



DYNAMICS OF RURAL NON-FARM EMPLOYMENT IN PUNJAB: CONCEPT AND ISSUES

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Abstract

The present paper studies the dynamics of rural non-farm employment in the state of Punjab by utilising secondary data sources pertaining to the different time periods. The results of the study showed the growing importance of non-farm activities in the state during the period under evaluation. The share of primary activities which was 32.95 percent of the total Net State Domestic Product declined to 23.73 percent during 2010-11 and further to 21.14 per cent during 2013-14, whereas the share of manufacturing and tertiary sector has found to be increasing during the same period. The region wise distribution of workers showed that the rural parts of the Punjab economy have witnessed significant increase in the non-farm employment. On the basis of the findings of the study it is suggested that rural infrastructural facilities, skill development and Research and Development (R&D) activities must be promoted to enhance and support the rural non-farm activities in the rural areas of the state.

Key Words: Government Policies, Rural Non-Farm Employment, Research and Development.

Introduction

Rural Non-Farm Sector (RNFS) has played significant role in the overall strategic development of rural economies all across the world. Rural Non-farm sector has been regarded as the primary source of income and employment for many of the world's poor. It has been found around the world that rural non-farm income constitute roughly 35 percent of rural household income in Africa and about 50 percent in Asia and Latin America. In Indian economy the share of Rural Non-farm sector has increased consistently and recorded to 43 percent between 1972-73 to 2004-05. Many studies by examining these inter-linkages between farm and non-farm sector point towards the role played by rural non-farm sector in absorbing surplus labour and thereby enhancing standard of living of large number of rural masses (Bathla 2003). These linkages can be observed both from supply side and demand side. From the supply side, agricultural sector releases some resources for being transferred to the other sectors of economy. The investible surpluses that are created in the agriculture sector but are not absorbed in it are transferred to the industrial sector. On the demand side, agricultural sector plays a pivotal role for the process of industrial development by providing the necessary demand of industrial output. Bathla (2003) in her comprehensive analysis of intersectoral linkages in the Indian economy for the period 1950-51 to 2000-01, found a strong evidence of existence of long-run equilibrium relationship among primary, secondary and the services sectors. It is universally clear that in the agrarian economies, characterized by heavy population burden on scattered and fragmented holdings; unequal land distribution etc., farm sector alone is not capable of solving problems like rural unemployment and underemployment (Chadha, 2008). Moreover, low labour absorption capacity of capital-intensive urban manufacturing sector, and problems related with urban congestion, the role and significance of non-agricultural sector to provide employment within the rural sector itself is being increasingly realized.

Definition of Rural non-farm Sector

In simple terms, the rural non-farm sector is defined as combination of all those wide range of activities, which lead to the generation of additional income to the rural households (including income in kind and remittances), either through\waged work or in self-employment. In other words, it includes all economic activities in rural areas except agriculture, hunting and fishing (Lanjouw, 1999). In the similar way if RNFS consists o all sector except cultivation, live stock, forestry, fishing, plantation, orchards and allied activities.

In India “*NABARD defines rural non-farm sector employment as all those activities outside agriculture and allied activities, in secondary and tertiary sectors carried out in the rural areas for the benefit of the rural masses*”

However, the appropriate definition of RNFS is quite difficult as it encompasses a wide range of heterogeneous non-farm activities in the rural areas.

Rural Non-farm Sector in Punjab

Punjab is regarded as the richest state in India comprises of 22 districts, which throbs with the vibrant culture of equally vibrant people, has always moved on the path of prosperity despite of all odds. Punjab is basically an agrarian state. It occupies just 1.5 and 3 percent of the geographical and agricultural area respectively and has larger share of agricultural

exports. The geographical area of Punjab is divided into three large regions, viz., **Malwa, Majha and Doabba**. **Malwa** is regarded as a region of Punjab and parts of Haryana between the Sutlej and Yamuna rivers. People of Malwa are known for being great fighters, and warriors. The Malwa area makes up majority of the Punjab region consisting 11 districts. Cities such as Ludhiana, Patiala, Bhatinda and Mohali located in the Malwa region. **Majha** is a historical region of the Indian Punjab comprising the modern districts of Amritsar, Gurdaspur and Tarn Taran. It lies between two of the five great rivers of the Punjab: the Ravi and the Sutlej. **Doaba** is the region of Indian Punjab surrounded by the rivers Beas and Sutlej.

The economy of Punjab has witnessed Green Revolution which impacted the socio-economic scenario of both the rural and urban people in the state. Along with the state as well as Government of India initiated various macro and micro level policies which have changed the living standard of the people. Soon after the advent of green revolution, the agricultural sector in the state of Punjab started experiencing negative impact of green revolution. Over the years, the growth of agricultural sector in the state of Punjab has started declining. The cost of production per unit of agriculture increased, the profit margin decreased, the real wages of the rural workers became stagnant, and the rotation of crops stopped, the productivity of land deteriorated, farmer's suicides and dependence on the procurement of crops by the government agencies made the agricultural scenario in the state worse. Now, agriculture in Punjab is in deep crises. Low labour absorption potential of agriculture is making the situation more difficult. The deceleration in the state's agricultural growth and declining contribution of agriculture in Net Domestic Product has led to the frustration among the rural masses of the state, especially in the rural areas. Further, the introduction of economic reforms, and commencement of WTO negotiations have also made rural economy panicky because of the liberal and unfair support measures adopted under negotiations. Therefore looking at the deep crises in Punjab's agriculture, there is a need for structural transformation of agriculture.

The above discussion points out that the farm sector and the capital intensive manufacturing sectors have failed to solve the unemployment problems persist in the rural economy of our country. As a result, Rural Non-farm Sector is now being seen as an alternative to tackle these problems, as these activities are more reliable and less fluctuating in nature.

Table 1 Sector wise Contribution of Non-farm Activities in Net State Domestic Product (NSDP) in Punjab at Constant (2004-05) Prices (Percentage)

Sector	2004-05	2008-09	2009-10	2010-11	2011-12 (R)	2012-13 (P)	2013-14 (Q)
Agriculture and Livestock	32.95	26.93	25.00	23.73	22.78	21.74	21.14
Agriculture	21.81	17.42	16.15	15.19	14.54	13.59	13.05
Livestock	11.14	9.51	8.85	8.54	8.24	8.15	8.09
Forestry and Logging	1.37	1.16	1.13	1.09	1.08	1.09	1.08
Fishing	0.28	0.23	0.24	0.22	0.21	0.20	0.20
Agril. & Allied	34.60	28.32	26.37	25.04	24.07	23.03	22.42
Mining and Quarrying	0.02	0.02	0.02	0.02	0.01	0.00	0.00
Sub-total (Primary)	34.62	28.34	26.39	25.06	24.08	23.03	22.42
Manufacturing	14.02	17.87	19.26	19.79	19.01	18.59	17.99
Registered	5.88	9.11	10.57	11.09	10.50	10.19	9.79
Un-registered	8.14	8.76	8.69	8.70	8.51	8.40	8.20
Construction	7.02	8.47	8.28	7.85	7.39	7.19	6.86
Electricity, Gas and Water Supply	1.94	2.40	2.26	2.13	1.96	1.89	1.84
Sub-Total (Secondary)	22.98	28.74	29.80	29.77	28.36	27.27	26.69
Total Industry (Secondary)	23.00	28.76	29.82	29.79	28.37	27.67	26.69
Transport, Storage and Communication	5.88	6.22	6.31	6.19	6.31	6.37	6.35
Railways	0.78	0.87	0.82	0.68	0.77	0.76	0.75
Transport by other means	3.14	2.92	2.92	2.83	2.89	2.94	2.95
Storage	0.42	0.32	0.34	0.32	0.33	0.36	0.35
Communication	1.54	2.11	2.23	2.36	2.32	2.31	2.30
Trade, Hotels & Restaurant	13.20	12.26	11.89	12.19	12.36	12.53	12.66
Banking and Insurance	5.00	7.08	7.74	8.62	10.54	11.48	12.67
Real Estate, Ownership of dwellings & Business Services	4.65	3.94	3.72	3.56	3.46	3.39	3.29
Public Administration	4.43	4.45	4.69	4.65	4.72	4.90	4.98

Other Services	9.24	8.97	9.46	9.96	10.17	10.63	10.94
Sub-Total of Tertiary	42.40	42.92	43.81	45.17	47.56	49.30	50.89
State Domestic Product	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Statistical Abstract of Punjab, various issues.

R: Revised, P: Provisional, Q: Quick Estimates.

The contribution in Net State Domestic Product can be viewed as an indicator of performance of different sectors of the economy. The figures in the above table clearly highlight the growing importance of non-farm activities in the state during the last three decades. The share of primary activities which was 34.60 percent of the total NSDP declined to 23.03 per cent during 2004-05 to 2012-13, and further to 22.42 per cent in 2013-14. On the other hand the corresponding share of manufacturing and tertiary sector activities in NSDP of the state of Punjab has been observed to be increasing during the same period. This fact shows the emerging importance of non-farm activities in the state's economy during recent past.

Table 2 Percentage of workers (Main+ Marginal) engaged in Farm and Non-farm activities in various districts of Punjab

District	Farm Employment (% age)	Non-farm Employment (% age)
Ludhiana	28.51	71.49
Jalandhar	29.03	70.97
Gurdaspur	38.63	61.37
Kapurthala	42.10	57.90
Amritsar	42.30	57.70
Rupnagar	44.16	55.84
Patiala	45.74	54.26
Hoshiarpur	48.16	51.84
Fatehgarh Sahib	49.54	50.46
Faridkot	56.80	43.20
Nawashahar	58.15	41.85
Moga	60.19	39.82
Sangrur	61.30	38.70
Bathinda	61.44	38.56
Firozpur	62.28	37.72
Mukatsar	65.92	34.08
Mansa	68.90	31.10
Punjab	47.39	52.61

Source: Census of India, 2001

It is seen from table 2 that the share of non-farm sector in the non-farm employment is recorded significantly for the major districts of the state of Punjab. For instance the highest share of non-farm employment is recorded 71.49 per cent for the Ludhiana district followed by Jalandhar district (70.97 per cent), Gurdaspur (61.37), Kapurthala (57.90 per cent) and Amritsar (57.70 per cent).

Table 3 Region wise distribution of workers (Main+ Marginal) in various districts of Punjab

District	Rural		Urban	
	Farm	Non-farm	Farm	Non-farm
Ludhiana	44.68	55.32	5.55	94.45
Jalandhar	45.24	54.75	6.04	93.96
Gurdaspur	46.36	53.64	9.43	90.57
Kapurthala	45.78	54.22	4.5	95.49
Amritsar	43.82	56.18	7.45	92.55
Rupnagar	47.74	52.26	16.13	83.87
Patiala	47.08	52.92	4.24	95.76
Hoshiarpur	46.94	53.06	9.72	90.28
Fatehgarh Sahib	46.69	53.31	4.17	95.83
Faridkot	46.42	53.58	15.48	84.52

Nawashahar	45.52	54.48	8.52	91.48
Moga	46.17	53.83	10.89	89.11
Sangrur	46.57	53.43	9.70	90.30
Bathinda	45.07	54.93	11.17	88.83
Ferozpur	45.04	54.96	16.68	83.32
Mukatsar	46.71	53.29	19.02	80.98
Mansa	45.86	54.14	6.71	93.29
Punjab	45.78	54.22	7.58	92.42
Source: Census of India, 2001				

Table 3 gives the rural-urban wise distribution of workers in the various districts of the state of Punjab. It is evident from Table 3 that the share of urban non-farm sector has outpaced that of rural non-farm sector in the major districts of state of Punjab. However, the share of rural non-farm sector too has experienced significant growth since recent past.

Conclusions and Policy Options

The present paper studies the dynamics of rural non-farm employment in the state of Punjab by utilising secondary data sources pertaining to the different time periods. The results of the study showed the growing importance of non-farm activities in the state during the period under evaluation. The share of primary activities which was 32.95 percent of the total Net State Domestic Product declined to 23.73 percent during 2010-11 and further to 21.14 per cent during 2013-14, whereas the share of manufacturing and tertiary sector has found to be increasing during the same period. The share of non-farm sector in the non-farm employment is recorded significantly for the major districts of the state of Punjab. For instance the highest share of non-farm employment is recorded 71.49 per cent for the Ludhiana district followed by Jalandhar district (70.97 per cent), Gurdaspur (61.37), Kapurthala (57.90 per cent) and Amritsar (57.70 per cent). The region wise distribution of workers showed that the rural parts of the Punjab economy have witnessed significant increase in the non-farm employment. It is now becoming evident that in rural economies, with continuing population pressure, an ever declining land-man ratio, small and fragmented agricultural holdings, unequal distribution of land and outdated technologies, agricultural or farm sector alone cannot provide additional employment opportunities and to sustain the livelihood of the rural households, even in high growth and the agriculturally potentials states in India.. On the basis of the findings of the study it is suggested that rural infrastructural facilities, skill development and Research and Development (R&D) activities must be promoted to enhance and support the rural non-farm activities in the rural areas of the state. Special efforts are required to be given on many sectoral policy constraints creating hurdles in the way of gainful employment opportunities in rural areas. In the era of globalization and liberalization, government should promote human capital formation in the form of improving skill formation and health measures to improve the efficiency and productivity of rural workers.

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