

**CHANGING RURAL LABOUR MARKETS IN INDIA:  
EVIDENCE FROM SECONDARY DATA AND A  
VILLAGE IN KARNATAKA**

**by**

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## **Abstract**

The diversification of employment structure away from agriculture has been an integral feature of economic development across countries. However, in India, structural transformation of the economy has been much delayed, with agriculture and allied activities continuing to employ 44.2 per cent of the country's workforce in 2017-18. The slow growth of employment opportunities in the non-agricultural sector has been an important factor behind the delayed structural transformation. At the same time, rural labour market changes in India have also been influenced by structural factors, which include agrarian conditions, ownership and distribution of land, historical factors, technology, agro-climatic conditions, cropping pattern, and social structure. Given this background, the main objective of this thesis is to document and understand the changes in rural labour markets in India. Further, it attempts to understand how labour market changes have been associated with the structural and dynamic factors in the economy.

The thesis is partly based on an analysis of data from secondary sources, including the employment and unemployment surveys of the National Sample Survey Office (NSSO), the Periodic Labour Force Survey (PLFS), and data from the Ministry of Agriculture and Farmers' Welfare. The thesis is also based on data obtained from household surveys conducted in Alabujanahalli, a village located in the Mandya district in the southern part of Karnataka. The Foundation for Agrarian Studies (FAS) had conducted a survey in this village in 2008-09, and I have resurveyed the village during 2018-19.

India's labour market has been going through major structural changes in recent years, which include, notably, a faster movement of the rural workforce out of agriculture. The existing studies have revealed various important aspects of this structural transformation. Nevertheless, there is a need for studies that provide deeper insights into how agrarian structure, agricultural productivity and structural transformation are linked with each other in the context of different regions in India.

Given the context above, I specifically addressed three questions in this thesis. They are, first, to document and understand the rural labour market changes in India and across the Indian States. The second question addressed in the thesis was to understand the association between agrarian structure and agricultural growth, on the one hand, and rural labour market changes, on the other. And the third question was to identify the structural and dynamic factors in rural labour market changes in India by analyzing information obtained from a primary survey.

The thesis begins with a detailed discussion of the size and nature of rural labour market changes in India and across Indian States or regions (Chapter 2). The chapter finds that during 2004-05 and 2011-12 period, the shift of the workforce away from

agriculture has been faster in rural India. The decline in self-employment in agriculture was mostly among the better-off categories in society, and the decline was largely compensated by an increase in regular jobs in the non-agricultural sector. On the other hand, the workforce belonging to less privileged sections in society moved out of casual labour in agriculture and mostly absorbed in casual labour in the non-agricultural sector, especially in construction. During the second period, from 2011-12 to 2017-18, there has been a shift back of the workforce into agriculture, especially into self-employment belonging to mostly the less privileged categories in society. It appears that the rise in self-employment in agriculture is on account of the non-agricultural casual employment opportunities for the less privileged.

There exists variations in rural labour market changes across Indian States and regions. The States of the western region (Gujarat and Maharashtra) registered a decline in casual labour in agriculture among the less privileged categories during the first period (2004-05 and 2011-12). The decline was largely compensated by a rise in self-employment in agriculture. The levels of agricultural and construction wages in these two States were lower than the Indian averages, notwithstanding the fact that these are two of the richest States in the country. In the central-eastern region of the country, especially in Chhattisgarh and Madhya Pradesh, the shares of self-employment in agriculture increased during both periods among the less privileged, while casual labour in agriculture registered a decline. The growth of agricultural and rural construction wages was faster than the national average in these States during the second period (2011-12 and 2017-18) but from a lower base.

The second question addressed in the thesis was to understand the association between agrarian structure and agricultural growth and rural labour market changes (Chapter 3). We find that in India, land productivity and labour-land ratio varied across States. In West Bengal, higher land productivity was associated with a higher labour-land ratio. On the other hand, lower land productivity was associated with a lower labour-land ratio in Madhya Pradesh, Chhattisgarh, Maharashtra, Rajasthan, and Karnataka. We identify that agrarian structure, land tenure, agricultural technology, agro-climatic conditions, and cropping pattern are the important factors influencing land productivity, output growth, and labour absorption in agriculture. Moreover, opportunities that emerge in the non-agricultural sector also play an important role in the inter-sectoral movement of workers.

Between 2004-05 and 2011-12, faster agricultural output growth was associated with positive employment growth in agriculture for male workers in Chhattisgarh, Gujarat, Maharashtra, and Haryana. Change in cropping pattern towards a labour-intensive crop of cotton and a rise in tenancy possibly resulted in a rise in labour absorption in cultivation in Gujarat. In Maharashtra, too, the cropping pattern shifted towards labour-intensive crops of cotton and sugarcane. During the second period, that is, 2011-12 to 2017-18, higher output growth was associated with positive employment growth in Madhya Pradesh and Rajasthan. In Madhya Pradesh, expansion of irrigation, institutional factors, an extension of road networks, and a shift in cropping

pattern towards high-value crops played a positive role in rising yield and output in agriculture and, in turn, might have resulted in more labour absorption in cultivation.

The third question the thesis addressed was to identify the structural and dynamic factors in rural labour market changes in India by analyzing information obtained from a primary survey of Alabujanahalli (Chapters 5 and 6). An important feature of Alabujanahalli is its proximity to rural towns and the metropolitan city of Bangalore. Despite its proximity to cities, agriculture and allied activities employ a high proportion of the village workforce, 67 per cent in 2018-19. Important factors which contributed to the higher dependence on agriculture in Alabujanahalli are; the agrarian structure of the village which includes land ownership and its distribution, the land tenure system followed during colonial rule, and better implementation of land reforms. These factors contributed to low levels of landlessness in the village. However, in comparison to the dominant caste (who accounts for more than 75 per cent of the village population), the degree of landlessness is relatively high among SC and other caste groups in the 'backward class'. Moreover, favourable historical conditions and better access to markets contributed to agricultural prosperity and continued dependency on agriculture for livelihood in Alabujanahalli, in particular the Vokkaliga community.

At the same time, a section of the disadvantaged communities in Alabujanahalli continues as agricultural labourers with limited opportunities to diversify. Different forms of control over labour by farmers is the main reason for the low levels of diversification among agricultural labourers. These include attached labour and control over MGNREGA works which might have resulted in low levels of agricultural wages and also prevented the wages from rising in Alabujanahalli.

The resurvey of Alabujanahalli in 2018-19 shows some diversification of employment towards the non-farm sector, especially into regular sector jobs by the young workforce. However, the opportunities in the non-farm sector went in greater numbers to the better-off community of Vokkaliga, and they succeeded in securing better-paying regular jobs in Bangalore. Whereas most of the SC workers were employed in service and sales-related employment and transportation like security guards, drivers, suppliers in bars and sales workers in the textile, particularly in nearby towns. We found that the expansion of education, in particular higher education, and the village's proximity to semi-urban towns and cities with better road and rail networks helped them to access the growing non-farm opportunities outside the village. Moreover, the deepening agrarian crisis and decline in agrarian prosperity in the village might have also resulted in the movement of the young workforce out of agriculture.

Between 2008-09 and 2018-19, inequality in asset ownership across households increased considerably in Alabujanahalli. The Vokkaliga households highly succeeded in raising their ownership of assets in the last decade compared to any other caste

groups in the village. This clearly indicates the strong association between economic diversification, caste and class in Alabujanahalli.