to absorptive capacity of agriculture were dampeners to rapid rural progress, it was deemed appropriate especially during the 1960s and supported by contemporary thinking, emphasis was made mostly on rapid industrialisation for achieving developmental plan objectives. However, the optimism of the theories that believed urban manufacturing sector would rapidly grow and absorb all residual labour from rural areas failed to materialise. With growing realisation that unplanned urban growth on account of migration to urban areas only transferred the population from “rural” to its “urban” counterpart in poverty statistics. There has also been an increasing attention of the developmental activists and scholars on the alternatives within the rural setting. So, when the economic transformation of the rural areas were closely analysed the fact that rural societies diversify into non-farm and non-industrial activities stood out.

A significant growth of the rural non-farm sector was noticed from the employment, income and output parameters. Rural non-farm sector was thus conceptualised as the new subject matter of study that could illuminate the path to development, by providing required structural change in the rural economy and by absorbing growing rural labour force without having to go through the overwhelming
negative consequences of chaotic urbanisation. In developing countries, the growth of rural non-agricultural activity and employment was seen as the consequence of three factors even though all the three factors were not necessarily conducive to poverty reduction.

In the first instance, some part of non-agricultural employment arises out of distress. That is diversification spills over into inferior, low productivity and low-wage, non-agricultural activities, as surplus labour could not be maintained in agriculture. Secondly, non-agricultural employment was seen as the direct result of agricultural growth, which results in a range of demands for non-agricultural services such as agro-processing, repair services, storage and transport. This is valid in some contexts and regions. Such a pattern of growth in rural non-agricultural activities was seen as a virtuous nexus between agricultural growth and non-agricultural employment, with extremely positive results in terms of poverty reduction. Lastly, the growth propelled by exogenous government expenditure on the provision of extension services, on social service provision and on employment generation, was seen as yet another way out of poverty that is desirable.

In many developing countries, large proportions of the population live and work in rural areas, often growing at a fast rate. Given the fact that commercialisation of agriculture and other modern practices have rapidly saturated the ability of agriculture to absorb the growing labour force, alternatives to rural development lie in the rural non-farm sector or in migration to urban areas. While urban areas do tend to offer greater choices in livelihoods, prevalence of poverty therein and the distinguishing characteristics of the urban living, preclude it being a possible complete development alternative. The development of rural hinterland through growth centres or growth poles and rural towns to generate better livelihoods remain a supplementary effort rather than a complete development solution. Hence the rural non-farm sector is perceived as an important alternative path to development.

Till recently there was very little research on this vast and heterogeneous sector's potential for development. Lack of precise information on the nature and characteristics of this sector has hampered the policy making. In fact, institutionally this sector falls between traditional agriculture and manufacturing sectors. This sector
has been conceptualised in different contexts under different names namely, Informal sector, micro enterprises, own account enterprises, de-agrarisation or de-peasantisation, rural growth centres, specialised manufacturing villages etc., as the conceptual frameworks to analyse this sector. It has also been observed that in the state machinery, this sector has traditionally been either linked to agriculture and rural development or industry ministries and as such does not command focused attention.

Non-agricultural activities in many developing countries often account for as high as fifty percent of rural employment and output. This is particularly true of rural Africa. The activities carried out in these sectors are often at the household level in the form of own account enterprises with marginal or very little wage labour and accounting system, which makes it a complex subject for evaluating these livelihoods options on the basis of traditional instruments of employment, income and profit. Therefore generalisations for this vast, varied and complex sector are difficult exercises. Because this sector has been observed to grow at a fast pace, accompanied sometimes by overall economic growth, this sector has been seen by many as the real alternative path to growth and thereby the best hope for the poor. Others have characterised this sector as residual sector, which exists in the absence of strong rural-urban linkages often producing localized cheap goods or ‘Z’ goods. Development debate on the nature and characteristics of this sector and its significance as an engine of rural development continues. Evidences vary across countries and among regions within countries, which makes a linear solution difficult.

The growth of rural non-farm sector in India has been relatively slow and the interest of it is of recent origin. As per the estimates of workforce based on National Sample Survey Organisation (NSSO) data on Employment and Unemployment, the share of non-agricultural workers to the total work force rose from 14.3 percent to 24 percent in 2000. The interest, in rural non-farm sector sector, stems from such growth in relative terms of the share in income and employment. The importance of this sector has been vividly described by Lanjouw, J and Lanjouw, P9 thus: “The rural non-farm sector is a poorly understood component of the rural economy and we know relatively little about its role in the broader development process. This gap in our knowledge is the product of the sector’s great heterogeneity, coupled with a dearth, until recently, of empirical or theoretical attention”. They go on to describe the difficulties faced by the
policy makers in the absence of evidence and confusion created by the commonsense view of this sector. They state, "In fact until recently a commonly held view has been that rural off-farm employment is a low productivity sector producing low quality goods. As such, it was expected to wither away as a country developed and incomes rose, and its withering was seen as a positive rather than a negative occurrence".

Since agriculture cannot absorb a growing labour force and the manufacturing sector has not been able to make any significant contribution to employment and livelihoods in large developing countries where population is high and growing, in a primarily rural and agrarian economy, there is a compelling need to find solutions within the rural areas itself. Rural non-farm employment, therefore, it has been argued is the only alternative path to development, if avoidance of overuse of natural resources and excessive urbanisation is to be avoided. Three main reasons whereby promotion of rural non-farm activities could be of importance in development policy making are provision of access to food and ultimate food security; providing farmers with wherewithal to invest in agriculture inputs, processing and output; and by dynamic linkages with agriculture in the form of consumption linkages.

The patterns in rural non-farm activity between countries and regionally within countries have been systematically reviewed by T. Reardon based on 100 case studies. Africa with the highest share (42 percent) of rural non-farm income to total income leads, followed by Latin America (32 percent) and finally South Asia (32 percent). In terms of rural non-farm sector shares in employment to total employment, the highest was in South Asia (44 percent), whereas Latin Americas share was lesser (25 percent) and the share of Africa not estimated. Using these country studies he has plotted variations in patterns as 'Stages of transformation'. The three broad stages identified by him are: 1) Where rural non-farm activities tend to have production or expenditure linkages with agriculture, 2) Where rural non-farm activities are more advanced with rural industrialisation and strong linkages with urban areas and 3) Where rural non-farm activities are linked endogenously to manufacturing sector by out-sourcing or sub-contracting agreements and rural-urban markets are integrated. He places India in the first stage.
Report of the Committee on Employment presented to the National Development Council in 1992 stated that it must be recognized that in the long run, agriculture and other land-based activities would not be able to provide employment to all the rural workers at adequate levels of incomes. And the “Non-farm employment has already occupied more than 1/5th of the rural workers and that it has been growing rapidly. This proportion has shown a rapid increase in recent years. Available evidence suggests that this shift is attributable to the growth of productive employment opportunities in the non-farm sector in rural areas, and is not a result merely of the overcrowding in agriculture” and alludes to the positive nature. Thus: “An increasingly larger component of rural industrial activities now consist of non-traditional activities with forward and backward linkages with agriculture as well as those with little relation with agriculture. Unlike many traditional village industries which constituted only secondary or supplementary occupations, these activities are pursued as main occupations.”

The interest in rural non-farm sector is derived primarily on the inadequacies of agriculture and the other sectors in urban areas to transform the economy to the desired level. While it is true that this sector is growing universally in terms of its relative share in income and employment, for the purposes of larger policy prescriptions the causative factors and the direction of the relationship need to be studied. It is essential to understand the process by which rural non-farm activities contribute to overall economic growth and changes in the lives of the poor. Empirical evidences adduced to signal the contribution of these sectors to economic growth usually refer to the East Asian sub-contracting arrangements and the ‘Township and Village Enterprises’ model of China. However the growth of rural non-farm sector may be immiserising, if the individuals take it up as a coping strategy to hedge against hunger and destitution. World Bank documents also allude to the possibility of this sector being a residual source of employment for many and more of a safety net. In the absence of information on the counterfactual, it is difficult to say whether rural non-farm employment alleviates poverty or not. In many cases, wherein there is strong positive relationship between participation in rural non-farm activities and growth in income, the conditions under the relationship holds need to be ascertained. Whether initial wealth or capital, education or skills or any other distinguishing characteristic facilitated it are moot questions for policy formulation.
The determinants of rural non-farm sector activities and participation by households therein include: performance of agriculture, linkages by consumption and investment with agriculture, Prior or initial wealth of the households, levels of education, skills and knowledge, health care, quality of infrastructure, access to credit, access to market information, levels of technology, other rural-urban linkages including urban sprawl and institutional support. From the point of view of individual household, access to rural non-farm employment is conditioned by the level of economic activity, availability of regular work, health and nutrition, education, technical skills, credit availability, land ownership, social networks, household composition and infrastructure.

Conceptual framework

The term ‘rural non-farm’, whether used to refer to economy or sector or employment or livelihoods, reflect concepts that are defined negatively - that is, what it is not. The concepts rural non-farm economy, rural non-farm sector, rural non-farm employment and rural non-farm activities or livelihoods are although different in the nature and level of abstractions, essentially reflect the non-agricultural part of the rural way of life. The concept rural non-farm employment has three critical components namely geographical entity (rural), sector (non-farm) and livelihoods (employment). All the three have to be defined clearly together with relevant contexts for better understanding of the totality of the larger concept that the research attempts to study.

Rural non-farm employment as a concept has gained significance on account of its perceived potential for transformation of the lives of the rural poor and is seen as an alternative to migration and urbanisation path to development. There has been no unanimity in the academic circles over a wide range of questions and issues covered under the conceptual framework. However the fact that this sector is heterogeneous, varied and not amenable to linear policy prescriptions is well accepted. Questions like what kind of employment or livelihood option under this sector is desirable, should the enterprises be small or medium or large, Does it really pay well enough to transform the lives of the poor, Is it the non-poor who benefit most from it, Is it really labour intensive, Does it mitigate vulnerability or accentuate it and Is it a temporary
phenomenon of transitional societies and eventually a victim of its own development success, have not been satisfactorily resolved.

The proposition that rural non-farm employment is the key to developmental efforts has not been fully validated across time, space and component sectors making it extremely difficult for development practitioners in planning and policy formulation. Hence, the study of nature of relationship between growth of this sector and poverty alleviation, is critically important. A brief summary of the research problem is given below to facilitate better appreciation of the definitions and contexts:

The role of rural non-farm employment in poverty alleviation remains uncertain at higher levels of aggregation. In some case studies and meso level studies, though the relationship between poverty and Rural Non-farm employment is significantly positive, the direction of causation is unclear\textsuperscript{11}. While many studies have used NSSO’s Quinquennial surveys on employment and unemployment using macro level estimates, the enquiry will not be complete and meaningful without supplementary data at the meso level, meaningful insights from the village level and individual’s decisions and choices for diversification. The complex nature of the relationship between poverty and rural non-farm employment needs to be studied at the contextual level to get meaningful insights, to guide development practitioners and in policy formulation. The various factors that affect the relationship, like access to such livelihood options, choice limitations, governance issues, social capital and larger societal relationships are required to be studied to extend and analyse the conditions under which the relationship holds.

Having outlined the concern and problem of research, definitions of the individual component terms are detailed below:

Many of the propositions concerning the rural non-farm sector hinges crucially upon the definition of rural areas. The traditional definition of rural areas is those human settlements with low population (usually less than 5000) and where natural resource based activities (primarily land) predominate. Definitions of rural area are also based on functions and characteristics of the settlement. It is also true that any variations in the size of population may alter the characteristics of the
settlement. The characteristics of the village or countryside are also required to be encapsulated in this definition.

Such settlements in or very close to urban areas should not be classified under rural areas as they are better reflected under the concepts peri-urban areas or urban sprawl. A variety of urban forms have been covered by the term "urban sprawl" ranging from contiguous suburban growth, linear patterns of strip development, leapfrog and scattered development.

Overseas Development Institute\textsuperscript{12} alludes to the problem in defining rural areas thus: "The term ‘rural’ is subject to a similar amount of debate, hinging on three particular aspects: whether rural towns are rural or urban; at what size does a rural settlement become urban; and the treatment of migration and commuting between rural areas and towns. There is no firm rule that resolves these issues, and the only practical solution is for researchers to make sure that the definition they have adopted is clearly stated". UNESCAP document on balanced development of rural and urban areas cautions against reading too much into the geographic and demographic distinctions and instead prefers to use economic characterisation of urban areas wherein non-extractive occupations pre-dominate.

Information and Communication technology has dramatically altered the rural-urban divide in many aspects of day-to-day life. The crucial question is whether they have structurally transformed the rural societies so that these distinctions not matter. In terms of livelihood options, despite technological revolution, the rural characteristics continue to dominate, though the gap is narrowing. The rural-urban divide is now not merely to be seen in terms of urbanising influences or availability of modern gadgets, but in terms of the access of the bulk of rural populace to the urbanising influences and better / highly paying livelihood options and information asymmetry.

An analysis of Indian poverty reveals the acute vulnerability of the rural poor to diseases, crop failures, labour market fluctuations, domestic violence, natural disasters, floods and cyclones, which further exacerbate their sense of insecurity. The stark fact that overwhelming incidence of poverty is concentrated in rural areas both
in terms of headcount and in terms of distance from the poverty line, and the access of poor to urbanising influences including information is severely constrained necessitate retaining this distinction and an enquiry into the problem at hand is in order.

For the purposes of the present research study, both the statistical and component characteristics of village or countryside are used. Rural areas then can be defined as human settlement with a population of less than 5000 where agriculture or land based activities predominate and excludes such areas that fall under rural towns and peri-urban areas. The limiting population of 5000 is in accordance with the official definition of the National Sample Survey Organisation. Villages within a 25 km radius of cities and towns (with a population 5 lakhs) need to be excluded in a microcosmic study of rural areas, as often the rural–urban dichotomy is not pronounced in such areas.

Non-farm activities in rural areas are the second part of the conceptual framework, which require definition by detailing the contexts. As indicated earlier, the term non-farm refers to all activities that are not linked to agriculture or farming, forestry, fisheries and other land based activities. It represents a set of all activities that do not fall under the primary sector (or natural resource based) activities. The term off-farm is marginally different to the extent that it excludes such activities of processing of agricultural products in farm itself and tends to include farm activities done elsewhere. Basant. R^{13} estimated that about 25 percent of rural male workers commuted to urban areas in Gujarat, which is a unique form of rural incomes, could possibly be a part of rural non-farm incomes but this cannot be strictly classified under earnings from rural non-farm employment.

As per the norms enunciated by Department for International Development (DFID), United Kingdom, rural non-farm income includes earned and unearned income received by rural people from the urban economy (via temporary migration, remittances, welfare, pensions, interest) and the rural non-farm economy (which includes activities based in rural towns). They also opine that when thinking about sectoral definitions of ‘non-farm’ it makes sense to follow national accounting classifications. Thus all secondary (including manufacturing, processing,
construction) and tertiary (including transport, trade, finance, rent, services) sectors, according to their classification, are non-farm, as are some primary sub-sectors, such as mining.

While the definition of rural employment is based on the residence of the worker, just as peri-urban areas though falling under the definition of rural areas stand excluded, do not reflect upon the broader context of employment in rural areas and consequently need to be excluded also. Therefore non-farm activities are defined as those activities that are non-agricultural and not falling under primary natural resource based activities but include all trade and value-added activities of processing of all activities taking place under the defined rural areas. The above definitions broadly follow the National Income Accounting classification and would fall under the secondary and tertiary sector.

Finally it is important to define the term "employment". The unit of analysis of rural non-farm activities could be employment, livelihoods and income. Rural non-farm income could be generated by activities of households as self-employed enterprise work, wage income, and remittances. While income has a direct bearing on poverty, it is beset with measurement problems and if bulk of it is remittances from outside the rural area, it becomes difficult to segregate this from the total income and therefore would not fully reflect upon the totality of the broader concept. Since there has been an observed strong positive correlation between rural non-farm growth and income levels of rural areas, it is generally proposed that promotion of rural non-farm employment is the path to development, but its pro-poor nature has been increasingly questioned. Hence despite its direct bearing on poverty alleviation, it is not preferred in this research endeavour.

A report¹⁴ for the 1995 world summit for social development states, "Of a world labour force of 2.8 billion people, an estimated 30 percent are not productively employed. More than 120 million people are registered as unemployed in the world. They are people who seek and are available for work, but cannot find it, not even for one hour per week. Many more – estimated at around 700million people – are underemployed. They are the working poor. Many of them work for long hours, but since the productivity of their work is low, many do not earn enough to lift
themselves out of poverty. They form the bulk of the estimated 1.1 billion absolute poor in the world”. Then, creation of sustainable livelihoods options in the rural areas is the necessary condition for poverty alleviation and overall development. The level of agricultural development being given and further accretions not generally expected therefrom, it is the rural non-farm activities that perhaps can sustain livelihoods.

According to Gunnar Myrdal15, “It has been observed that employment, unemployment, job, workplace and workforce are all concepts and categories derived from the urban industrial experience of developed countries. As such, their relevance to the lives of the impoverished is limited”. While livelihoods is a larger abstraction than employment and the fact that non-wage means of livelihoods is an important component of the rural life in India, and the concepts employment, unemployment, job, workplace and workforce are perhaps alien to many developing countries, still employment is preferred in this research study. This is because, labour being their only asset for the poor, their vulnerabilities are often exacerbated in the options other than wage employment. Livelihoods, other than wage employment, often are not a viable proposition in view of the risks associated with it and the dearth of other assets. Often the livelihoods that are pursued by the poor come under those self-employment opportunities, which it has been argued, is nothing but disguised wage work.

Open unemployment has never been a serious problem in the Indian economic experience. In fact in the Indian context employment, with the exception of security that feudal relationships offer, it has been argued cannot be seen through the prism of secure, viable and reasonably remunerative/ sustaining full-time employment. Employment in the context of largely agriculture based rural economy is casual, seasonal and vulnerable / insecure. The preference for the term employment arises from the fundamental reality of the lives of rural poor whose often only asset is their labour. The term employment in this research study is analysed in two parts- wage-employment and self-employment.

Since the research study attempts to find relationship between rural non-farm employment and development through poverty, detailing these definitions are also in order. World Bank defines poverty as, “the inability to attain a minimal standard of living” measured in terms of basic minimum needs or their income equivalent.
Poverty, therefore, reflects upon material well-being in absolute terms and denotes societal and individual failures to satisfy basic minimum needs. Even though critics have pointed out serious shortcomings in these definitions, it remains the basic building block of poverty. Poverty is a multi-dimensional phenomenon consisting of economic, social, political and other aspects. Presently poverty definitions have been expanded to include notions of exclusion and powerlessness. Poverty also is a dynamic concept that has seasonal and other dimensions.

Bahman Mansuri\textsuperscript{16} vividly describes the need for proper definition of poverty. He states that the definition of poverty or hunger in terms of lack of income is too limited and terms it reductionist and the suggestion flowing therefrom- that economic growth is the solution to all problems to the exclusion of the other factors- is fallacious. According to him it is more useful to define poverty, and hunger, as a situation of lack of entitlements that deprives them of certain minimum sets of goods. He talks of the three-fold entitlements: “In simplified form, three broad types of entitlements can be distinguished: production-based (the entitlements people have to what they produce themselves), exchange-based (the entitlements people have to what they can obtain by trading their possessions, including their labour), and transfer based (the entitlements people have to what is willingly given to them). A multitude of economic, social, political and cultural processes influence these entitlements. The conquest of hunger and poverty, then, goes beyond mere economic growth or increased food production, and may even be achieved in their absence”. Thus increases in poor people's total entitlement sets, including redistribution of assets, targeted transfers and sustained economic growth that includes the poor and the hungry is a necessary for development.

The position taken by International Labour Organisation (ILO)\textsuperscript{17} suggests that poverty and employment must be studied in an integrated fashion. They spell out the relevance of poverty monitoring as opposed to employment monitoring as an indicator of poverty. According to them income-source types of data are not sufficient for tracing the effects of employment policies on poverty, because they do not distinguish between demand and supply factors, and cause and effect. But they feel that the focus should be on the nexus of poverty and employment measurement, which requires development of appropriate measures of employment. It is important
to determine how well these employment indicators reflect poverty. They opine that per-person income (or, even better, consumption) poverty data are necessary. However, since there are various definitions and ways of measuring poverty, there is a need to consider all appropriate measures and income poverty is one of the most important ones, especially to trace the outcomes of specific policies. The deficiencies of indicators of poverty based on incomes to the extent they do not cover all aspects of welfare or deprivation, needs to be supplemented by other measures. Income based indicators are relatively unambiguous and can be compared over time and between locations. These data can only be attained through household surveys, large enough to be representative and repeated over time.

The conditions of the poor and characteristics of poverty have been summarised by UNESCAP\(^{18}\): "Poverty is caused by a set of inter-related conditions that reinforce each other and trap people in poverty. Owing to a lack of resources and a lack of entitlement or a lack of information, or because the infrastructure and services are simply not available, the poor do not have access to all sorts of essential infrastructure and services. The poor are vulnerable to societal or personal calamities, and to harassment and exploitation by more powerful groups in society. In short, the poor and children are trapped in a vicious circle of poverty from which it is extremely difficult to cope".

Mahmood Hassan Khan\(^{19}\) opines that the rural poor are not a homogeneous group and that an important way of classification of poor would be according to their access to land. The highly uneven distribution of land is one of the main causes of rural poverty. The poorest of poor are the non-cultivators as they are vulnerable to fluctuations in the demand for labour, wage rates and food prices. Female-headed households among them are the most vulnerable. Then the next group is the wage earners in the informal sector, followed by self-employed and marginal and small cultivators. This method of analysing poverty goes by the categorisation of population and is a useful one in empirical studies that seek to establish relationship on a sectoral basis with poverty. The fact that poverty affects certain sections of the society finds mention in Abhijit Sen\(^{20}\): "In rural areas at an all-India level, the worst-off economic group is that of rural labour, both agricultural and non-agricultural. This is true both
in terms of depth of poverty and its severity in terms of distance of average incomes from the poverty line”.

Poverty definition, in official parlance, is inextricably linked with its measurement and is an estimate based on a scientific methodology for measuring income with reference to a minimum consumption norm based on nutritional standards for living. Poverty line is defined on the basis of income equivalent of the required nutritional and other standards of living. People whose incomes are below this are termed ‘Below Poverty Line’ (BPL) and constitute the poor in India. Poverty is multi-dimensional, its causes diverse, its manifestations and definitions are contextual, and it is not only a state of deprivation but also a set of processes. For the sake of correspondence with the larger aggregate data, this definition is retained in this study while simultaneously incorporating vulnerability, exclusion and powerlessness, which form the basis for such an economic condition, as supplementary facts.

The conceptualisation of development has already been made in the earlier chapter. Development is defined as growth in material terms plus structural changes in the economy and society as reflected in the lives and living standards of the poor. In the present study, emphasis is on pro-poor growth and change in their living standards as seen through the prism of viability and sustainability of the process of continuity and change. While some of the livelihoods options may be coping strategies and some dynamic in terms of growth and change, the key is their long run sustainability and viability in the process.

UNDP\textsuperscript{21} has summarised the research convergence thus, “At the dawn of a new millennium, all significant actors in the development process have converged their agendas upon this — the importance of poverty reduction as the cornerstone of all development efforts. The renewed attention to issues of poverty and distribution constitutes a welcome departure from the themes that dominated much of the development discourse during the last quarter century, when concern with macroeconomic stabilisation and adjustment was at the centre of the policy agenda.” This is acknowledged by the World Bank’s report’s\textsuperscript{22}, which opines that the non-farm economy is increasingly looked to as a vehicle for poverty alleviation. The available
evidence suggests that non-farm activities are generally associated with lower absolute poverty. Thus it is poverty that should be the basis for relating much of the sectoral economic changes when analysing development.

A host of other concepts also need to be clarified prior to their usage in establishing inter-relationships. These include civil society, social capital, governance, empowerment, informal sector and market failures. Empowerment is a crucial element in the global fight against poverty and hunger. The concept has been defined in myriad of forms, from the donor agency perspectives of participatory development processes to entitlements and freedom as a goal in itself. The goal of empowerment has to go much further than the current approaches to beneficiary participation in donor-funded and executed projects or programmes. More recently, such approaches have included community or beneficiary participation in the construction and maintenance of public services, such as schools, irrigation, and public health centres. While this is undoubtedly useful, both as a way to ensure the interest of the communities in proposed infrastructures and to lower their cost, it still leaves community participation within the constraints of externally proposed actions. To move from participation to freedom there is a qualitative shift is required. UNESCAP states that empowerment is much more than participation by the poor in the design and implementation of Government projects that are meant to benefit them. It implies that the development initiatives of the rural poor are recognised. Rural poor should be accepted as stakeholders and partners in development, their voice heard and their opinions count in decision making or public choice.

It is widely recognized that the pattern of development depends fundamentally on state-society relations, achieving inclusive development, in governance, service delivery and markets, depends on making state structures responsive to the poor and excluded, tackling inequitable social barriers and supporting social organizations of the poor. These areas are sometimes grouped under the term “empowerment”. While consensus has been building within the development community on the importance of empowerment for development and poverty reduction, there is still much debate regarding what it means, how best to create the conditions for empowerment of the poor and excluded groups, and what the roles are for governments, civil society organisations, and the international donor community.
There are many stakeholders in the process of development. The State being the representative of the people at large, holds a decisive say in formulation of policies. While the delivery mechanism can be varied with involvement of various actors including NGOs, who enable the communities, civil society and the ultimate stakeholders must count in the public choice decisions. There are likely to be conflict of interests among various stakeholders and if the ultimate stakeholders' interests are made paramount in the decisions, empowerment will become a reality. Empowerment thus can be seen in terms of ultimate stakeholders' role in design and process of developmental effort underway, their perception and the democratic nature thereof.

Social capital is a concept that reflects the collective cooperative ability of a society in furtherance of larger societal interests. Social capital as a concept emerged from the pioneering work of Alexis de Tocqueville in 'Democracy in America'. American life during his time exhibited a propensity towards voluntarism, which was lacking elsewhere and this made him see it as a form of collective behaviour influencing outcomes of larger societal events. According to Tocqueville, a modern democracy tends to wipe away most forms of social class or inherited status that bind people together in aristocratic societies. Men are left equally free, but weak in their equality since they are born with no conventional attachments.

Modern democracies promote excessive individualism, that is, a preoccupation with one's private life and family, and an unwillingness to engage in public affairs. Americans combated this tendency towards excessive individualism by their propensity for voluntary association, which led them to form groups both trivial and important for all aspects of their lives. This stood in sharp contrast to Tocqueville's native France, which was beset by a much more thoroughgoing individualism than the United States. As Tocqueville explained in The Old Regime and the French Revolution, on the eve of the Revolution. It was only by coming together in civil associations that weak individuals became strong; the associations they formed could either participate directly in political life (as in the case of a political party or interest group) or could serve as "schools of citizenship" where individuals learned the habits of cooperation that would eventually carry over into public life.
In recent years, there has been a growing interest in the concept of civil society among development scholars and practitioners. This trend owes itself to the East European democratic opposition movements in the 1980s that resulted in the discussions of civil society. The decline of the Western welfare state and the resistance against authoritarian regimes in the developing countries contributed to revisiting the civil society. Putnam's seminal work "Making Democracy Work" stressed the importance of the civil society and stimulated vigorous discussion with regard to civil society and social capital. He postulated that active civil society was the main reason for the success in the Italian regions that he had studied over a long span of time. Putnam found that an active civil society correlates with better institutional performance. Another important concept is the communicative and deliberative conception of the public sphere for explaining civil society. A public sphere has emerged in opposite to the private sphere as a result of the demise of feudalism and the growth of nation state, commerce and middle class.

Civil society has been defined as that part of society that connects individuals with the public realm and the state. It has been described as the 'political face of society'. Antonio Gramsci defined civil society as a social sphere or a public 'space' where political thought is transformed into action (Gramsci 1971). According to him, civil society functions as a vehicle for propagating the ideas of the ruling strata to the masses, in the process giving those ideas a legitimacy that they might otherwise lack. As such, this sphere is contested by all components of society, including the state. Civil society organisations channel people's participation in economic, political, cultural, and social activities and organise them in order to influence public policy and gain access to public resources, especially for vulnerable and marginalised populations. In this way, civil society organisations are the mechanisms to represent people's interests and the pipeline for societal dialogue.

Civil society is a result of abundant stock of social capital, which in turn has been almost universally seen as a necessary condition for modern liberal democracy. If a democracy is in fact liberal, it maintains a protected sphere of individual liberty where the state is constrained from interfering. Excessive individualism can lead to a situation of less than optimal societal outcomes and may result in internal conflicts;
Civil society serves to balance the power of the state and to protect individuals from the state's power.

The concept of the informal sector came into international usage in 1972 through the International Labour Organization (ILO) Kenya Mission Report, which defined informality as a "way of doing things characterised by (a) ease of entry; (b) reliance on indigenous resources; (c) family ownership; (d) small scale operations; (e) labour intensive and adaptive technology; (e) skills acquired outside of the formal sector; (g) unregulated and competitive markets". Since then, multiple definitions are in circulation.

The ILO in 1999 proposed that the informal sector workforce can be categorized into three broad groups: (a) owner-employers of micro enterprises, which employ a few paid workers, with or without apprentices; (b) own-account workers, who own and operate one-person business, who work alone or with the help of unpaid workers, generally family members and apprentices; and (c) dependent workers, paid or unpaid, including wage workers in micro enterprises, unpaid family workers, apprentices, contract labour, home workers and paid domestic workers.

Normally the markets clear by the equilibrium process in demand and supply. Market failures refer to a situation when the market fails to perform on the expected basis as postulated by theory. This might happen on account of various factors that are assumed to take place seamlessly, in the interplay of demand and supply, indeed do not hold. Information asymmetry, rigidity of prices in the short run, entry barriers, delayed exit, monopolistic presence or mergers or cartelized behaviour, barriers to free movement of factors of production and non-adherence to the principle of rational expectations. Market failures may take many forms. Simply stated markets, through the mechanism of prices (supply and demand levels at a given point of time) tend to be in equilibrium and if not then failures occur. However there might be rigidities in the markets, which make automatic adjustments ineffective.

Labour market failure: Unemployment /under-employment in certain sub-sectors and labour shortages in some other areas might exist necessitating work force organisation from one sub-sector into another. The assumptions of perfect
knowledge, seamless entry and exit and adjustment do not occur in the short run. In largely populated countries with high dependence on land, this would imply low wages and exclusion of large sections of population. Exclusion is strongly linked to both State and market failures. Sources of exclusion include physical isolation, ethnicity and religious discrimination, bureaucratic barriers, road bias, corruption, intimidation and physical violence, and the nature of the local political elites.

Credit market failure: Demand for credit more often than not is constrained by lack of formal institutional credit, on account of large transaction costs and lack of assets that could form collateral. do not accrue to those who need it. New sub-sectors are unable to attract private sector investment. Rotational savings and credit associations are absent, resulting in high rates of interest pushing up costs and thereby lowering returns.

Commodity/Product market failure: Lack of information on market conditions necessitates middlemen in the product market and they tend to corner the bulk of the profit. Much of the agricultural produce is sold under conditions of imperfect information and often with very little value addition.

Infrastructure constraints like lack of electricity, water and roads, cause many problems to the poor. A serious shortcoming in many labour markets with adequate work occurs on account of mismatch in skills. Capacity development is an important component of any development programme.

Joseph E Stiglitz has warned that these failures are not benign. He states, "These market failures are not just a matter of academic interest, but have real consequences. They are associated with high levels of economic instability, with extended periods of severe underutilisation of resources, all worsened by an inability to distribute efficiently the burden of the resulting risks." The market failures and exclusion arising therefrom have resulted in intervention by State in various forms like subsidies, administered prices, market controls, and even direct provision of goods and services. While this might remedy the market failures, in the absence of strong civil society, rent-seeking and other distortions would occur, resulting in what may be termed governance failures. Governance is not the abstract noun form of
'govern' and is therefore cannot be seen in terms of 'either/ or' schemat of good governance. Governance denotes a new mode of State-Civil Society relationship that is distinct from the hierarchical control model - a more cooperative model where state and non-state actors participate in mixed public/private networks in the process of all actions that affect the citizens at large or ultimate stakeholders in that particular area of action.

Governance is defined as the exercise of economic, political, and administrative authority to manage a country's affairs at all levels, comprising the mechanisms, processes, and institutions through which, that authority is directed. Good governance is according to them, among other things, participatory, transparent, accountable, and efficient. It promotes the rule of law and equal justice under the law. It also recognises that governance is exercised by the private sector and civil society, as well as the state, all of which have important roles to play in promoting sustainable human development.

The essence of governance is the empowerment of ultimate stakeholders. This process of empowerment does not mean that people start administering themselves, which would almost amount to direct democracy, but enable them to protect their interests in a system meant for them. Voice in any assembly, consultation or participation in the process of deliberations and democratic sanctions are imperatives in governance.

While individual components of the concept have been detailed above, the conceptualisation of the larger phenomenon, interlinking and dovetailing them to the contextual frame and objectives of the study is essential. Rural non-farm employment as the set of activities providing livelihoods in the rural areas where bulk of the poor reside needs to be seen either in terms of a positive and dynamic developmental phenomenon by linking them to the extent it has changed the lives of the poor or in terms of distress diversification. In such a vast country like India there are evidences to support both the above propositions because of the regional diversity and varied initial levels of development. For instance, in Punjab rural non-farm activities are dynamic drawing upon the agricultural prosperity and linkages, whereas elsewhere in other backward regions where people eke out a living through all possible means,
rural non-farm employment may be their option from falling further into hunger and destitution. In the instant research study, the absence of choice of occupations relative lower remuneration or non-preference of low paid rural non-farm employment is treated as non-dynamic (distress-push, if opted)

Review of literature

The relationship between poverty and rural non-farm activities has widely been studied across the world. A major review of about 100 farm-household survey studies 1970-1990s can be found in Reardon et al.22, which highlights the relative importance and patterns of rural non-farm sector. The review stresses the importance of the rural non-farm sector in alleviating poverty thus “There is mounting evidence that rural non-farm income (ie income derived in this sector from wage-paying activities and self-employment in commerce, manufacturing and other services) is an important resource for farm and other rural households, including the landless poor as well as rural town residents.

In the Indian context, the issue of rural non-farm employment was analysed in the pioneering work by Vaidyanathan23, who while investigating the inter-state and inter-district variations in the ratio of non-agricultural to total employment in rural areas and exploration of the reasons for the same found that agricultural growth though results in a more than proportionate demand for non-agricultural inputs, they are often not locally sourced. This coupled with other factors he investigated led him to the hypothesis that rural non-farm employment may be a residual sector.

Mahendra Dev29 (1990) also studied factors influencing variations in shares of rural non-agricultural employment across agro-climatic regions using NSSO data. He hypothesised that the non-agricultural employment is a function of person day unemployment rate, Gini coefficient of concentration of household assets and crop output per head. His findings were in tune with the pattern found by Vaidyanathan. He interprets the significant positive association as owing to labour displacing technologies in high agricultural productivity regions, attraction of labour from neighbouring areas to such high productivity regions and the fact that open unemployment may be perceivably high in such regions. However, he refrains from
passing a comment as to whether this implies a distress diversification and states that one needs to look into longitudinal household data for testing it.

Unni with the help of a primary survey conducted in 30 villages of Gujarat in 1988 demonstrated that choice by households on diversification did not favour distress push. She used a single multiple-choice model on the household decision-making. According to her the process of diversification can be analysed at two levels—the regional level and the individual or household level. While the former regional approach is interesting in providing a macro dimension to the rural non-farm employment, she opines that it is of limited use to understand the reasons and processes by which an individual or household diversifies its economic activities or engages in non-agricultural activities.

The question regarding diversification pertains to individual household choices and hence needs to be studied at that level only. She restates the problem that has been made in the aggregate context thus “Diversification can occur form a position of strength as a process of investment of surplus generated from the primary activity, agriculture. This can also be viewed as a process of diversifying risks in production. Multiple economic activities can also occur from a position of vulnerability and used as a household strategy for survival. This would involve long hours of work at very low levels of productivity.”

She examined five types of occupational choices. The first category consists of those who depend exclusively on agriculture, the second category consists of those who depend to some extent on rural non-farm employment apart from primary agriculture, the third group consists of those who are exclusively on rural non-farm employment, the fourth are those who apart from non-agriculture also have other interests, and finally those who are unemployed. She has made a distinction in the participation among fresh entrants to employment and shift from agriculture to non-agriculture. The exogenous factors she had taken into account were individual characteristics like age and education, household characteristics like value of assets including land and regional factors such as village wage rate, distance from the nearest town and density of village population. She then proceeds to examine the diversification issue from the perspective of occupational shift from one sector to
another sector and multiple activity choice by different members of the same household at a point of time.

About 75 percent of the households surveyed by her had shown diversification. Access to land was a major factor facilitating this process as 94 percent of landed households undertook subsidiary activity, whereas 56 percent of landless households only diversified. She also found that younger and less educated women and men are also engaged in multiple activities and that the probability of agricultural workers undertaking multiple activities is higher with greater the distance of the village to nearby town. However whether the agricultural workers who participated in the rural non-farm sector, was distress driven or otherwise was not made explicit.

Basu and Kashyap 11 while reviewing the different studies on the subject of the relationship have opined that the high unemployment rates are likely to be associated with relative agricultural prosperity and an outcome of job expectation rather than job (Harris-Todaro thesis) and better reporting about employment status. On the basis of data examined by them, they contend that there is a threshold limit of land productivity, beyond which, the emergence of growth induced rural non-farm employment, occurs. In the case of one micro study, they found that acute landlessness pushed households into diversification, yet these households were better off on account of increased number of workforce. According to them, preponderance of the evidences gleaned from the studies indicated support for residual sector hypothesis.

Shukla 12 discusses a model framework analysing the determinants of rural non-farm employment for policy prescriptions and suggests that a strong agricultural policy is perhaps the single best means of engendering appropriate types of non-farm employment in rural areas. He postulates, "Rural areas in regions with already high levels of industrial development are the best placed to secure the greatest growth in non-farm activity".

Bhalla 11 examined the question of relative differential in wage rates and concludes that real wages went up largely because surplus labour is being siphoned
off into non-farm activities in rural areas, and into urban jobs as well. Increases in labour productivity seem to have played mainly an enabling role. That is, the recent rising trend of real wage rates in agriculture is mainly explained by the emergence in the economy of increasing numbers of non-farm work opportunities. Thus, she reports that we have had a chain of events, in which the prime mover is occupational diversification and that rural people in non-farm jobs are not at least no worse off than those dependent on agriculture, this is in itself a healthy development. She laments that the problem is that it depresses employment prospects in rural areas.

Later study by the author\textsuperscript{14} show that wage data for several Asian countries underline the fact that farm wages have lagged behind non-farm wages in rural areas in recent years, for both male and female workers. This is consistent with a "pull" scenario in which a growing non-farm sector is attracting workers out of farming. Even in a labour-surplus country like India, wage rates in non-farm activities are considerably higher than in agriculture (40 percent higher for men and 22 percent higher for women), indicating that much of the growth in non-farm employment is not a distress phenomenon but rather the result of the pull of more productive and higher-paying jobs.

Jayaraman and Lanjouw\textsuperscript{15} opine that the increasing trend revealed by census data towards wage labor employment in the rural population (even from self-employment) tantamount to what they call "proletarianization." They conclude that, though there is a distinct possibility that the self-employed may have been pushed into wage labour, whether "push" or "pull" effects dominate across rural India, varies with the experience of land legislation, population pressure on the land, and the expansion of non-agricultural opportunities. They conclude that proletarianization often takes place against a background of rising real agricultural wages suggests that the influence of "pull" factors might in general be more pronounced than the "push" factors.

Sen\textsuperscript{16} had also reviewed the relative wages debate and found that the dualistic treatment of real wages was a simplistic view. He states, "The Indian literature on this in the past has toyed with two ideas: that rural non-agriculture itself is itself driven by agricultural growth through the operation of Engel's law; and the opposite idea that
the process of commercialisation of agriculture which finds distress employment in certain 'residual' sectors of non-agriculture. However, both these ideas are now somewhat discredited". He discounts the residual sector hypothesis, as it is unable to explain rise in real wages. He attributes the rise in share of non-agricultural employment to expansion of Government expenditure.

Lanjouw treats the differential wage rates as a safety net. Casual non-agricultural wages are somewhat higher than from daily wage labour in agriculture even when villagers generally view as the least attractive of activities in which to work. Most of those employed in casual non-agricultural wage labour are below the poverty line. He concludes, "The profile of those employed in this sub-sector is typically that of the poor, with low education levels, few assets, often from backward social groups. One can thus view the casual non-agricultural wage labour sub-sector as a safety net, keeping those who typically make up the poor from falling further into deeper poverty."

Chandrasekar and Ghosh adduce a set of reasons for the wage differentials even in a situation when employment in agriculture was inadequately responsive to agricultural growth. They opine that empirical evidence point to an increase in rural non-agricultural employment. Over the 15-year period from 1972-73 and 1987-88, the share of rural male non-agricultural employment in total rural male employment rose by 9 percentage points and that of female non-agricultural employment in total rural female employment by 5 percentage points. This seemed to make the growth of rural non-farm activities and rural non-farm employment an important cause for reduction in rural poverty -- a conclusion supported by experience in other Asia-Pacific countries, especially China. They caution that the role of the state is crucial for nurturing them, but also in the form of other support services.

The proposition that if wages are higher in rural non-farm sector, then it cannot be construed as a residual sector needs closer scrutiny. Entry barriers or compensation for higher skills or ability may cause the wage differential. Therefore the causal dynamics in the relationship should be seen from the choice by poor and whether their participation in rural non-farm sector activities is on account of distress or not. If the poor are unable to participate in rural non-farm activities, then the
direction of the relationship between poverty and rural non-farm activities is unclear, as whatever little participation they may do may be supplementary in nature and cannot supplant their dependence on land.

Dev while analysing the need for pro-poor growth opines that there are also problems with the argument that if wages rates are higher in non-agriculture than in agriculture, then the former cannot be a ‘residual sector’. The problem is that any wage differential must be caused either by some barrier to entry into higher wage sectors due to skill, location, contacts leading to job access or some other specificity, or be a compensation for harder work or higher expenses such as commuting. Due to all the above reasons, movements out of agriculture may not always be likely to improve the overall quality of employment.

The causal dynamics of the relationship between rural non-farm employment and poverty cannot be explained fully by studying the wage differentials and the individual decision choices of all households participating in rural non-farm activities as there may be co variation but no causation. There is a need to look at the factors that determine the participation by poor households in rural non-farm activities with regard to the constraints to access and other issues that affect the choice. Mahendra Dev (1990) investigated the poverty incidences for agriculture and non-agriculture and found that self-employed reported higher incidences of poverty for non-agriculture as compared to agriculture. The poverty incidence, however, for regular wage employed and casual labourers were lower in non-agriculture than in agriculture. He concludes that in both agriculture and non-agriculture, the self-employed constituted the single largest segment of the total poverty households, although casual labourers reported the highest incidence of poverty.

Datt and Ravallion have studied the state-wise patterns of the reductions in rural poverty and seek to find answer to the question why some States have fared better. The experience according to them suggests that reducing rural poverty require both economic growth and human resource development. Punjab and Haryana signify that farm and non-farm growth can lift people out of poverty with certain enabling and initial conditions. Kerala signifies the other route out of poverty, driven by human
resource development. Some major populous states, they aver, unfortunately have fallen behind on both counts.

Saleth\textsuperscript{41} analysed household data from villages in Tamil Nadu and found that households' evidenced both distress driven and dynamic pull diversification traits. Households with higher educational attainments benefited on account of better paid activities, poor households exhibited tendency to low paid activities. A primary study of 18 villages by Chadha\textsuperscript{42} across three states revealed that productive agriculture promotes non-agricultural activity within the village itself. Shyilendra and Thomas\textsuperscript{44} categorise rural non-farm sector into proper rural non-farm employment and non-farm migratory. They attribute participation by households in the former as dynamic and the latter as residual prompted by improved communication.

From the foregoing, it becomes apparent that the relationship between poverty and the sector is not linear and valid across contexts. This underscores the need for looking at the determinants of rural non-farm employment closely with reference to the contexts. In the extant literature on the subject, the determinants at macro level include:

- The health of agricultural sector and its forward and backward linkages with agriculture.
- Egalitarian nature of the society.
- Profitability and productivity of rural non-farm and agricultural activities.
- The technology used.
- Rural urban linkages.
- Hard and soft infrastructure.
- Government intervention (Policies and provision of livelihoods).

At the level of households the factors that influence the participation in rural non-farm activities include:

- Land ownership and initial other wealth.
- Credit availability.
- Household composition.
- Infrastructure.
• Social networks.
• Education and skills.
• Health and nutrition.
• Personal vision.
• Other factors.

The literature on diversification, the pattern, causes and consequences are varied and it is difficult to do an overall impact assessment of these studies on the body of knowledge. While heterogeneity in the type and stages of RNF activities preclude a detailed summary, distinct strands of accumulation strategies by individuals emerge. In the body of knowledge available this could be seen through the dichotomy of process of ‘pull’ and ‘distress’. Table 1.1 (reproduced from Daniel Start 2003) provides a summary of the debate.
Table 1.1 Positive and negative impact of diversification

<table>
<thead>
<tr>
<th>Elements of the economy</th>
<th>Positive Impacts</th>
<th>Negative Impacts</th>
<th>Detailed Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Many parts of the economy are low-return 'residual' sectors.</td>
<td>Acts to check falling wages rates in agriculture.</td>
<td>Low returns, limited possibility to graduate from poverty.</td>
<td></td>
</tr>
<tr>
<td>Many are informal with no regulation, many are located away from home.</td>
<td>Acts as coping strategy &amp; safety-net</td>
<td>Poor work standards. Stress of travelling and living away from home.</td>
<td></td>
</tr>
<tr>
<td>The RNFE is diverse; with some very lucrative sectors</td>
<td>Provides possibilities for regional growth, possibly reaching the poor through 'trickle-down'.</td>
<td>Excludes those without access to resources</td>
<td></td>
</tr>
<tr>
<td>Labour markets are highly casualised</td>
<td>Allows a degree of livelihood flexibility, though few may desire this.</td>
<td>Insecure work: looming possibility of unemployment, difficulty of collective action</td>
<td></td>
</tr>
<tr>
<td>Labour market opportunities are non-local</td>
<td>For the young, provides opportunities for experience outside an agrarian economy</td>
<td>Migratory labour forces are dispersed and foreign, reducing bargaining base and civil rights respectively</td>
<td></td>
</tr>
<tr>
<td>Livelihoods are multi-spatial</td>
<td>May bring new experience, skills, contacts, and thus break down traditional institutional structures.</td>
<td>Social &amp; Political empowerment</td>
<td></td>
</tr>
</tbody>
</table>
Since the concept of rural non-farm sector is defined negatively, it is heterogeneous and offers wide range of areas for investigations into larger developmental research questions. Some of the main research priorities include:

- Ability of this sector to promote growth and alleviate poverty. Linkages with agriculture - both direct and indirect.
- Access to rural non-farm employment.
- The nature of goods and services produced and their productivity, viability and sustainability.
- The role of infrastructure, rural towns and urban sprawl, and Rural-urban linkages.
- The role of technology.
- Impact assessment of Growth centres.
- Impact assessment of institutional efforts, Credit facilities and financial services.
- Redistribution of growth and
- Right to decent work and informal sector wages
- Its contribution to overall development.

Since the objective of any research is to add to the existing body of knowledge throwing light on the higher levels of abstractions, the researcher’s interest lies in the broader relationship between rural non-farm employment and poverty alleviation. This has critical implications for development as removal of poverty is the necessary condition for development. Though some of the earlier research into this issue points to the positive association between rural non-farm employment and rural incomes, it is not fully established in terms of causal dynamics. Since this sector is heterogeneous, varied and tend to differ regionally and contextually, generalizations across such contexts and regions are difficult to validate. Hence the need to undertake a research into this phenomenon to establish typologies by contexts so that generalisations are made possible facilitating policy prescriptions.
The concern for the research study arose from the basic problem of poverty, particularly rural and is an attempt to facilitate better understanding on this issue, and suggest alternative strategies at tackling it. Furthering rural non-farm employment is seen by many as the most effective development strategy to fight rural poverty. The literature on this subject is now well established, but in view of its heterogeneity, is varied and does not provide a clear solution. This concern was fused with the necessity to understand the debate from a position free from ideological underpinnings that supposedly drive the larger research endeavour and is an attempt to unravel the conditions under which the relationship holds from the perspective of villages as microcosm.

Therefore the contextual frame for the above study are the poor below the poverty line (BPL), economic backwardness of the region, wage employment and self-employment components of the livelihoods in relation to productivity/value additions, social networks, capabilities, opportunities and institutional support mechanisms governing the larger phenomena of rural non-farm employment driven development.

While a large number of studies in India are at the aggregate (Macro) level and some meso and micro-level evidence are there, there is need for analysing the phenomenon at the micro level to test some of the propositions and extend the micro-level research done already. The uniqueness of the study at micro-level stems from the emphasis on multidisciplinary approach. The study focuses not on the component parts (sectors) but on the phenomenon as whole in a microcosmic typical rural (village/countryside) setting. The key emphasis is on understanding the relationship between poverty and the rural non-farm employment activities, the factors governing it at the village level with emphasis on access, personal vision as revealed, individual beliefs, skills, education, social capital, and to throw light upon governance issues in the context of State run safety net measures for unemployment. This evidence is related to the evidence from National Sample Survey Organisation (NSSO) data at higher levels to have an integrated approach at working of the phenomenon, which might facilitate a contextual policy framework.
Objectives of the study

The specific objectives of the research study are:

1. To understand the nature of relationship between rural non-farm employment and poverty by focusing on the impact of such activities, in the given contextual frame, on the lives of the poor;

2. To study the nature of rural non-farm activities with village as a microcosm and factors influencing them at broader level including linkages with urban areas;

3. To throw light on the factors conditioning the participation of poor in rural non-farm employment. The primary concern herein is to determine to what extent health, education, networks, caste and other socio-political factors constrain the participation of poor in rural non-farm employment; and

4. To assess the institutional support to development through promotion of rural non-farm activities designed to provide security of employment and thereby alleviate poverty, their sustainability and impact, which are core governance issues.

Hypothesis for the study

Having outlined the objectives of the study, it is necessary to spell out the hypothesis that when tested could throw light on them. The crucial question in the relationship is the direction of relationship between participation in rural non-farm employment and poverty alleviation. While any additional income to a household may add to income and thereby to reduce poverty, it is the threshold level of income additions that are important in the test for the relationship. It is also essential to remove urban influences in the household income and restrict the employment to such that are available locally – rural villages as microcosm.
The specific hypotheses that are to be tested are:

1. That poverty pushes people into rural non-farm employment.

2. The access of poor to rural non-farm employment is determined by a set of factors like initial wealth, education, skills, prior market knowledge, health, social networks, caste, etc., and governance issues that affect the institutional support.

Since the research study is specific to the given context, the validity of generalisations from the testing of first hypothesis is limited to such regional and contextual typologies. An important qualifying condition for distress push is non-dynamic nature of the occupational shift from agriculture to non-agriculture. The second hypothesis is a composite criterion for participation in rural non-farm employment, which seeks to ascertain whether it is dynamic. Based on the existing body of knowledge on the subject, certain propositions in place would be tested for their validity in the given contextual frame.

Methodology

Research as a continuum begins with the knowledge already in place in the larger theoretical framework, consists of a fresh insight by specific propositions or hypothesis, measuring and testing them and then finally providing generalisations facilitating accretion to the body of knowledge. Methodology and measurement are crucial to the validity of knowledge in the process of research as only a miniscule part of population could be observed for generalisation. There are large number of approaches and methods towards study of phenomena in social sciences. The appropriate methodology for research is determined by the research problem.

The nature of a research study could be explanatory, descriptive or causal. Time is also important in the research design and the nature of enquiry will determine whether cross-sectional or longitudinal data would be appropriate. Further the unit of analysis in the research needs to be clearly spelt out. Historically there has been dominance in social sciences, particularly Economics of the principles of natural
science. This has to be seen in the description of human nature and cause of the actions. Causality becomes the central focus of such research and there is a quest for the universal macro economic principles, primarily driven by the need to make policy interventions, often at the institutional level. The public policy choices need broader democratic sanction. To facilitate such choices analytical frameworks that contain economic, political and other disciplinary insights are important.

Barret and Swallow distinguish between nature and duration of poverty from magnitude of poverty and opine that poor are trapped in poverty, which has many dimensions with severe cultural, moral and political implications. They refer to the nature of research as that the causality behind the poverty trap phenomenon remains murky as different analysts from different disciplinary traditions, studying different regions, find different correlates of persistent poverty and posit different causal mechanisms. They aver that the gap between the theory and the actual data and between different disciplines' analyses of the phenomenon of chronic poverty is considerable. Much of the research by economists on poverty is either at the very micro scale of individuals and households or at the macro scale of nation states and regions. Other disciplines like anthropology, geography, sociology, and political science focus on intermediate scales of villages, ethnic groups, eco-regions and political jurisdictions.

D.M. Nachane has successfully summed up the right methodology as one where researcher's methodological position evolves out of his own understanding of the subject, not to mention his experience and environment. But the most vital point, he feels, which seems to have escaped the debate, is that casual laws and economic processes themselves can change. He concludes that a Meta - theory, which encompasses the effects of institutional change on economic processes is needed.

In the present research endeavour, the objective is to understand the nature and extent of relationship between rural non-farm employment and poverty within given contexts. The concept rural non-farm employment being large and heterogeneous, it is not possible to have universal laws or principles across contexts, regions and sectors. This coupled with the fact that poverty is multi-dimensional, often constraining access
to high-paid employment necessitates a study by specifying the contexts under which it could be explained in terms of the distinctions already in place in theory.

There have been two distinct strands of research on the phenomenon of rural non-farm employment. Since this has been studied as a part of larger developmental issue and the international or national analysis of the issue at a broad aggregate level predominates the literature, China and East Asian experiences have to a great extent influenced the propositions, which state that rural non-farm employment is the dynamic growth path option before developing nations that have large population base and growth. Much of the literature on this subject is based on large aggregate data on employment and income. The other approach looks at the villages or households as the microcosmic setting wherein participants in rural non-farm employment are related to the needs and capabilities of the households. Apart from the two, there are a few regional studies that seek to establish a relationship between rural non-farm employment and poverty, thorough observed data on household.

Jayaraman and Lanjouw speak of the recent research trend: "Survey and census data have been widely analysed to inform the debate on what has been happening to living conditions in rural India. However, to date there have been few similar attempts to bring together the findings from the many villages studies which have been conducted across the country, over time". They emphasise the need to do so in terms of four reasons. They feel that it could indicate whether the findings from large-scale surveys are in accordance with the observations and experiences at the village level. In case of divergence there is a need to investigate possible reasons. Secondly, in the village studies, which in a country as large and heterogeneous as India with a possibility of wide variety of experiences, commonalities are likely to exist. Both differences and commonalities, they feel, could shed useful light on the institutions and processes which govern change— aspects which large surveys may be less well equipped to investigate. Third, where there are common findings across village studies, one may be able to develop indicators which could be usefully added to future large-scale survey questionnaires and develop typologies. Finally they feel, a review of village study findings may raise new questions for further investigation.
While the first approach that uses aggregate regional data is useful for broad classification of countries or regions, to understand the nature and composition of the economy, it does not offer insights into the broad relationship between rural non-farm employment and poverty and thereby development. In view of the heterogeneity of sector, valid universal laws regarding the above relationship, though possibly valid in some countries, cannot be made because, the contexts and process of change may be different. While individual microcosmic studies do offer fresh insights into the relationship, without observed patterns or typologies contextually, regionally or sectorally, they would not be useful for institutional policy prescriptions. Therefore, both approaches need to be integrated in a manner that facilitates the understanding of the larger phenomena of development.

Macro economic aggregates like employment, unemployment, national income, information on sectors like agriculture, manufacturing and services, which have different characteristics and dimensions, are basically official data which have been conceptualised and collected as head count measures. Using these head count measures to estimate other phenomenon, therefore, needs careful scrutiny. Often industries and institutions located in rural areas provide only minimal direct employment and income to the local population, though indirect effects via consumption are likely to be there. Many studies on rural non-farm employment have taken the wage differentials in agricultural and rural non-farm sectors, project it as reflective of productivity and thus attempt to link the higher income / unit employment as reflective of dynamic nature or growth potential of this sector. It has also been argued that employment and unemployment in natural resource based activities of rural areas do not reflect upon the nature and extent of economic activities there, as they are concepts alien to rural areas. It has been observed that the natural resource based work as a way of life and vital in the case of rural poor on account of their vulnerability.

It has been argued that NSSO's quinquennial data on employment and unemployment is based on thin sample and categorizes rural areas as those with a population less than 5000. Even their data on informal sector in India is based on such thin sample and the estimates on the total composition sectorally across the nation are at best projections based on a number of simplifying assumptions. Lack of apriori
knowledge on the structure of theoretical population and other related characteristics, any stratification on the basis of incomplete structure is therefore like to be biased and estimates therefrom not valid.

As detailed in the earlier chapter, there have been many studies that attempted to explain the relationship between the non-farm sector in rural areas and the rural poverty, have by and large sought to explain the relationship at the macro level through wage rates, employment and output share, and longitudinal or cross-section analysis of the aggregate data. They seek to establish the relationship mainly on co-variability and do not stress on causality, except as conjectures. It is not, therefore, surprising that there have been evidences for both the extreme cases of dynamic growth and distress.

Therefore, the propositions based on such larger data needs to be validated across regions sectors and other contexts at lower meso and macro levels. (Vaidyanathan, 1986) found evidence for distress diversification in the relationship between rural non-farm employment and poverty using NSSO data. (Umi, 1996) using data on households found contrary evidence. Therefore, there is a need to have a fresh insight into the relationship between rural non-farm employment and poverty using micro data and relating it to valid contexts for evolving typologies which could later be integrated at the macro level to facilitate throwing light on larger developmental phenomenon.

The fact that the relationship between rural non-farm employment and poverty can occur as a dynamic growth (pull) phenomenon has been explained in the context of certain countries and in certain parts of India. Equally emphatic is the opposite view that such growth in rural non-farm activities are out of distress compulsions in the areas requiring diversification for coping in expectation or a consequence of vulnerability. The unit of analysis for studying the relationship is crucial in establishing validity of these propositions. Whichever way the relationship needs to be established, it is the individual or the household that is the proper unit of analysis.

It is quite probable that theoretically, two different households, may on account of their relative positions; take up the option of participating in rural non-
farm activities for either of these two reasons. In some of the studies reviewed, the geographical and agro-climatic influences affect the participation in rural non-farm activities. Punjab and Haryana are prime examples of agricultural growth influenced participation in rural non-farm activities and the general high level of wages therein influences the rural non-farm wages. Whereas in relatively backward regions of India, in parts of Bihar, Orissa, Madhya Pradesh and other such states, there is a likelihood of distress diversification.

Janvry et al.12 have summed up the issue thus: “Household asset endowments and circumstances are highly heterogeneous, inducing households to pursue a broad range of investment and income strategies. The implication is that there are many roads out of poverty and that rural development initiatives must capitalize on this diversity. Hence, there is no silver bullet for successful rural development. Heterogeneity calls upon rural development interventions that differ across classes of households according to their potential”.

Similarly, it is also theoretically possible to conceive of two individuals or households even within the same place, similarly placed in terms of assets and incomes, and yet opting out of entirely different reasons of pull and push, depending on the other contexts that differentiate them. It is, therefore, essential to analyse the relationship not only in terms of simple wage differentials, but also in terms of the characteristics of the rural non-farm activity and the factors that promote or constrain the access of poor to such activities. Normally the approach to establishing the relationship between rural non-farm activity and poverty is seen from the perspective of the sector than from that of the poor household. That is the analysis takes place first identifying the people participating in rural non-farm activities and relating it to the poverty indicators. However, this cannot fully explain the conditions and constraints to access of the poor people without capabilities. Some of the participation or the lack of it by poor households in rural non-farm activities may be on account of generational dimensions.

The research problem at hand needs a focus from the perspective of poor, irrespective of occupational classification, and study the relationship from the
different contexts of access, incentives and other determinants to participation in rural non-farm activities. This is because, despite the scientific measurement of estimating poverty, there are no official records of individuals available. The identification of the poor by District Rural Development Agencies (DRDA), in fulfilment of targeting of the public distribution system and other anti-poverty schemes, is not scientific as income has been used as a criterion for measurement and there are strong possibilities for both inclusion and exclusion errors. Inclusion errors arise from wrongly counting non-poor as poor and exclusion errors arise from excluding the poor from the survey.

The research study concerns itself with the problem at hand at the micro level using primary data. Simultaneously the data from the aggregate analysis made (NSSO's various rounds) on employment, output, wages, productivity are used to have a comparative perspective on the relationship. The study is cross-disciplinary in nature as it seeks to study the problem from economic, political and other disciplines by relating them to the choice preferences. Cross-disciplinary nature here implies analysis of the phenomenon on more than one dimension. This is evident from the references to social networks, vulnerability, empowerment and personal vision which are studied, inter-alia, with the traditional economic indicators.

The present research study is context specific and as such the first specific context of the study is in the choice of the geographical area of the study. Here again the guiding factor is the extent of chronic poor and vulnerable and the economic backwardness of the district and the development block. Since the objective is to unravel the truth behind the proposition that in rural areas, it is rural non-farm employment that provides growth and development, this need to be tested in such rural areas which are backward in terms of economic indicators and which are geographically well apart from effects of urban sprawl. Consequently selection of district is made purposefully. In Tamilnadu, based on the available indicators Dharmapuri district and Pappireddyppatti block within this district were selected purposively for the study. Census of India profiles employment in Dharmapuri district in Tamilnadu. Out of the total workers (main + marginal), Cultivators formed 38 percent, agricultural labourers 32 percent, 2.42 household industries workers percent and other workers 28 percent. The rural distribution of employment is 42 percent in
agriculture, 34 percent agricultural labourer and 23 percent in rural non-farm employment.

The nature of research is causal and descriptive — causal in seeking the nature and direction of the above relationship and descriptive in the exposition of the contextual frame under which the relationship holds. Quantitative data on the above subject at village and household levels are used to throw light on the direction of relationship and the contexts that limit them are used to describe the nature and extent of the relationship. A multi-stage random sample is selected for the purposes of the research study.

There are nineteen revenue villages in the Parvireddypatti block and on the basis of composite criteria of agricultural output / rural non-farm workers from four villages were selected randomly. Households are selected on the basis of information available of income classification (BPL) with DRDA. From each village, a sample of 30 BPL Households was selected, of which about 50 percent of total were selected based on their participation (Principal or subsidiary) in rural non-farm employment. Information for village as a whole has been collected from available records and after wide discussion with various stakeholders in the village and qualitative notes on the village both economic social and political are presented along with the data to facilitate broader understanding of the phenomenon.

The following instrument of observation for the purpose of the study was structured for collection of both quantitative and qualitative data:

1. List of BPL population as per the latest survey by DRDA.
2. Household schedule.
3. Self-employed (micro enterprise) schedule.
4. Observation notes.

The DRDA's BPL survey listing the poor households was used as the theoretical population of the poor in the block and district. From the individual village-wise lists available, the selection of the households was made. The household schedule, inter-alia, elicited information on the household composition, employment
pattern, wages, income, assets, networks, credit, vulnerability, voice and a host of opinions throwing light on the issue.

The primary data is used in tandem with the evidence available from secondary sources of data. The conceptual framework and definition of economic measures for the primary survey is mostly compatible with that of NSSO. The methodology followed in employment statistics is enunciated below:

Under the reporting format for data dissemination (IMF), the NSSO collects and disseminates data on employment and unemployment using alternative reference periods relating to three approaches. These are: the "usual status" (US)\textsuperscript{48} approach, based on the a reference period of one year; the "current weekly status" (CWS)\textsuperscript{49} approach, based on a reference period of one week; and the "current daily status" (CDS)\textsuperscript{50}, based on the activity pursued on each day of the reference week. While all three approaches are used for collection of data on employment and unemployment in the quinquennial surveys, the first two approaches are only used for the intervening annual surveys. The survey covers the whole of the rural and urban areas of India, except for a few inaccessible and difficult pockets. The data is obtained through sample surveys conducted by the National Sample Survey Organisation (NSSO). Every fifth year, the sample size is of the order of 120,000 households. In intervening years, sample size is of the order of 40,000 households. Each survey is divided into four sub-rounds, with each sub-round of three months duration. The activity status of each person in the household is collected with reference to the previous 365 days, the previous 7 days and daily for 7 days.

The Directorate General of Employment and Training (DGET), through the Employment Market Information (EMI) scheme, has been involved in collecting data on employment, over the last 30 years through a net-work of Employment Exchanges spread over the country. This programme covers all establishments in the public sector and non-agricultural establishments employing ten or more persons in the private sector, in the organised sector. Data on employment in the public sector and those non-agricultural establishments in the private sector employing more than 25 persons are collected under the provisions of Employment Exchanges (Compulsory
Notification of Vacancies) Act, 1959. Non-agricultural establishments in the private sector employing ten to 24 persons are also being collected on a voluntary basis.

The economic census, which was dovetailed to the census operations, gives employment by type of enterprise, distribution of employment by major activity group, distribution or persons usually working in non-agricultural own account enterprises by States and rural-urban break-up, percentage distribution of hired workers and females employed to persons usually working in non-agricultural establishments, etc. The definitions and concepts used in both the aggregate surveys have been made compatible.

Measurement of poverty has been a matter of serious debate. In India, though NSSO collects and compiles data on poverty through its various rounds of consumption expenditure surveys, the methodology and estimates on the same are that of the Planning Commission. Planning Commission uses internationally accepted principles of measurement. In the latest round on consumption expenditure survey, there has been a significant change in the period of recall, which has generated some controversy on the cross referencing aspects. Mostly the criticism has been that the new seven days recall basis of measurement is not acceptable form of estimation as there is no corresponding data on such basis for earlier years and reduction in calorie intake norms across the rounds makes it incomparable. Such corrections in the employment surveys have also been made in the form of adoption of current daily status and current weekly status, but have been by and large accepted. The fact that the latest estimates on poverty is also available in the usual thirty day recall period on the consumption expenditure survey facilitates the use of poverty data of Planning Commission.

The above estimates by Planning Commission, while are useful as a headcount measure, are not useful in the actual identification of the poor in the country. This has been manifest as the major bottleneck in the identification of beneficiaries under Targeted Public Distribution System. Ministry of Rural Areas and Employment, Government of India through the states conducts quinquennial surveys on the rural
poor. However, the methodology followed in this identification process, has been faulted on the reasons that it is not in consonance with the estimates of Below Poverty Line (BPL) population by the Planning Commission and uses highly subjective basis of income approach to measurement. Despite the criticism, the BPL population identified by the DRDA has been used in the study, as that is the only available evidence on a census basis, the fact that use of the employment and assets would mitigate the inaccuracies and in any case the line itself is only a reference point for validating certain propositions concerning its relationship with employment. That a certain number of non-poor will figure in the list is acknowledged. Since the study does not attempt to estimate the poor, the non-poor respondents so included is used in analysing the counterfactual evidence to the relationship sought to be established.

The nature and extent of the relationship between poverty and rural non-farm employment, in the research study, is made through investigations into the following aspects:

- Occupational choice of the households.
- The reasons behind the particular occupational choice.
- Extent of income or wage differences between the available alternatives.
- Inter-generational influence upon choice.
- Personal vision.
- Productivity.
- Other factors.
- Constraints to participation.
- Information on Counterfactual.

Often, it has been observed that structured schedules with emphasis on categorisation of responses and classification for detecting patterns, bye-passes the worldview of the respondent and his perceptions of the phenomenon being studied. While the relationship is studied through structured schedules specifying the contexts, in-depth discussions were held with the respondents on their general worldview, specific views on the issues concerning their lives, the prospects as seen by them are taken into account in the instant study.
The choice of cross-sectional model or longitudinal model of data collection is determined by the particular subject matter and other limitations on the study. There are very few longitudinal studies, particularly at the village level, despite their best capabilities in evaluating poverty status of households over time in a before or after framework. Jayaraman and Lanjouw\(^4\) allude to this: "Village studies which observe income levels in multiple years are quite rare. Comparisons of income across the more common two-period structure, associated with an initial study and a revisit, are vulnerable to the effect that harvest fluctuations might have. Even where comparisons of income are handicapped in this way, there are other indicators, which can be scrutinized to assess changes in longer-term living standards". They report that a higher proportion of the new poor were able to consume better quality food items, and offer better maternity diets to women for a longer period. They also refer to the evidence that women and children wore shoes more regularly, and a higher proportion of the population possessed consumer durables and the proportion of households showing qualitative improvement in economic conditions as per these indicators were not very different in the case of sub-groups of high and low income households which suffered a decline in their per capita annual income.

One of the important methodologies adopted in the studies on rural non-farm employment with villages as a microcosm is the Social Accounting Matrices (SAM). SAMs trace the circular flow of income and expenditure, on the one hand, and goods and services, on the other, among households, firms, the government and the rest of the world. In the given study, the attempt is to estimate the relationship between poverty and participation in rural non-farm employment. As such the poor being a sub set of the total rural areas, it may not be ideal to net out the other transactions and value additions under this method. Constraints of time and resources limit the possibility of carrying out a longitudinal data analysis of the phenomenon.

Another important conceptual addition to the poverty analysis is the participatory appraisal. The proponents of such appraisal techniques label the practitioners of development economics as professionals and their approach as universal, reductionist and standardized and vastly different from that of the
perceptions of poor themselves. The realities of poor people are local, complex, diverse and dynamic. Income-poverty, though important, is only one aspect of deprivation. Participatory appraisal confirms many dimensions and criteria of disadvantage, ill-being and well-being as people experience them. In addition to poverty, these include social inferiority, isolation, physical weakness, vulnerability, seasonal deprivation, powerlessness and humiliation (Chambers, 1995). Based on the participatory rural appraisals, some of the negative characteristics that emerge are physical disability, widowed, lacking assets that could yield income, cannot send children to school, more dependents than earnings could sustain, lack of housing, bad habits like addiction to alcohol, lacking social support, child labour, demeaning work or lack of dignity, lacking access to food and being dependent on common property resources.

In the present research study, the analysis focuses attention on the poor households and their participation in agriculture or rural non-farm sector, treating the non-poor within the sample to be the countfactual information. A host of related issues are addressed to study the larger dimensions of the phenomenon.

Organisation of the Study

This research study contains six chapters. The first chapter serves as an introduction to the study. In this chapter, theoretical framework, review of literature, objectives of the study, hypotheses for the study and methodology are provided. Chapter Two discusses the profile of the study area. Chapter Three discusses the relationship between rural non-farm employment and poverty in the given contexts. This chapter discusses some of the results of the primary data on agricultural and non-agricultural employment and income of poor households in conjunction with the existing evidence in literature. Chapter Four analyses the different contexts that determine the relationship between poverty and rural non-farm employment. It discusses issues that determine the access to rural non-farm employment. Chapter Five discusses the issues in terms of the institutional arrangements—the State, NGOs and Civil Society. The last chapter summarises the study and offers conclusions and priorities for further research.
Notes and references


8 Also known as inferior goods falling outside the traditional price theory framework.


12 Overseas Development Institute, Policy series no.14, Natural Resources Institute, Greenwich, UK.


16 Bahman Mansuri(IFAD,1995), A paper presented in the Conference on Hunger and Poverty, IFAD, Rome


21 UNDP - see www.undp.org/poverty


48 Under the "Usual Status" approach, which is based on the status of the activity on which a person spent the majority of the 365 days preceding the date of the survey are recorded. A person is considered to be "working or employed" if he/she was engaged for a relatively longer time during the past year in any one or more work-related (economic) activities. A person is considered to be "seeking or available" for work or "unemployed" if the person was not working but was either seeking or available for work for a relatively longer period of time during the past year.

49 Under "Current Weekly Status" approach, a person is considered to be working or employed if the person was engaged for at least one hour on any one day of the previous week on any work related (economic) activity. A person who has not worked for even one hour on any one day of the week, but has been seeking or has been available for work at any time for at least one hour during the week, is considered to be "seeking/available for work" (unemployed). Others are considered to be "not available for work", that is not in the labour force.

50 Under "Current Daily Status" approach, a person is considered to be working (employed) for the entire day if he/she has worked 4 hours or more during the day. If a person has worked one hour or more, but less than 4 hours, he/she is considered to be "employed" for half the day, and "seeking/available for work" (unemployed) or "not available for work" (not in the labour force) for the other half of the day depending on whether he/she is seeking or available for work.