

Changing Occupational structure and Economic Condition of Farm labourers in India: A Study

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Introduction

Rapid growth of agriculture is essential not only to achieve self-reliance at national level but also for household food security and bring about equity in distribution of income and wealth resulting in rapid reduction in poverty levels. Indian agriculture has, since independence, made rapid strides. In taking the annual food grains production from 51 million tons in early fifties to 206 million tonnes at the turn of the century, it has contributed significantly in achieving self-sufficiency in food and in avoiding food shortages.

Over 200 million Indian farmers and farm workers have been the backbone of India's agriculture. Despite having achieved nation food security the well being concern for planners and policy makers. The establishment of an agrarian economy which ensures food and nutrition to India's billion people, raw materials for its expanding industrial base and surpluses for exports, and a fair and equitable reward system for the farming community for the services they provide to the society, will be the mainstay of reforms in the agriculture sector. This paper tries to analyse whether the structural shift in GDP share have an impact on the employment pattern or distribution of workforce in India.¹

Occupational Structure

The occupation has been divided into three types, Agriculture, animal husbandry, forestry, fishery etc., are collectively known as "primary" activities. Manufacturing industries, both small and large scale, are known as "secondary" activities. Transport, communications, banking and finance and services are "tertiary activities" in the country. The occupational structure of a country refers to the distribution or division of its population according to different occupations.

Colin Clark, in his work, 'conditions of economic progress', argues that there is a close relationship between development of an economy on the one hand, and occupational structure on the other and economic progress is generally associated with certain distinct necessary and predictable changes in occupational structure. He writes "A high average level of real income pre head is always associated with a high proportion of the working population engaged in tertiary industries.... low real income per head is

¹ Lalan Kumar Mahto, Agricultural Development-Policy Dimension, Kuruksheeta, June 2014, pg.11

always associated with a high proportion of the working population engaged in tertiary production and a high percentage in primary production”²

Table - 1. Per capita Income and Distribution of labour force in selected countries.

| Country | Year | Per capita Income In US \$ | Percentage of labour force in | | |
|---------|------|-------------------------------|-------------------------------|----------|----------|
| | | | Agriculture | Industry | Services |
| U.S.A | 1960 | 2500 | 7 | 36 | 57 |
| | 2010 | 471053 | 1.6 | 16.7 | 81.2 |
| U.K | 1960 | 1200 | 4 | 48 | 48 |
| | 2010 | 36343 | 1.2 | 19.1 | 78.9 |
| Germany | 1960 | 1220 | 1.4 | 48 | 38 |
| | 2010 | 40115 | 1.6 | 28.4 | 70.0 |
| Japan | 1960 | 420 | 33 | 30 | 37 |
| | 2010 | 42830 | 3.7 | 25.3 | 69.7 |
| India | 1960 | 70 | 74 | 11 | 15 |
| | 2010 | 1410 | 51.1 | 22.4 | 26.5 |

Source: World Development Indicators 2011.

Table 1 reveals that higher per capita income is inversely correlated with the proportion of active population engaged in agriculture. The advanced countries like the U.S.A., the U.K., Germany and Japan with a low proportion of active population dependent on agriculture reveal a higher per capita income. As against them, an underdeveloped country like India with a higher proportion of active population engaged in agriculture has very low per capita income.

Secondly, as the level of per capita income improves over the years the proportion of labour force dependent on agriculture declines but that on industry and services increases. These figures support Colin Clark’s thesis that with greater economic development and rise in national and per capita incomes, there is a shift in occupational pattern from primary to secondary and tertiary sectors.

² Datt and Sundaram, Indian Economy, 12th edition, Himalaya Publishing House, 2012, PP.84-87.

Changing Profile of GDP and Employment in India

Table - 2. GDP at Factor cost by Industry of Origin (at 1993-94 prices) – All India

| Year | Primary | Secondary | Tertiary | Total |
|---------|------------------|-------------------|-------------------|---------------------|
| 1950-51 | 83154 (59.2) | 18670 (13.3) | 38642 (27.5) | 140466 (100.00) |
| 1960-61 | 112848 (54.8) | 34239 (16.6) | 59016 (28.6) | 206103 (100.00) |
| 1970-71 | 137320 (46.3) | 64258 (21.6) | 95331 (32.1) | 296909 (100.00) |
| 1980-81 | 159293 (39.2) | 95055 (23.7) | 146753 (36.6) | 401128 (100.00) |
| 1990-91 | 223114 (32.2) | 188601 (27.2) | 281115 (40.6) | 692871 (100.00) |
| 2001-02 | 304666 (24.0) | 338165 (26.7) | 625114 (49.3) | 1267945 (100.00) |
| 2010-11 | 818524 (16.7) | 1249305 (25.6) | 2818155 (57.7) | 4885954 (100.00) |
| 2011-12 | 837136 (16.1) | 1296190 (24.3) | 3069189 (59.0) | 5202514 (100.00) |

Source: Government of India, *Economic Survey (2011-12)* and Central Statistical Organisation as reported in *RBI, Hand Book of Statistics on Indian Economy (2010-2011)*

Changing profile of GDP in India during 1950-51 to 2001-02-over a period of 51 years is given in table 2. The data reveal that GDP from the primary sector (viz., agriculture and allied entities like forestry and fishing) declined from 59 per cent in 1950-51 to 46 per cent in 1970-71 and thereafter, sharply declined to 16.1 per cent in 2011-12. This was partially neutralized by an increase in the share of secondary sector from 13 per cent in 1950-51 to about 22 per cent in 1970-71 and further increase to about 24.3 per cent in 2011-12. But the biggest hike in GDP share occurred in case of services from about 27 per cent in 1950-51 to 32 per cent in 1970-71 to 59.0 per cent in 2011-12. The emerging structural change in GDP shares witnessed a big decline in the share of agriculture, coupled with a modest increase in the share of industry and a much sharper increase in the share of services which now account for nearly half of the total GDP.

Employment Pattern in India

Data provided in table 3 based on the various rounds of the National Sample Survey reveals that the share of workforce deployed in agriculture declined from 74 per cent in 1972-73 to about 53.2 per cent in 2009-10. Along with this declines, the share of employment in industry increased from 11.2 per cent in 1972-73 to 14.9 per cent in 1993-94 and further to 21.5 per cent in 2009-10. Also the share of services in total employment increased from 14.6 per cent in 1972-73 to 25.4 per cent in 2009-10.

Table – 3. Distribution of Working Force by Industry Division in India

| Industry Division | 1972-73 | 1983 | 1993-94 | 2009-10 |
|---|---------------|---------------|---------------|---------------|
| Agriculture | | | | |
| Agriculture Forestry, Fishing and Hunting | 74.0 | 68.1 | 63.9 | 53.2 |
| Industry | 0.4 | 0.6 | 0.7 | 0.60 |
| Mining and Quarrying | 8.8 | 10.7 | 10.6 | 11.0 |
| Manufacturing, | 0.2 | 0.3 | 0.4 | 0.30 |
| Electricity Gas and Water | 1.8 | 2.3 | 3.2 | 9.6 |
| Construction | 11.2 | 13.9 | 14.9 | 21.5 |
| Sub total | | | | |
| Services | | | | |
| Wholesale and Retail trade and Restaurants and Hotels | 5.0 | 6.9 | 7.6 | 10.8 |
| Transport, Storage and communication other services | 7.8 | 8.8 | 10.7 | 10.3 |
| | 14.6 | 18.2 | 21.2 | 25.4 |
| Sub total | 0.2 | 0.4 | - | - |
| Activities not classifies | 100.00 | 100.00 | 100.00 | 100.00 |
| Total | | | | |

Figures related to usual status of individuals.

Source: Various reports of National Sample survey Organisation, Planning Commission Eleventh Five Year Plan.

The upshot of this analysis is that whereas GDP share of agriculture declined sharply, the corresponding decline in employment share did not take place in India. Meanwhile, GDP share of industry registered an increase of 5 per cent during the last four decades (1970-71 to 2009-10). But the corresponding increase in employment share was only 6 per cent during the same period. This only indicates that the process of industrialization failed to absorb excess labour in agriculture in the expansion of industry. Thirdly, share of services in GDP increased sharply to about 57 per cent, but they also failed to register a sharp increase in employment which was barely 15 per cent as against an 25 per cent increase in GDP during 1970-71 and 2009-10. From this it follows that Indian did not experience sequence in the growth of GDP and employment in industry during the process of industrialization, but skipped to the post-industrialisation phase of increasing its share of GDP as well as employment in services, though a relatively smaller increase in employment in the service sector took place. We may have to wait for some more time so those secondary and tertiary sectors are able to absorb more labour force in tune with their rising share in GDP.

Agricultural labour

There are now nearly 9 million fewer farmers than there were in 2001, the first time in four decades that the absolute number of cultivators has fallen. Census data shows that while the proportion of cultivators

to the total workforce has been falling steadily, this is the first time since 1971 that the number of cultivators has fallen in absolute terms. Workers are split into four industrial categories: cultivators, agricultural labour, household industry workers and others. Cultivators remain the second-largest group at 119 million after 'others' but are now less than a quarter of the total workforce, a decline of over 7 percentage points over 2001.³

Agricultural Labour and Minimum Wages

After the Minimum Wages Act, 1948 was passed; pressure was brought upon the Government to extend the Act to cover agricultural Labour. The Act has been a dead letter in every state because the difficulties in the implementation of the Act arise mainly from poverty and illiteracy of agricultural labour, absence of knowledge of the existing legislation, scattered nature of agricultural farmers, casual nature of employment, unorganized character of agricultural labour, etc.

There is a strong opinion in favour of suspending the operation of the Minimum Wages Act in rural areas. The basic argument is that at the peak of the agricultural season labour can dictate its own terms and naturally actual wages will tend to be much higher than the minimum wages, under these conditions the enforcement of minimum wages has no meaning. On the other hand, during the slack season, the supply of agricultural labour is much in excess of demand and therefore, the enforcement of the minimum wages may be difficult. The National Commission on Rural Labour gave due weight to this view, yet it strongly recommended the continuance of the Act on the ground that in the long run, with greater awareness of their rights on the part of agricultural labourers, the fixing minimum wages, even though this has obvious defects.

The Labour Ministry advised the states in February 2011 to revise minimum wages for all scheduled employments not below Rs. 156. As per information available, various state governments have fixed upper and lower wage limits of minimum wage rates. It was observed that in quite a large number of states, lower limit of minimum daily wage is below Rs.156. Only in one state, Haryana, the Minimum Wage rate is above Rs. 156 recommended by the Central Government.⁴

³ Times of India, May 1, 2013

⁴ Datt and Sundaram *Opcit* pp.665-670.

Conclusion

Agriculture labour force contribution to GDP is low in India, so their wage rate is also very low even though more population is dependent on agriculture. In India our industrial sector is not capable to absorb excess supply of labour in agriculture. The debate on spectacular growth of the Indian economy during the past two decades presents a wide range of optimistic as well as skeptic claims about strong basis of this growth. While it is generally accepted that India has been able to maintain a high growth rate so far, doubts about long-term sustainability of this growth can hardly be ignored. The main reason is that the Indian labour force is growing at about 2 percent per annum which is faster than that of China and other competitor countries. A majority of this labour force is going to be absorbed in the informal sector which has low productivity. The services sector is booming, but it cannot help much to absorb the growing low- and unskilled labour force. India needs to take benefit of the advancement in IT sector to modernize its informal economy for increasing its productivity and to create more jobs for maintaining the fast growth of economy.

References

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3. Times of India, May 1, 2013.
4. Mazhar Siraj, 2010, Controversy over sustainability of India's Fast Economic Growth: Four Faces of the Debate, Review of Economic and Business Studies, Vol.III. Issue 2, PP.17-28.