

## AGRICULTURAL LABOURS AND WAGES RECENT TRENDS IN RURAL EMPLOYMENT IN INDIA

**P. Thirupathy**

*Assistant Professor of Economics, Arulmigu Palaniandavar College of Arts and Culture, Palani*

**T. Ravisankar**

*Assistant Professor of Economics, Arulmigu Palaniandavar College of Arts and Culture, Palani*

### **Abstract**

*This paper has examined three features of the rural economy in the context of transition of Indian economy:*

*(a) shift in rural employment pattern, (b) trends in rural wages and agricultural growth, and (c) relationships between agricultural wages, productivity and rural non-farm employment (RNFE) in India. The change over of farm employment to non-farm employment has been found higher for male than female workers and the recent decade has witnessed a higher rate of transition. The RNF sector provided employment to about 38 per cent of male and 21 per cent of female labour forces in 2009-10. It is observed that although the wages were lower for farm labours than non-farm labour, the growth rate of agricultural wages has been higher than of non-farm wages. The wage determinant analysis has revealed that agricultural productivity and RNFE have a positive influence on agricultural wages, while labour availability (labour-land ratio) and high dependency on agriculture pull down the wage rates. The analysis has confirmed that the growths of agriculture and RNFE have trickled down to the agricultural labour, indicating an inclusive growth. The study has concluded that policies directed towards improving agricultural productivity and promoting RNFE would provide better agricultural wage rates and assure rural livelihood security.*

**Key words:** *Rural non-farm employment, agricultural labour wages, determinants, India*

### **Introduction**

Rural employment and wages are the important factors which influence the livelihood status of rural households. It is widely witnessed that as economy grows, the labour force shifts from farm to non-farm sector and this migration is determined by the total factor productivity of both the sectors. Similarly, experience in the developed countries has shown that during structural transformation, the contribution of agricultural sector to total GDP falls down, and the secondary sector (industry sector) leads for some period and finally the tertiary sector (service sector) constitutes the largest part of GDP. Employment pattern in the developing countries has revealed that development of alternative employment opportunities in the rural non-farm sector is a necessity for productive farm employment of labour force under the rapid growth of population. The lack of sufficient employment opportunities and stagnant wages may cause economy-wide problems like high incidence of poverty in the rural areas. A similar process has been observed in China where growth of rural non-farm employment (RNFE) has revealed a

significant impact on poverty reduction. The study on rural employment and wage trend is important and useful in many ways. For example, rural wages being the significant source of rural income are the major determinant of livelihood security of rural households.

The construction sector has grown amongst non-farm employment during these periods for male workers. It was ranked third in 1987-88 and subsequently it occupied top position in 2009-10 with 11.4 per cent share in non-farm employment. It is evident from the data that this sector has absorbed most of the male labour force migrated from agriculture. Although a significant increase in employment share was observed for the male workers, the dependency of female workers on this sector declined during the period 1994 to 2005, but jumped in 2010. The percentage share of transport, storage and communication services sector was doubled during the study period from two per cent to four per cent for male workers. Mining and quarrying sector provided employment to less than one per cent of workers throughout this period. The improvement in farm labour productivity due to technological developments and increased mechanization could be the major factors which forced the movement of labour from farm to non-farm sector. Further, enhanced capital investment, skill building and infrastructural development in the non-farm sector might have accelerated the transition of the economy.

#### **Trend in Agricultural Wages**

The rural employment pattern shows that agriculture continues to be the key sector for determining the livelihood status of rural households in India. The agricultural growth decides the development of all other sectors. In this context, it was imperative to examine the trend in wages of the farm and non-farm sectors along with agricultural growth rates. The determinants of agricultural wages have also been discussed in details in this section.

#### **Regional Trends in Rural Wages**

The variation in wages across the states was wide among high wage rate group than the other two groups of the states. The wage rate in Kerala was more than two-times of the other states within the group and it could be due to the shortage of labour for agricultural operations and cultivation of high-value crops. The wage rates were higher of non-farm occupations than of farm occupations. The inter-state variations across non-farm occupations were less in agricultural operations. The co-efficient of variation (CV) has clearly shown that although the differences in wage rates across the states was less for non-farm occupations, it showed the increasing trend during 2003-04 to 2011-12, it indicated the growing disparity in non-farm wage rates across the states. On the other hand, a decreasing trend was observed in differences for agricultural wages, implying that the disparity in wages for farm occupations has declined across states with time, may be due to the implementation of the schemes like Mahatma Gandhi National Rural Employment Guarantee Scheme.

### Rural Wages and AgGSDP

The state-wise growth rates for real wages and AgGSDP during the previous decade (2002-2012) and sub-period of XI Five-Year Plan (2007-12) were estimated and are presented in Table 4. At all-India level, the real wages during XI Plan grew faster than in the total period and it was true for both agricultural and non-agricultural wages. On other hand, the AgGSDP recorded a little higher growth rate during entire study period than in the XI Plan period. During XI Plan, agricultural wagherates observed a reasonably higher growth (6.7%) as against a moderate growth in non-farm wagherates (3.8 % for masons and 1.5% for carpenters). In the XI Plan, the highest growth rate in agricultural wages was registered in Odisha (13.5 %), followed by Andhra Pradesh (12.2%), Punjab (10.6%) and Karnataka (9.4%). The medium wagherate states have recorded a higher growth in agricultural wages, except Rajasthan. It was noted that the real agricultural wages in Himachal Pradesh declined during this period. Jammu & Kashmir had registered a negative growth rate in the previous decade; however, in the recent period, a positive growth rate of 5.3 per cent was observed.

The wagherates in non-farm sector have not grown significantly, especially for carpenters. The growth rates in wages of both mason and carpenters were less than five per cent for all the states, except Tamil Nadu, Kerala and Andhra Pradesh. Most of the states in the low wagherate category have witnessed a negative growth for carpenters. In Rajasthan, a robust growth was observed for AgGSDP (9%) but a poor growth was seen for agricultural wages (0.9%); a similar trend was observed in Madhya Pradesh during XI Plan. In contrast, Andhra Pradesh, Karnataka, Odisha and Punjab recorded a reasonably higher growth for agricultural wages but a low growth for AgGSDP.

The relationships among agricultural wages, productivity, share of AgGSDP in GSDP, rural literacy, labour availability and share of RNFE in rural employment were empirically studied using the wage determinant model. The estimates of the model are given in Table 5. The linear regression model was chosen based on the overall significance of the model, which explained 56 per cent of the variations in the agricultural wages. All the variables included in the model were found significant, except rural literacy and had the expected signs. The significant positive coefficient of agricultural productivity implies that improvement in agricultural productivity is associated with a considerable increase in the agricultural wagherates. On an average Rs. 10000/ ha increase in agriculture productivity, the wagherate would be

The significant negative coefficient of percentage share of AgGSDP indicates that with one per cent increase in share of AgGSDP, the agricultural wagherate would decline by one rupee per day. It suggests that as the state ceased to be an agrarian economy with contribution of AgGSDP coming down, the wages in the state are likely to increase. In other words, as the contribution of manufacturing and service sector to GSDP increases, it needs more labour and consequently, the agricultural wages increase. This fact is further

strengthened by the positive relationship between agricultural wage rate and percentage share of non-AgGSDP. Thus, growth of non-farm sector has trickled down to rural labour also.

The supply of rural labour also plays an important role in determining agricultural wages. As expected, the coefficient of labour supply was negative and significant, and this means that the higher availability of labour per unit of land would significantly reduce the agricultural wages. It implies that the surplus labour should be diverted towards non-farm employment in order to assure better wages for agricultural labour and improve the rural livelihood conditions. The complementary role of RNFE in improving agricultural wages was better explained by its coefficient. The positive coefficient signified that a higher RNFE share would eventually increase the agricultural wages, by absorbing surplus labour from the agricultural sector. Similar results were reported, indicating the role of RNFE in improving income and reducing of poverty in the rural areas.

### Conclusions

Although a growth is seen in non-farm employment in rural India, it is rather weak in terms of its share in rural employment. The agricultural sector continues to be the largest employer of rural work force and it provided employment to about 60 per cent of the male workers and about 80 per cent of the female workers in 2009-10. The transition of labour force from farm to non-farm sector has been fast in the recent period. Some of the self-employed households in the agricultural sector moved towards the labour force, indicating a rise in the number of small and marginal farmers working as labour. The trend in real wage rate has shown that agricultural wages have grown faster than the non-farm wages. The wage determinant analysis has indicated that agricultural productivity influences the agricultural wages, benefitting agricultural labours. The study has also shown that the states with higher share of non-AgGDP in the total GDP pay higher wages, which implies that the growth of non-farm sector positively contributes to the agricultural wages. The share of RNFE is directly related with agricultural wages. It is likely that the growth in RNF sector and agricultural sector will continue which will further improve rural wages, which in turn, will have a strong impact on livelihood and economic security in India.

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