

The map of rural deprivation

With the Union Budget to be presented on February 1, it is hoped that the Finance Minister will make a significantly higher allocation for investment in infrastructure. It is vital for addressing rural distress. The Socio Economic and Caste Census (SECC) informed us that 'landlessness and dependence on manual casual labour for a livelihood are key deprivations facing rural families', which make them far more vulnerable to impoverishment.

The rural census, or SECC, mapped deprivation using seven indicators: 'households with a kuchha house; without an adult member in working age; headed by a woman and without an adult male in working age; with a disabled member and without able-bodied adult; of Scheduled Castes/Scheduled Tribes (SC/ST); without literate adults over 25 years; and the landless engaged in manual labour. The more the number of parameters on which a household is deprived, the worse its extent of poverty. Nearly 30% have two deprivations, 13% have three. Only 0.01% suffer from all seven handicaps'.

While 48.5% of all rural households suffer from at least one deprivation indicator, "landless households engaged in manual labour" are more vulnerable.

Nearly 54 million households are in the landless-labourer category; assuming that each such household has five members, that makes 250 million of the nearly 850-900 million rural population. This number is almost certainly an underestimate, since 84% of all those who even hold agricultural land are small and marginal farmers.

The intersection of any of the six other handicaps with "landless labour" makes it more acute. The SECC also said that '59% of households with kuchha houses are landless labourers; similarly, 55% of those with no literate adult above 25 years and 54% each of SC/ST households and female-headed households without adult male members are also landless households. At the same time, 47% households without an adult member of working age are landless labourers as are 45% of those with disabled members and no able-bodied adult members'.

Along with landless families, small and marginal farmers are getting pauperised and more engaged in manual labour. The overall farm size, which has been dropping since the early 1970s, and down from the 2.25 hectares (ha) average to a 1.25 ha average in 2010, will continue to become even smaller. For these farmers, agricultural incomes are also likely to fall, hastening the exodus from agriculture. In fact, farmer distress has been growing, with the past year witnessing farmers protesting on the streets in several States.

National Sample Survey (NSS) data show that there are two demographic groups which did reasonably well in labour market outcomes both in terms of job growth as well as wage growth between 2004-5 and 2011-12; these were the young who were getting educated at hitherto unheard of rates, and the older, poorly educated cohort of landless labour in agriculture, who saw construction work rise sharply.

However, the question is: does the economy have the capacity to create non-agricultural jobs for both groups whose numbers will grow over the next decade until 2030? The young have been entering and remaining in education in unprecedented numbers for the last two decades. Hence, as a result, while the young joining the labour force has been just 2 million per annum between 2004-5 and 2015-16, from this point onwards, the numbers of the young will indeed grow significantly.

However, the numbers of landless and small and marginal farmers looking for non-agricultural

work is an immediate and top priority. Between 2004-5 and 2011-12, the number of cultivators in rural areas fell from 160 million to 141 million and the number of landless labour from 85 million to 69 million, both because they found non-agricultural work.

The real net domestic product of the construction sector had only increased at the annual rate of 3.94% between 1970-71 and 1993-94. From 1993-94 to 2004-05 and 2004-05 to 2011-12, the growth rate in the construction sector output accelerated to 7.92% and 11.5%, respectively. Consequently, the share of the construction sector in rural output increased from 3.5% in 1970-71 to 10.5% in 2011-12. Employment in the construction sector increased 13 times during the past four decades, which led to its share in rural employment rising from 1.4% in 1972-73 to 10.7% in 2011-12. This sector absorbed 74% of the new jobs created in non-farm sectors in rural areas between 2004-05 and 2011-12. These trends indicate that rural areas witnessed a construction boom after 2004-05. Further, growth in employment in the construction sector was higher than output growth during both periods under consideration. One reason for the much higher growth in the number of rural workers in construction over the manufacturing or services sectors is that there are fewer skill and educational requirements in construction.

Construction employment grew at a remarkable rate from 1999-2000 onwards. While it employed only 17 million in that year, the number jumped to 26 million by 2004-5. However, what happened after that was totally unprecedented. It grew to 51 million by 2011-12, which is a doubling in seven years or a tripling in 12 years from the turn of the millennium.

This was possible because of the sustained growth in investment in infrastructure, especially over the 11th Five Year Plan period (2007-12) of \$100 billion per annum, two-thirds of which was public, and the remainder private. In addition, there was a real boom in real estate, residential and commercial, throughout the country. However, private investment is now much lower than earlier.

Construction is the main activity absorbing poorly educated rural labour in the rural and urban areas. These workers are characterised, as noted above, by very low levels of education. It is estimated from NSS and Labour Bureau data that the absolute number of those in construction who were illiterate was 11 million in 2004-5, but which rose to 19 million in 2011-12.

Construction jobs were growing so fast between 2004-5 and 2011-2 that the share of construction in total jobs for 15 to 29 year olds in the workforce doubled from 7.5% to 14%. Since then construction job growth has slowed, such that the share of construction in total youth employment fell to 13.3%. Construction jobs are growing more slowly since 2011-12, as public investment has fallen. And with the rising non-performing assets of banks, private investment has fallen as well. The result: fewer workers have been leaving agriculture since 2011-12. From the 5 million leaving agriculture per annum between 2004-5 to 2011-12, the number is down to just over 1 million per annum between 2011-12 to 2015-16.

This is hurting landless labour and small and marginal farmers the most, since their households had benefited the most from the tightening of the labour market that had ensued in rural and urban areas because of rising construction jobs. Rural demand in particular has risen, raising consumer demand for simple manufactured goods, especially in the unorganised manufacturing sector, raising employment in those sectors especially in rural areas.

The Union government has sustained rural development expenditure for the last two years, especially for rural roads, under the Pradhan Mantri Gram Sadak Yojana and rural housing under the Pradhan Mantri Awas Yojana (Urban). The Surface Transport Ministry has also attempted to sustain public investment in infrastructure to generate construction jobs for growing surplus rural labour.

The Budget for 2018-19 should sustain this public investment effort. The announcement that the government plans to borrow an additional 50,000 crore in this financial year, is welcome. Hopefully, the intention here is to raise public investment, especially for infrastructure investment.

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