

# THE LINK BETWEEN JOBS, FARMING AND CLIMATE

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

An Indian agricultural labourer sorting peas in a field near Amritsar, Punjab. | Photo Credit: [NARINDER NANU](#)

At a panel discussion hosted recently by the students of Delhi's Ambedkar University, the topic was, 'Are we heading for an economic crisis?' Presumably, they had been prompted by the all-absorbing news of a slowing economy. It is indeed correct that such a slowing is taking place. Growth has slowed for the past few quarters — the past two-and-a-half years, if we go by annual growth rates.

That this has not been comforting to the government is evident from the fact that its Ministers are running from pillar to post in an effort to goose the economy. But should we be worried?

Those who heard the address to the United Nations climate change summit by the teenager Greta Thunberg earlier this month may not be as worried about economic growth as the government is. Globally, industrial growth driven by mindless consumption is the cause of climate change, now unmistakably upon us. But India does need some growth as income levels here are still very low. The problem of low incomes can, however, be tackled even with less growth so long as it is of the appropriate type. So, the slowing of growth in India cannot reasonably be termed a crisis.

There is, however, one feature of the economy that does answer positively to the query of whether it is in crisis today, and that is unemployment. Figures reported in the report of the last Periodic Labour Force Survey point to a dramatic rise in the unemployment rate since 2011-12, when the previous survey on unemployment was undertaken. Apart from the category of 'Urban Females', the most recent estimate of unemployment shows that it is the highest in the 45 years since 1972-73. But even for 'Urban Females', it is double what it was in 2011-12. For the largest cohort, namely 'Rural Males', in 2017-18, it is four times the average for the 40 years up to 2011-12. These figures should convince us of the existence of a grave situation, if not crisis, with respect to employment in the country. In the average country of the OECD, an increase in unemployment of such magnitude would have triggered a nationwide debate, not to mention agitation on the streets.

The government has responded to the slowing of growth by announcing a range of measures, the most prominent of them being the reduction in the corporate tax rate. While this may have a positive effect, the move is not based on the big picture. The tax cut is meant to be a remedy for stagnant corporate investment. But if the level of corporate investment itself reflects some underlying reality, it is only by tackling the latter that we can get to the root of the problem. A large part of corporate sales is driven by rural demand, reflected in the reported lay-offs by biscuit manufacturers. We do not hear their voices or, more importantly, the government does not, as they are less organised than some other sections of the corporate world, the automobile industry being one such.

The rural picture matters not only because the largest numbers are located there but also because of their low incomes. This means that the future growth of demand for much of industrial production is likely to come from there. After all, how many more flat-screen televisions can an urban middle-class household buy once it already possess one? The high unemployment rate for 'Rural Males' does suggest that we have zoomed in up to a reasonable degree of

precision on the site of low demand.

We must now answer the question of why rural incomes are growing so slowly. The recent history of crop agriculture points towards one reason. In the nine years since 2008-2009, this activity has recorded zero or negative growth in five. Put differently, in the majority of years, it has shown no growth. The economy has very likely not seen anything like this since 1947.

When growth fluctuations include production decline, a particular feature emerges. Households incurring consumption debt in bad crop years would be repaying it in the good ones. This implies that consumption does not grow appreciably even in good years. Recognising the record of agricultural production is sufficient to grasp what we see in India today. This does not imply that other factors do not matter, and we could imagine several, ranging from low export growth to the state of the banking sector, but this does suggest that poor agricultural performance is a significant explanation of slack domestic demand. Unstable agricultural production first lowers the demand for agricultural labour and, subsequently, its supply, showing up in greater unemployment. It has been pointed out that the investment rate has declined. This is indeed correct but this may well be a reflection of the poor agricultural performance. Private investment both follows output growth and leads it. When non-agricultural firms observe slow agricultural growth, they are likely to shrink their investment plans and may not revise their decision till this growth improves. Thus, attempting to influence the private investment rate is to only deal with a symptom. It is rural income generation that is the problem.

Any long-term solution to the problem of unemployment to which the slowing growth of the economy is related must start with agricultural production. Observing the performance of crop agriculture for close to a decade since 2008-09, we might say that we are witnessing something wholly new in India. It has long been recognised that there is a crop-yield cycle related to annual variations in rainfall but we are now witnessing a stagnation. Now, unlike in the case of a cycle, recovery cannot simply be assumed. We would need the expertise of agricultural scientists to confirm what exactly is responsible for this state but it would not be out of place to ask if there is not a role for ecological factors in causing agricultural stagnation. These factors encompass land degradation involving loss of soil moisture and nutrients, and the drop in the water table, leading to scarcity which raises the cost of cultivation. Almost all of this is directly man-made, related as it is to over-exploitation or abuse, as in the case of excessive fertilizer use, of the earth's resources. Then there the increasingly erratic rainfall, seemingly god-given but actually due to climate change entirely induced by human action. A deeper adaptation is required to deal with these factors. Intelligent governance, resource deployment and change in farmer behaviour would all need to combine for this.

It is significant that the reality of an unstable agricultural sector rendering economy-wide growth fragile has not elicited an adequate economic policy response. Policy focus is disproportionately on the tax rate, the ease of doing business in the non-agricultural sector and a fussy adherence to a dubious fiscal-balance target. It is now time to draw in the public agricultural institutes and farmer bodies for their views on how to resuscitate the sector. We may be experiencing an ecological undertow, and it could defeat our best-laid plans for progress.

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