

Block

7

ISSUES IN AGRICULTURAL SECTOR-II

UNIT 23

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Small Farmers' Distress and MGNREGA **43**

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BLOCK INTRODUCTION

It is important to decide on a suitable tax on agricultural produce and also provide insurance against possible crop failure. But it should be so decided that the concerns of production and productivity are not affected. A large number of 'agricultural workers' are subsisting as 'agricultural labourers'. Not only their numbers are large but their very livelihood means and income level are very low. The government, from time to time, has instituted a number of programmes for their welfare and economic upliftment. This has substantially contributed in bringing down the percentage of rural people, most of them engaged in agriculture as casual daily wage labour, living below the poverty line. However, the rural poverty level in India is still very high. In view of this, the government has embarked upon a new employment assurance scheme/programme in 2005 which statutorily guarantees wage-employment to anyone who seeks manual labour in a prescribed manner. The present block has dealt with all these issues over three units as follows.

Unit 23 deals with the theme of 'agricultural taxation, subsidies and insurance'. To begin with, different type of taxes are outlined. The tax policy of the government for the agricultural sector, which has largely sought to keep the sector outside the tax net due to various considerations, is then described. The issue of subsidy, its rationale/types with an inter-country profile on the extent of agricultural subsidy, is then explained. The concept of 'agricultural insurance', the various insurance schemes launched and the status/progress under each are finally discussed.

Unit 24 focuses on 'agricultural labour and wages'. Close to 84 percent of operational holdings in the Indian agriculture is cultivated by the 'marginal and small farmers' segment. A significant proportion of them, close to 33 percent, are also agricultural labourers who depend on 'casual wage labour' for their sustenance. Against this background, the unit discusses issues like the characteristics of agricultural labour, their trends, the different programmes launched for improving their livelihood status, etc.

Unit 25 deals with the issue of 'small farmers distress and NREGA'. The various efforts made by the government has not been found adequate to provide the necessary wage-employment to a large number of agricultural labour in a year. Against this background, the government in 2005 enacted a statutory legislation guaranteeing to provide wage-employment to anyone who sought employment for a minimum of 100 days, within a time limit of 15 days at the prescribed wage rate. The Act further guaranteed 'employment allowance' wherever employment so sought could not be provided. Five years down the line in its implementation, many evaluation studies have revealed the successes and the weaknesses in the implementation of the Act/programme. The unit apprises you of the related issues and developments. Towards the end, it introduces you to the concept of 'convergence' which aims at dovetailing the efforts of the Act with those of many other programmes and schemes in operation with similar objectives. This is made with a view to create durable assets helpful in sustaining the employment and income levels of the poor.

UNIT 23 AGRICULTURAL TAXATION, SUBSIDIES AND INSURANCE

Structure

23.0 Objectives

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23.2.1 Lump-sum Tax

23.2.2 Per Unit Tax

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23.0 OBJECTIVES

After going through this unit, you will be able to:

- explain the different kinds of taxes and their impact on output and prices;
- discuss the two main issues of a tax policy on agricultural income and indicate the proposals to deal with these issues;
- describe the concept, rationale and types of agricultural subsidies;
- state the arguments made against subsidies and present an inter-country profile of agricultural subsidies;
- enumerate the specific characteristics of agricultural insurance; and
- indicate the salient features of agricultural insurance schemes under implementation in India.

23.1 INTRODUCTION

Through taxes the government collects money from people. Through subsidies it transfers money to people focusing on those who need them most. The people who pay taxes are thus not necessarily the persons who benefit from subsidies. Subsidies, therefore, transfers money among people in a way that the concerns of equity are addressed. In addition, through taxation, the government generates income for financing its various

other expenditures on services of public importance (e.g. roads, markets, utility services, etc.). This provides the vital infrastructure services necessary for efficient economic functioning. Taxes and subsidies are thus the two instruments used by the government to achieve the twin objectives of 'equity for social justice' on the one hand and provide the basic means to attract investment for production of goods and services on the other. While these are two direct objectives of taxes and subsidies, the level of taxes levied bears an influence on the output levels. If the tax is heavy and burdensome, the producers will lose their incentive to produce. This will stifle the economy with low growth and sets-in the consequent ill like unemployment. Further, quite often, there would be losses to producers on account of unforeseen situations arising from price and demand fluctuations. It is here that insurance comes to help a producer to recoup some of his losses. The interplay of taxes, subsidies and insurance determines the efficient functioning of the economic system in general. In this unit, we first take a look at the different type of taxes and their effects on prices and output in general. We then take a quick look at the agricultural tax policy of the government. The rationale behind agricultural subsidies, its different types and how it compares in an international comparative perspective will then be discussed. Finally, with a reference made to specifying the characteristics of agricultural insurance (as distinguished from those of non-agricultural products), we take a look at the different agricultural insurance schemes operated in India. Given the objectives of taxation and subsidy policies as outlined above, it is evident that the government must formulate its tax policies in such a way that it is conducive for economic growth and social welfare. In this light, we shall examine in this unit whether the government in India has used the instruments of taxation and subsidy efficiently for the development of the agricultural sector.

23.2 TYPES OF TAXES

In general, four types of taxes can be distinguished. These are: (i) lump-sum tax; (ii) per unit (of output) tax; (iii) ad-valorem tax; and (iv) profit tax. In this section, we shall examine how each of these taxes affect the output and price decisions of the producer. We are assuming a *perfectly competitive* market. This implies that an individual producer cannot influence the price in the market as he is too small compared to the entire market. Secondly, there is no *product differentiation*, i.e. the product sold by a producer is identical to that of any other producer. In a perfectly competitive market, the producer (the farmer in this case) is a *price taker* because he accepts the prevailing market price. At the on-going price he is free to sell as much as he can. On the other hand, if the producer enjoys monopoly power he can influence the market price by restricting supply. In case of Indian agriculture, if we ignore the government intervention for fixing the remunerative prices to ensure adequate returns to the farmers, the market meets the conditions of perfect competition. There are a large number of farmers, each supplying a negligible amount of the total supply to the market. Moreover, the products are largely homogeneous in nature. Therefore, no individual farmer is in a position to influence the market price.

23.2.1 Lump-sum Taxation

Lump-sum taxes are imposed on the producers irrespective of the level of output produced. For instance, a farmer-producer might be required to pay 1000 rupees to the government as taxes, no matter how much output is produced. In this case, although the tax adds to the cost of the producer, it is a fixed cost. We are aware that while the fixed cost adds to the cost of production, it is not the cost on which the decision on the level of output to be produced is taken by a producer; it is the marginal cost which is taken into account by a producer. As the marginal cost is unaffected by the imposition

of lump-sum tax on a farmer, it does not influence his production decisions as long as it is not very high. A high lump-sum tax, however, can cause substantial reduction in the profit level of producers acting as a strong disincentive for production. Thus, the imposition of lump-sum tax, in a normal sense, does not affect the output level of individual producer.

23.2.2 Per Unit Tax

Per unit tax is imposed as a levy on the units of output produced. For instance, for each unit of output the producer can be required to pay five rupees to the government. In this case, how much tax the producer pays depends on the level of output. Per unit tax affects the cost of producing an additional unit of output (i.e. the marginal cost) which is important to a producer to determine the level of output beyond which it is not profitable for him to produce any more units. This can be shown in terms of a diagram (Figure 23.1) where the quantity of output produced is represented along the horizontal

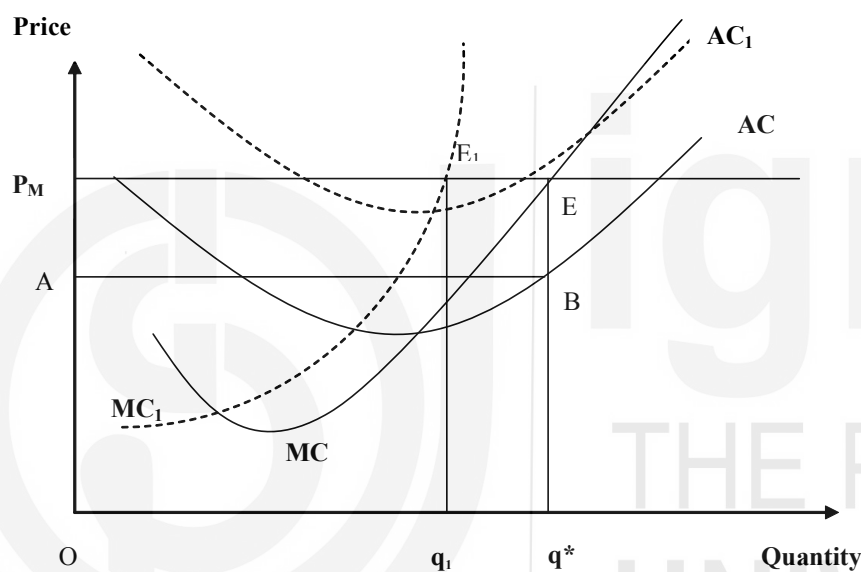


Fig. 23.1: Effect of Per Unit Tax

axis and the price/cost are measured along the vertical axis. The market price P_M is indicated as a horizontal straight line on the assumption that the price remains reasonably stable at least during the short term. The AC curve denotes the *average cost* of production and the MC curve the *marginal cost* of production. While AC is defined as 'total cost divided by the number of units of output produced', MC measures the 'rate of change in the total cost' (given by the 'slope' of the curve) if the producer decides to increase the level of output. The producer's equilibrium is at that level of output where MC and P_M intersects which is happening at the point E. Drawing Eq^* perpendicular to the horizontal axis, we get Oq^* as the equilibrium level of output. At this level of output, the profit per unit (which is the difference between the average cost and the price) is EB. The total profit earned is $EB \times Oq^* = \text{area of } ABEP_M$. If the output produced is at a level where $MC < P_M$ (i.e. to the left of E), there is unutilized potential which can be used to earn higher revenue or profits. In other words, profits can be increased by producing more units without adversely increasing the cost of production. On the other hand, at a level of output where $MC > P_M$ (i.e. to the right of E), the producer is compelled to revise his strategy by reducing the level of output to q_1 .

With the imposition of the per-unit tax, both the marginal and the average cost curves will shift upwards (i.e. increase) to MC_1 and AC_1 . This results in the point of intersection (between the P_M and the MC_1) to shift to E_1 (which is to the left of E). Thus, when the

tax is imposed on the basis of per unit of output, it leads to a fall in output level and a consequent fall in profits of the producer.

23.2.3 Ad-valorem Tax

Ad-valorem tax is imposed not on the output level but on the price charged in the market.

Suppose the price line is indicated by ' P_M '. Then after the imposition of the tax ' t ', the price that is received by the producer is $(1-t) \times P_M$. In this case, while there is no change in the two cost curves, the price line P_M shifts downwards to $(1-t) \times P_M$. Consequently, there is a decrease in the profit of the producer in the post-tax situation.

23.2.4 Tax on the Income of Producers

The income of the producers is the profit earned by them which is equal to the total revenue minus the total cost. If a tax ' t ' per unit of profit is imposed, then the producer is left with the post-tax fraction of the profit viz. $(1-t) \times \text{profit}$. Thus, while with the imposition of this tax the level of output is not going to be affected, the income of the producer falls. If it falls below some minimum level, the producer may lose his incentive to produce and altogether stop production. In other words, the output produced falls to zero. This case is similar to the lump-sum tax case outlined in 23.2.1.

Check Your Progress 1 [answer in about 50 words using the space given]

- 1) What are the twin objectives of taxes and subsidies? Why is it important to keep the level of taxes at an optimal level?
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- 2) Do you agree that the agricultural markets in India are perfectly competitive? Why?
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- 3) What is a lump-sum tax? Does this type of tax has any serious effect on the output level of a farmer-producer?
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- 4) In what way is the 'average cost' different from 'marginal cost'? Which of these two determines the level of output to be produced by a farmer-producer?

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5) How does the imposition of a per-unit tax affect the two cost curves? What are its two consequences?

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6) What is an ad-valorem tax? What is the effect of this type of tax on the 'price line'? How does this affect a producer?

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7) Define the term 'profit'. State the effect of a tax on the profit level of a farmer-producer. In what way a high level of tax has a similar effect as the lump-sum tax?

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23.3 TAX POLICY FOR AGRICULTURAL INCOME

With a substantial segment of the labour force In India continuing to be dependent on agriculture for their livelihood, the per capita income from agriculture continues to be low. Note that this is in relative terms [i.e. agricultural per capita income (see key words) in relation to the overall per capita income of the economy] as the income of agricultural workers in India on a per-capita basis is also increasing over time in absolute terms. The low per capita income in agriculture is due to the relative low agricultural productivity in India on which you have already studied in unit 13 (section 13.4.1) before. To recall, some of the specific factors contributing to this situation are: (i) small size of holdings held by a large number of small and marginal farmers segment, (ii) the consequent low ability of small farmers for private capital investment, (iii) inadequate availability of institutional credit, etc. As a result, the sector continues to be characterized by: (i) high level of underemployment (i.e. workers getting far less work than they are capable of doing), (ii) inequitable distribution of land, (iii) lower wages, etc. Given this situation, the issue of taxation of agricultural income has remained contentious. With no clear cut policy emerging on taxing the income from the sector, the situation is resulting

in a loss of investible surplus to the government. The two major issues due to which the formulation of a policy on agricultural taxes is hindered can be identified as follows.

Agricultural Income: The term is defined as income earned from farm sector activities up to, and exclusive of, the processing stage. Thus, while income from processing stage onwards is rightly treated as non-agricultural income, income from a farmhouse (even when used for non-agricultural purposes) is treated as agricultural income. The latter has left scope for evasion of tax by rich landlords by reporting the use of land to their advantage. In general, income from all basic operations on land (e.g. cultivation, growing crops) including secondary operations like land removal, digging, etc. are classified as agricultural income and is exempt from tax. However, income from sale of trees, breeding of livestock, fishing activities, poultry farming are not classified as agricultural income. Over the years, due to the fact that agriculture is a state subject and many politico-regional factors have dominated a policy decision on agricultural taxation, land tax has not only been abolished in some states but has also fallen in real terms in other states as the rate of taxation has not been revised for many years. In view of these conceptual and policy deficiencies, the issue of agricultural income and its taxation has continued to benefit big farmers at the cost of many small and marginal farmers. This is to the extent that every sector should ideally generate investible surplus for itself by taxation and private investment. This has affected the Indian agricultural development in general and those of small and marginal farmers in particular.

Rental Income in Agriculture: A related contentious issue of taxing the income from agriculture is of rental income from non-self-cultivated land. Given that tenancy is widely practiced in India, and the landlords who lease out lands are well-off and powerful, the policy of exempting the rental income has lacked a rational basis. Realising this lacunae in the agricultural tax policy of the government, the Supreme Court has ruled that the income from agricultural operations earned by those not directly involved in the actual production activities should be taxed. In order to cope with this situation, some proposals have been made to bring agriculture into the direct tax fold. These include the following.

- a) **Imposition of land taxes on the basis of ownership:** Arguing that only the marginal and small farmers should be exempted from the tax, this proposal lays emphasis on *ownership of land* as the criteria for tax levy. In essence, the proposal seeks to bring all absentee landlords into the tax net.
- b) **Non-agricultural income reported as agricultural income:** To deal with this problem of reporting, the proposal argues that land should be taxed according to the nature of the crops grown on it. Wherever agricultural land is not used for cropping purposes, a policy of imposing land-tax, irrespective of its use is suggested. There is a contention that such a tax should be based on the potential fertility of soil with the more fertile land taxed more than the less fertile. A related suggestion is that more valuable crops should invite a higher tax rate compared to the land where non-lucrative crop is grown.

While the debate on the above issues has gone on for the last few decades, usage of agricultural land for non-agricultural purposes like large farmhouses, hotels, tourism, other industrial purposes, etc. seeking exemption of taxes has continued. In other words, poverty of small and marginal farmers has continued along side the rich farmers enjoying tax exemption from income earned from their land not used for cropping purposes. What explains this state of affairs is the policy vacuum. It is a fact that an average Indian farmer is vulnerable and has to be provided with tax benefits. But tax benefits have largely gone to the undeserving due to the policy lacuna on agricultural income.

23.4 SUBSIDIES

Subsidies are the opposite of taxes. Taxes reduce the income of the farmers. Subsidies on inputs and prices, on the other hand, increases the income of the farmers. It increases profits indirectly by making the inputs cheaper and directly by making the outputs lucrative. We shall see how this happens by a discussion on the rationale and types of agricultural subsidies in vogue.

23.4.1 Rationale for Subsidies

For an agrarian economy like India, with bulk of its farmers being of small and marginal kind, the rationale for agricultural subsidies are easily understood. Since many farmers are close to subsistence level of living, subsidies sustain them in carrying out the production and consumption activities. While this is the fundamental rationale for subsidies, there are many other *objectives* with which subsidies are provided to farmers.

- a) **Productivity Enhancement:** Subsidies given on inputs (like seeds, fertilizer, pesticides, water, electricity, etc.) makes the inputs cheaper to the farmers. As a result, cost of production per unit becomes less for the farmers. This, therefore, has the effect of increasing the productivity levels.
- b) **Promotion of Technology:** For introduction of improved inputs and technology, the government can provide subsidized farm machinery (e.g. harvester, tractor, irrigation devices) either directly or through bank loans given at lower interest rates. This helps in promotion of technological practices.
- c) **Infrastructural Development:** In order to promote the production of certain crops, price and other subsidies can be extended by the government. This can be in the form of: (i) cheap transportation facilities for marketing the harvest, (ii) establishment of storage facilities, (iii) higher procurement prices offered, etc. Such subsidies, besides promoting the specific crops, have the indirect effect of improving the returns to the farmers by minimising losses and increasing profits.
- d) **Export Promotion:** Subsidies can be granted to the farmers to produce for exports. This type of subsidy helps the farmers in becoming more competitive in global market. It also helps them gain a larger share of the global demand.

23.4.2 Types of Subsidies

There can be several forms of subsidies, each of which aims at achieving a specific purpose. We shall discuss them here in brief.

- a) **Input Subsidies:** Subsidies can be granted through distribution of inputs at prices less than the market price. Input subsidies are like per unit subsidy as they bring down the per unit cost of production. The effect of such subsidies will, therefore, be to reduce the marginal and average cost thereby increasing the profits. They also motivate farmers to produce more which reduces the price of agricultural goods. Several type of subsidies can be listed in this category:
 - i) **Fertilizer Subsidy:** This is extended by way of distribution of cheap chemical (or non-chemical) fertilizers to the farmers. It is also given as relief to manufacturers to off-set some of their costs and keep the prices lower. This type of subsidy, therefore, ensures: (a) cheap inputs to farmers; (b) reasonable returns to manufacturer; (c) stability in fertilizer prices; and (d) regular supply (i.e. availability) of fertilizers. In some cases, this type of subsidy is extended by lifting tariff on the import of fertilizers.

- ii) **Irrigation Subsidy:** These are costs borne by the government to ensure irrigation facility to the farmers. This is the difference between the per unit operating and maintenance cost of irrigation infrastructure and the actual per unit irrigation charges recovered from the farmers. The government bears this type of subsidy by constructing canals and dams and charging low prices for the irrigation facilities provided to the farmers.
- iii) **Power Subsidy:** This is similar in nature to the irrigation subsidies. It refers to the difference between the per unit cost of generating and distributing electricity and the price charged from the farmers for its use. Such subsidies act as an incentive to farmers to invest in pump-sets, bore-wells, etc.
- iv) **Seed Subsidy:** This refers to high yielding seeds provided by the government at low prices to the farmers. It also includes investment in R & D (Research and Development) to produce such seeds.
- v) **Credit Subsidy:** This refers to the difference between the interest charged from farmers and the actual cost of providing credit. It also includes other costs such as write-offs on bad loans, administrative expenses, etc. The government can provide this kind of subsidy by: (a) incurring expenditure on the setting up of more banks in rural areas for specifically advancing agricultural loans, (b) by charging interest rates at lower level, (c) by relaxing the terms of credit such as collateral requirements, etc.
- b) **Price Subsidy:** It is the difference between the price at which food grains are procured from the farmers and the price at which they are distributed through the PDS. This kind of subsidy is extended by the government to off-set the losses to the farmers when the market price is low. In such a situation, the government procures the crop from the farmers at a price higher than market price. The effect of this kind of subsidy is the opposite of ad valorem taxes (which has a reducing effect on output and profits) as it increases the profits of the farmers and could motivate them to produce more.
- c) **Infrastructural Development and Crop Promotion:** Good roads, facilities for cold storage, regular supply of power, market information services, transportation services, etc. are vital for carrying out the agricultural operations efficiently. The cost of establishing such public services is also huge which can be borne only by the government. Such services are in the domain of public goods as the benefit from such facilities accrue to all the cultivators in an area. Such investments, therefore, amount to providing indirect subsidies to the farmers by minimising their losses which would otherwise be high for the farmers in the absence of such critical services.
- d) **Export Subsidies:** This type of subsidy is extended to encourage farmers to produce for the export markets. They help earn foreign exchange. As we have already noted, it is important to promote exports so that we can take the benefit of our comparative advantage in agriculture and gain a place in the global market. Agricultural exports are thus encouraged by providing subsidies by the government. It is, however, important to achieve this objective with due regard to meeting the domestic requirements.

We must note that while subsidies raise the profit level of some farmers, it does not in any way benefit the agricultural labourers who constitute about 40 percent of those engaged in agriculture. They are specifically called as 'landless labourers'. Thus, if the purpose of the government is to improve the living conditions of the poorest sections, it

should go beyond subsidies. For this, it should effectively implement the minimum wage Act, make regular amendments of agricultural wages to compensate for rising prices, implement land reforms in earnest, etc. For the owner cultivators also, to avail the benefits of cheaper pump sets, fertilizers, electricity, etc. a farmer has to have a minimum amount of land and capital at his disposal. This is because the new technologies are not scale-neutral with respect to resources (i.e. productivity improves with a certain optimum volume of resources). So subsidies have once again benefitted the rich farmers. The poor farmer's condition has not only not improved much, in many cases he has become poorer because of increase in input prices. He is also affected with the rise in food prices as he is the net buyer of food items. Further, subsidies have remained a major problem in the expenditure structure of the government. Food subsidy (due to public distribution system operations) and input subsidy (particularly fertilizer) constitute the major components of total subsidy in India. Low user charges in sectors such as power, road transport and irrigation have impaired state budgets. However, over the years this has declined. Nonetheless, rationalising the user charges and evolving methods by which the subsidies can be targeted to the really needy are directions in which efforts are critically needed.

23.4.3 Inter-Country Profile

Agricultural subsidies are quite low in India as compared to the OECD countries. Table 23.1 gives a comparison of the subsidies provided by India in agriculture with other developed countries. Although the data presented is up to 1999, it still tells us that our subsidy for agriculture is far lower than that in other advanced countries. The question of subsidies is hotly debated both in the international context (which is mainly due to WTO compulsions on which you will study more in unit 27 of this course) as also in the context of domestic constraints on fiscal imprudence. Many critics recommend abolition of subsidies. Their argument is that subsidies distort prices by not letting the market allocate resources efficiently. Another argument made is that it leads to higher fiscal deficit causing higher inflation, balance of payment difficulties and falling exchange rate. It is also argued that subsidies result in 'crowding out' of public investment leading to lower capital formation (i.e. the resources available to the government being limited, the resources spent on subsidies, to that extent, reduces the availability of resources for infrastructure development). A related argument is that subsidies do not contribute to 'capacity development' whereas resources spent on skill and infrastructure development programmes does this by enhancing the ability of the beneficiaries for better productive engagement. However, as we have seen above, subsidies serve many useful purposes of a short term nature. In light of this, decisions on changing the nature and extent of subsidies should be made only after properly evaluating their consequences.

**Table 23.1: Agricultural Subsidies in Select OECD Countries and India
(in US \$)**

Country	1986-88		1997		1998		1999	
	Per Farmer	Per Hectare	Per Farmer	Per Hectare	Per Farmer	Per Hectare	Per Farmer	Per Hectare
Canada	12000	75	7000	42	8000	48	9000	52
EU	11000	707	16000	815	18000	890	17000	831
Japan	15000	10048	21000	10211	22000	10005	26000	11792
USA	17000	98	12000	73	19000	116	21000	129
OECD	11000	187	10000	189	11000	209	11000	218
India	11	8	55	43	61	46	66	53

Source: Department of Agriculture and Cooperation, Ministry of Agriculture, Government of India. (<http://agricoop.nic.in/statistics/stock2.htm>)

Check Your Progress 2 [answer in about 50 words using the space given]

1) What are the two major issues due to which a clear-cut policy on agricultural taxes has not emerged in India? Which of these two would you identify for a conceptual lacuna in evolving a policy on agricultural taxation? Why?

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2) For which two reasons has 'land tax' remained constant in real terms over time in India? In what way has this affected the Indian agricultural development?

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3) Which of the two issues identified for 1 above is related to the tenancy system in Indian agriculture? On what grounds has this been criticised to lack a rational basis?

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4) What are the two proposals made to bring agriculture into the direct tax fold? Which of these two proposals is differentiating in its principle? How?

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5) How are subsidies opposite of taxes? What characteristic of Indian agriculture provides the 'fundamental rationale' for agricultural subsidies in principle?

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6) Do you agree that subsidies have a role in promoting technology absorption and also result in infrastructural development? How?

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7) Mention the four types of input subsidies. How do they contribute to increasing the profit of farmers?

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8) Which of the input subsidies promote technology absorption? How?

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9) Which subsidy bears the character of a 'public good'? In what way is it beneficial to farmers?

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10) State the objectives behind the granting of 'export subsidies'.

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11) Have 'subsidies' benefited all class of persons dependent on agriculture? If not, in what direction efforts are needed to remedy this anomaly?

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12) What are the other problems caused by subsidies? What can you suggest to rectify this adverse situation?

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13) How did the per-farmer and per-hectare subsidy in India compare in the later years of 1990s as compared to other developed countries?

14) What are the three arguments made against subsidies in agriculture?

23.5 AGRICULTURAL INSURANCE

Insurance aims at spreading the risk associated with production across different producers and time. By paying a certain amount per year or month to the insurer, called premium, the producer gets to recover by the insurer any loss suffered in production due to specified factors probable in occurrence but difficult to guard oneself against. The amount of premium can vary depending on the sum insured i.e. the amount of money the producer is going to be paid if there is damage to the output. The insurance company makes profit because any loss or damage to the output may not happen to all the producers. Thus, only a few producers will have to be paid the damage claim which can be made up by the premium received from other producers whose output may not be damaged. Also, the damage may not happen at all periods of time i.e. damage to be paid to some producers at some points of time can be made up from the premium received by other producers at other points of time. While this rationale works in general, and to an extent even in agriculture, we must note that agricultural operations bear some special characteristics because of which insurance companies are more cautious. These are: (a) damage to crop is more likely to occur across farmers in a region (e.g. drought or flood affecting all farmers in a region); and (b) it is difficult to monitor the activities of the farmers as the farming activity stretches over long periods of time and space. Because of this, when the farmer is not monitored, he may take actions which raises the risk of production and therefore the liability of the insurance company, called the problem of ‘moral hazard’. In such a case, the insurance company will have to pay more damages than anticipated and can make it bankrupt. In view of these factors, private sector agricultural insurance has not been successful in many countries. Nonetheless, the importance of agricultural insurance is well recognised and catching up across countries and regions. Moreover, it has been observed that insured farmers tend to take many productivity enhancing measures generally not undertaken by uninsured farmers. Such a course of well conceived responsible action is pointed out to be the sector’s long run self-sustainable element towards which the government and the insurance sector should work. In India, the government (and a few private companies) have launched many agricultural insurance schemes over the last few years. We shall briefly review them in this section.

- i) **Crop Insurance Scheme (CIS) (1972-78):** Based on an individual centric approach, this was one of the earliest insurance schemes launched in India. The scheme covered select crops like groundnut, H-4 cotton, wheat and potato. The scheme was launched on a voluntary basis and was implemented in six states. About 3000 farmers were covered under the scheme. The actual claims settled under the scheme (Rs. 0.38 crores) was far in excess of the total premium amount collected (Rs. 0.05 crores) with the ratio of 'premium to claims' being 1 : 7.6.
- ii) **Pilot Crop Insurance Scheme (1979-85):** The scheme was area-centric in approach and covered crops like cereals, millets, oilseeds, cotton, potato and chick pea. The scheme covered loanee farmers on a voluntary basis with 50 percent subsidy on premium for small and marginal farmers. The total number of farmers covered were 6.23 lakhs. The total premium collected (Rs. 1.95 crores) exceeded the total claims settled (Rs. 1.56 crores) with a favourable premium to claims ratio of 1 : 0.8.
- iii) **Comprehensive Crop Insurance Scheme (1985-99):** The scheme was area-centric and covered foodgrains and oilseeds. The scheme was made compulsorily applicable to all loanee farmers. A total of 763 lakh farmers were covered with the claims settled (Rs. 2303 crores) far exceeding the total premium amount collected (Rs. 404 crores). As a result, the ratio of premium to claims is: 1 : 5.7.
- iv) **Experimental Crop Insurance Scheme (1997-98):** The area-centric scheme covering cereals, pulses and oil seeds, covered non-loanee small and marginal farmers segment in addition to the loanee farmers. About 4.78 lakh farmers were covered under the scheme. The claims settled (Rs. 39.78 crores) was far in excess of the total premium collected (Rs. 2.86 crores) with the ratio of premium to claims being most critical (1 : 13.9).
- v) **National Agricultural Insurance Scheme (1999-till date):** The scheme was both area and individual centric. It was open to all farmers with 10 percent premium subsidy provided for the small and marginal farmers. The scheme covered foodgrains, oil seeds, annual commercial and horticultural crops. The total farmers covered are the highest of all the schemes so far tried (971 lakhs). Further, the ratio of 'premium to claims settled' [2944 : 9857; (in Rs. Crores)], was modest, though still adverse at 1 : 3.3.
- vi) **Farm Income Insurance Scheme (2003-04):** This was a scheme operated for one year for insuring against production and market risks compulsorily for loanee farmers. It was a area-centric scheme covering the crops of wheat and rice for a total of 2.22 lakh farmers. This is the second scheme for which the premium (Rs. 15.68 crores) to claims (Rs. 1.5 crores) ratio was favourable (1 : 0.10).
- vii) **Weather/Rainfall Insurance Scheme (2003-04 to till date):** This is a individual centric scheme which covered all farmers based on rainfall received at the specified blocks. It has covered a total of 5.39 lakh individuals for products like foodgrains, oil seeds, annual commercial and horticultural crops.

With the estimated total number of farmers covered by the insurance schemes being low at 15 percent, the above details of schemes (implemented over the last four decades in India) tells us that the schemes are heavily state supported. The desired direction being to make them self-sustained, the agricultural insurance sector in India has a long way to go.

Check Your Progress 3 [answer in about 50 words using the space given]

- 1) Mention the three specific characteristics of agricultural insurance which makes it generally a non-profit venture.

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- 2) In spite of the agricultural sector bearing the above characteristics, what logical argument is advanced to highlight its ability to be self-sustained in the long run?

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- 3) What are the seven agricultural insurance schemes implemented in India over the last four decade period? Which particular feature is commonly seen in most of these schemes?

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- 4) Of all the insurance schemes implemented so far, which two schemes are notable for their favourable ratio of 'claims to premium'? What are these ratios? Of the remaining insurance schemes, what is notable about the NAI scheme?

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23.6 LET US SUM UP

Average agricultural income in India is very low. Keeping this in view, the government has chosen the policy of not taxing the sector. However, it is the rich farmers who are benefited maximum from such exemptions. Same is true for the non-agricultural rich who show their income to be agricultural and reap the benefits. This situation needs to be rectified by rationalising the land tax and by including absentee landlords under the tax net. Government provides agricultural subsidies for various reasons. Subsidies in general raise output and profits, and in certain cases reduce price. However, it should be selectively given to poor farmers and for selected crops. In India, subsidies have served its purpose at many crucial junctures and has helped in raising the living standards of poor peasants. Most important of all, it has mitigated the food crisis. However, the

uneven distribution of subsidies have led to greater inequality. The remedy is not to do away with subsidies but target them appropriately to poor farmers and consumers. The high level of impoverishment of the majority of Indian farmers and the need for food security of the poor necessitate that subsidies be continued. Apart from taxes and subsidies, insurance is an important instrument useful in providing the required degree of confidence for producers to take risks. Many insurance schemes have been operated in India for close to four decades. Most of them are marked for heavy state subsidy. The principle of insurance, however, requires it to be self-sustainable. This means a large number of farmers must buy insurance against a small premium and guard themselves against probable loss. This would make the insurance companies profitable with a relatively small number of insured actually claiming the insurance payment. However, seen from the 'ratio of premium to claims' settled, the experience of Indian insurance in agriculture has been adverse. Two exceptions to this are: (i) the Pilot Crop Insurance Scheme (1 : 0.8) and (ii) the Farm Income Insurance Scheme (1 : 0.10). The NAIS launched in 1999 (and continued to be in operation), is a scheme which is also notable for its relatively lower ratio of premium to claims (1 : 3.3). Although the claims are more than three times higher than the premium, of all the other schemes, this scheme has relatively the lower liability factor. Judged from this performance indicator, agricultural insurance has a long way to go in India.

23.7 KEY WORDS

- Imperfectly competitive market** : Refers to the market form where there are only a few producers and where goods are differentiable (i.e. each producer produces goods which are somewhat different from others). Therefore, each producer has some limited power to influence the market price. However, if price is raised, output falls due to a downward sloping demand curve.
- Perfectly competitive market** : Refers to the market form where the goods produced by all the producers are identical and each producer produces a very small amount of the aggregate output produced in the market. As a result, no producer can influence the price.
- Agricultural per capita income** : The share of agriculture in GDP has fallen from 39 percent in 1980 to 18 percent in 2010. The percentage of population dependent on agriculture has also fallen from 70 percent in 1980 to 56 percent in 2010. This has led to a fall in the share of agricultural per capita income from 56 percent in 1980 to 32 percent in 2010 although in absolute terms the per capita agricultural income has increased from Rs. 4745 in 1980 to Rs. 10865 in 2010 (i.e. an increase of 2.3 times over three decades in 2004-05 prices). In contrast, the overall economy's per capita income has

increased from Rs. 8540 in 1980 to Rs. 33802 in 2010 (i.e. an increase of nearly 4 times over the three decades). This means that the agricultural per capita income has risen slower than that in the other sectors viz. manufacturing and the services.

Public goods

: These are those goods whose utility cannot be limited to one or two individuals e.g. improvement in infrastructure like better roads. In other words, consumption of such a good by one person does not exclude anyone else from consuming it.

Agricultural insurance

: This is the insurance provided for agricultural operations like rainfall deficiency, harvest failure, natural calamities, etc. Like other insurance schemes the insurance policy holder pays a premium at regular intervals to the insurance company in return of compensation to the policy holder for loss of agricultural produce against the stated factors. The compensation amount is called sum assured.

23.8 SUGGESTED BOOKS/REFERENCES FOR FURTHER READING

Kapila, U. (ed.), 2009, *Indian Economy Since Independence 2008-09*, Academic Foundation, Delhi.

Parikh, K. S., 1997, *India Development Report 1997*, Oxford University Press.

Patnaik, U., 1999, *The Long Transition*, Tulika Publications, New Delhi.

Raj, K. N., 1990, *Organizational Issues in Indian Agriculture*, Oxford University Press, New Delhi.

23.9 ANSWERS/HINTS FOR CYP EXERCISES

Check Your Progress 1

- 1) See section 23.1 and answer.
- 2) See section 23.2 and answer.
- 3) See section 23.2.1 and answer.
- 4) See section 23.2.2 and answer.
- 5) See section 23.2.2 and answer.
- 6) See section 23.2.3 and answer.
- 7) See section 23.2.4 and answer.

Check Your Progress 2

- 1) See section 23.3 and answer.
- 2) See section 23.3 and answer.
- 3) See section 23.3 and answer.
- 4) See section 23.3 and answer.
- 5) See section 23.4.1 and answer.
- 6) See section 23.4.1 and answer.
- 7) See section 23.4.2 and answer.
- 8) See section 23.4.2 and answer.
- 9) See section 23.4.2 and answer.
- 10) See section 23.4.2 and answer.
- 11) See section 23.4.2 and answer.
- 12) See section 23.4.2 and answer.
- 13) See Table 23.1 and answer.
- 14) See section 23.4.3 and answer.

Check Your Progress 3

- 1) See section 23.5 and answer.
- 2) See section 23.5 and answer.
- 3) See section 23.5 and answer.
- 4) See section 23.5 and answer.



UNIT 24 AGRICULTURAL LABOUR AND WAGES

Structure

24.0 Objectives

24.1 Introduction

24.2 Characteristics of Agricultural Labour

24.2.1 Irregularity in Employment and Income

24.2.2 Poverty

24.2.3 Unorganised Employment

24.2.4 Wage Employment and Self-Employment

24.3 Trends in Agricultural Labour

24.3.1 Growth/Percentage of Agricultural Labour/Workers

24.3.2 Increasing Number of Marginal Farmers

24.3.3 Deficit in Income/Consumption Expenditure

24.4 Programmes for Improving the Livelihood Status of Agricultural Labour

24.4.1 Farming Oriented Programmes

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24.4.4 Area Development Programmes

24.4.5 National Rural Livelihood Mission (NRLM)

24.4.6 Eleventh Plan Initiatives

24.4.7 Twelfth Plan Approach

24.5 Agricultural Wages: Data Sources and Trends

24.5.1 Data Sources

24.5.2 Trends in Agricultural Wages

24.6 Let Us Sum Up

24.7 Key Words

24.8 Suggested Books/References for Further Reading

24.9 Answers/Hints for CYP Exercises

24.0 OBJECTIVES

After going through this unit, you will be in a position to:

- discuss the characteristics of agricultural labour in India;
- analyse the trends in agricultural labour/workers over the period 1951-2010;
- explain the measures initiated by the government to improve the livelihood status of agricultural labourers in India;
- indicate the sources of data on 'agricultural wages'; and
- analyse the trends in agricultural wages with a focus on its disparity between gender and agriculture versus non-agriculture sectors.

24.1 INTRODUCTION

As per the Census of India, the percentage of 'agricultural workers' to total rural population has remained more or less stable over the five decade long period of 1951-2001 (it was 32.6 percent in 1951 and 31.5 percent in 2001). Although the percentage share of agricultural workers to total population has come down by more than 20 percentage points over this period, the proportion of 'agricultural workers to rural population' has nearly remained same. This is due to the dynamic interplay of factors like increasing population, growing urbanisation, the pace of non-farm employment expansion, the nature of non-farm employment suitable at least for post-primary educated persons, etc. Thus, although both the factors in the ratio has changed, the proportion (of agricultural workers to rural population) has remained nearly stagnant without any significant change in it.

The Census classifies the 'agricultural workers' into two groups viz. (i) cultivators; and (ii) agricultural labourers. You have studied about the 'small and marginal farmers' in unit 2 (section 2.7) of this course. Recall that they are defined as farmers owning land below 2 hectares of land (farmers owning 0.4 to 1 hectares of land connotated as marginal farmers and those owning 1 to 2 hectares as small farmers) who together, in 2005-06, constituted 83.3 percent of operational land holdings in India. The national sample survey organisation (NSSO) [the other important data source] disaggregates the land holding segment into five sub-classifications viz. (i) landless farmers (those having less than 0.01 hectares of land); (ii) sub-marginal farmers (0.01 and 0.4 ha); (iii) marginal farmers (0.4 to 1 ha); (iv) small farmers (1 to 2 ha); and (v) medium and large farmers (more than 2 ha). In addition, the NSSO connotes tenant-cultivators farming on leased land as cultivators (landless). In view of these sub-classifications, data on agricultural workers is available at higher disaggregation by NSSO than from the Census.

The scope of the present unit includes all the sub-classifications of farmers so as to get a comparison of changing trends among the different classes of farmers. Although the 'marginal and small farmers' possess some land, their plight is no less critical because of their difficulty to access important services like institutional credit and efficient marketing. In view of this, the marginal and small farmers often depend on wage employment for their sustenance. Together, they constitute 'more than 90 percent of agricultural workers'. How are the agricultural workers/labourers defined? What is their magnitude and how have their status changed over time? What specific characteristics contribute to their stagnant situation despite many steps taken by the government to improve their status? What are these measures and to what extent they have helped in improving their livelihood status? These are the specific questions to which we shall seek answers in this unit.

24.2 CHARACTERISTICS OF AGRICULTURAL LABOUR

Agricultural labourers in India are identified by NSSO in terms of 'agricultural labour households'. In view of this, the number of households needs to be multiplied by the average number of persons in an agricultural labour household to get an estimate of the total number of agricultural labour. Census, on the other hand, directly gives the estimated number of 'agricultural workers' and 'agricultural labourers'. An 'agricultural labour household' is defined as households which derive more than 50 percent of their income from agriculture. There are certain specific characteristics of agriculture labour/workers due to which policy planners have had to design and implement special employment generating programmes to boost up their working days during a year. These characteristics encompass the areas of: availability of employment and income, the

unorganised nature of employment contributing to their low quality of employment, the high incidence of poverty existing among the agricultural workers (which is but a reflection of the two factors mentioned above), etc.

24.2.1 Irregularity in Employment and Income

Agrarian economies need to distinguish the nature of employment in agriculture from those of the employment in the non-agricultural sectors. For this purpose, following the international consensus, NSSO has evolved three approaches to measure employment viz. the usual status approach, the current weekly status approach and the current daily status approach. While the usual status approach captures the numbers employed on a fairly stable basis (by considering persons employed in the greater part of the larger reference period of one year), the other two approaches captures the character of under-employment in agriculture by focusing on measuring the activities/work performed during 'days within a week' and 'hours within a day'. As per the latest data available by Census, in 2001, agricultural labourers constituted 46 percent of total agricultural workers. Further, as per NSSO, in 2004-05, an average agricultural labourer managed to get work for about 209 days in a year with an average daily wage of Rs. 40 (i.e. an average monthly income of about Rs. 700 per person). At this rate, given that the poverty line expenditure level for an agricultural household was placed at around Rs. 1800 per month in 2002-03, at least three members of such a household must manage to get employment for at least 200 days in a year in order that such an agricultural labour household was able to maintain itself above the poverty line. However, in reality as many agricultural labour households are deprived of so many days of employment, many of the agricultural households subsist below the poverty level. We shall take a look at this dimension below.

24.2.2 Poverty

In 2004-05, at the national level, the incidence of rural poverty in India was more (28.3 percent) than that for the urban population (25.7 percent). In particular, the poverty ratio for households of 'all agricultural workers' was higher at 31.1 percent. Further, among the rural households engaged in agriculture, the ratio of poverty for agricultural *labour* households was highest at 46.4 percent. Notably, for cultivators the corresponding ratio was much lower at 21.5 percent. The poverty ratio for agricultural households, however, progressively declined with higher land holdings – the corresponding level of poverty ratios for different class of farmers being – landless, 22 percent; sub-marginal, 20.2 percent; marginal, 18.1 percent; small, 14.8 percent; and medium and large, 9.8 percent. Thus, while the average poverty ratio for farmers across both the classes of household (viz. landless and land holders) was 15.2 percent, it was more than three times higher for 'agricultural labour households'. Thus, the extent of 'land holding' was a key factor in determining the poverty level across classes of farmers defined by their land-holding size. This drives home the importance of policy focus needed for effective implementation of land reform measures (to grant ownership rights to cultivating farmers) and facilitate easy access to inputs, including extension services, needed for cultivation.

24.2.3 Unorganised Employment

The workforce in India is conceptually dichotomised into organised and unorganised sector employment. The former refers to a sense of security in employment enjoyed by the workers with the provisions of at least one or the other statutory regulations (e.g. number of hours of work, minimum wage payment, paid holidays, etc.) provided by the employer. Such employment in India is, however, very low (about 7 percent of total employment) and is available mostly in non-agricultural enterprises for workers having

some level of formal education or training. Agricultural labourers, owing to their non-literacy and the consequent low skills, belong almost entirely to the unorganised or informal sector workforce. A direct result of this characteristic of agricultural labourers is their lack of bargaining power for the protection of their statutory rights. This has rendered them to be deprived from getting even the assured minimum wage guaranteed by the Minimum Wages Act. This characteristic of agricultural workers has made the National Statistical Commission (2012) to observe that, in the Indian context, about 52 percent of workers engaged in agricultural activities (or about 65 percent of rural usual status workers and 7 percent of urban usual status workers) are excluded from the employment-unemployment surveys of NSSO focusing especially on informal sector. Noting further that in 2004-05, the estimated share of labour input in the unorganised sector activities of agriculture and forestry was 99.9 percent and that in fishing 98.7 percent, the Commission further observes that 'the implication of this is a serious under-estimation of the economic contribution of the large unorganised employment engaged in agricultural and allied activities to the estimates of national income of the country'. The presence of such large numbers of informal or unorganised sector workforce in agriculture, is thus, both a personal as well as an economic loss to the country. Theoretically, the degree of informalisation in workforce is expected to reduce with development which, however, requires higher amounts of capital investment. For this to happen in agriculture, the availability of capital to small and marginal farmers to enable them to productively cultivate their land by absorbing more and more of technological advancements needs to be achieved. Simultaneously, the policy efforts must also focus on raising the technology absorptive capacity of workers engaged in agriculture with the required extension training.

24.2.4 Wage-employment and Self-employment

The employment-unemployment survey report of 2009-10 (LB, GoI, 2010) estimates the self-employed households in agriculture as 28.8 percent. This is twice the corresponding proportion in non-agriculture (13.9 percent). The estimated proportion of wage-employed households is 41.2 percent. Wage-employment is defined to include persons working in the farm or non-farm enterprises of others in return for salary or wages received *on a regular basis* (i.e. not on the basis of daily or periodic renewal of work contract). A sub-category of wage employees is a 'casual wage labour' defined as work done in others farm or non-farm enterprises (both household and non-household) and getting in return wages as per the terms of the *daily or periodic work contract*. Such casual wage labour are engaged in public works like construction of road, bunds, etc. catering to the dual need of providing income in the short term and creating public infrastructure vital for raising the productivity of self-employed workers in particular.

Self-employed persons, on the other hand, are defined as those who operate their own farm or non-farm enterprise or are engaged independently in a profession or trade. The essential feature of the self-employed is that they have *autonomy* (regarding how, where and when to produce) and *economic independence* (regarding market, scale of operation and money) for carrying out operation. The fee or remuneration received by the self-employed consists of two parts - the share of their labour and profit of the enterprise. In other words, their remuneration is determined wholly or mainly by the sales or profits of the goods or services which are produced by them. In view of the fact that an overwhelming majority of agricultural workers are dependent on day-to-day search for employment, the government has over the decades implemented a number of special employment promotion programmes suited to the needs of rural agricultural workers. The main objective of these programmes has been to generate additional

‘person days of employment’ (i.e. more of an immediate employment rather than employment of a regular and sustainable nature) in order that the extent of unemployment or under-employment of unskilled workers is reduced. We will study more about these programmes in section 24.4 of this unit.

Check Your Progress 1 [answer in about 50 words using the space given]

- 1) What is the proportion of ‘agricultural workers to total rural population’ in India? What factors, would you say, have contributed for this stagnancy?

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- 2) How does the Census classify ‘agricultural workers’? What further sub-classifications are made by NSSO in this regard?

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- 3) How is an ‘agricultural labour household’ defined? What proportion do the ‘marginal/ small farmers and agricultural workers’ together constitute among the total agricultural workers in India?

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- 4) What are the three approaches adopted by NSSO for measuring agricultural employment in India? What data suggests that an average agricultural household is able to have income sufficient to live above the poverty line in India?

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- 5) What is the estimated poverty ratio for ‘agricultural labourers’ in 2004-05? How does this compare with the average poverty ratio for ‘cultivator farmers’?

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6) How is an 'unorganised sector worker' defined in India?

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7) What is the observation of the National Statistical Commission (NSC) on the: (i) magnitude of unorganised agricultural workers who are left out of the coverage of employment-unemployment surveys; and (ii) the implication of such large number of agricultural workers getting left out of the coverage of national informal sector surveys?

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8) To rectify the situation stated in 7 above, in which direction do you think the policy efforts are needed to be focused?

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9) How is wage-employment defined in the employment-unemployment surveys of India?

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10) What basic distinction characterises a 'casual-wage labourer' from that of a 'wage-employee'?

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11) How is a self-employed person defined? In which respects does a self-employed person differ from that of a wage-employed person?

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- 12) Given that high proportion of workers are dependent on wage-employment in Indian agriculture, what has been the broad objective of employment generation programmes launched by the government?

24.3 TRENDS IN AGRICULTURAL LABOUR (AL)

The changing trends in the numbers and proportion of agricultural labour can be gauged by the census data over the five decade period of 1951-2001 as the 2011 census data on number of agricultural workers has not yet been released. Further, an idea about the average monthly income of an agricultural household by their landholding category can be had by the special NSSO survey on 'Situation Assessment Survey (SAS) for Farmers' for 2002-03. Using these data, and by using the computations of average indicators like growth rates and percentages, we can bring out the changes in the condition of agricultural families/households during the six decade period under reference.

24.3.1 Growth/Percentage of Agricultural Labour/Workers

Table 24.1 presents data by Census on trends in agricultural labour/workers over the six decade period of 1951-2011. Except the data on total rural population, the data on cultivators, agricultural labourers, etc. are available only up to 2001. Major inferences that flow from the data are the following.

Table 24.1: Trends in Agricultural Labour – 1951-2011

Year	Figures in Millions			Percentage		
	Rural Population	Cultivators (Marginal/Small Farmers)	Agricultural Labourers (AL)	Total Agricultural Workers (TAW)	TAW to Total Rural Population	AL to TAW
1	2	3	4	5	6	7
1951	298.6	69.9 (23.4)	27.3	97.2	32.6	28.1
1961	360.3	99.6 (27.6)	31.5	131.1	36.4	24.0
1971	439.0	78.2 (17.8)	47.5	125.7	28.6	37.8
1981	523.9	92.5 (17.7)	55.5	148.0	28.2	37.5
1991	628.9	110.7 (17.6)	74.6	185.3	29.5	40.3
2001	742.6	127.3 (17.1)	106.8	234.1	31.5	45.6
2011	833.1	-	-	-	-	-
GR*: (%)	1.8	1.2	2.8	1.8	-	-

Source: Agricultural Statistics at a Glance - 2011, Ministry of Agriculture, GoI.

Notes: The growth rates (GR) are for the period 1951-2001. Figures within brackets in column 3 are percentage of column 3 to column 2.

- 1) The growth rate of 'agricultural labourers' has been higher (2.8 percent) than that of 'rural population' (1.8 percent). In particular, over 1951-2001, while the rural population has grown by 2.5 times (2.8 times over 1951-2011), agricultural labour

has grown by 3.9 times. This has increased the density of ‘agricultural labourers’ in the rural sector.

- 2) The growth rate of ‘total agricultural workers’ is same as that of ‘rural population’ (1.8 percent) over the five decade period of 1951-2001.
- 3) The above trends indicate that the process of labour transfer from agriculture to non-agriculture was very slow. Since this process is linked to the skill level of workers (particularly of rural males), we need to look at the findings of other studies in this regard.
- 4) The non-farm sector’s inability to contribute to the labour transfer (and poverty reduction) is attributed to the fact that ‘most of the employment it has created is for educated workers rather than for the non-literates or primary level educated persons’ (EPW, 2009).
- 5) Consequent to the above trends, the percentage of ‘agricultural labour to total agricultural workers’ has increased sharply from 28.1 percent in 1951 to 45.6 percent in 2001.
- 6) The percentage of ‘cultivators to rural population’ (i.e. columns 3 to 2) has roughly been stagnant over 1971 (17.8 percent) and 2001 (17.1 percent). The percentage of ‘cultivators to total agricultural workers’ (i.e. column 3 to 5) has come down from 72 percent in 1951 to 54 percent in 2001. These trends are suggestive of the poor implementation of land reform measures to grant ownership of land to the actual cultivators during this period.

24.3.2 Increasing Number of Marginal Farmers

Table 24.2 presents the distribution of operational land holding for different category of farmers over the period 1961-2006. Major trends flowing from the Table are the following.

- 1) There has been a decrease in the proportion of small, medium and large farmers and a corresponding steep increase in the proportion of marginal farmers. The increase in the percentage of marginal farmers is a significant 25.7 percentage points over the period 1961-2006.
- 2) Among the other three class of farmers with higher land holding size, the steepest decline is for medium size farmers; the decline being by 18.4 percentage points.
- 3) The increasing trend among the class of marginal farmers is attributed to: (i) rising population on the one hand and (ii) fragmentation of land holdings on the other.

Since poverty as a feature is present among all class of farmers, though progressively less among the farmers with larger landholding, the question that arises is on the income derived by an average agricultural household and its adequacy to maintain a life above the poverty line. We can gauge the situation on this by the results of a special survey on Situation Assessment of Farmers conducted by NSSO in 2003.

Table 24.2: Distribution of Operational Holdings (%) by Class of Farmers: 1961-2006

Class of Farmers	1960-61	1970-71	1980-81	1990-91	2000-01	2005-06
Marginal	39.1	45.8	56.0	62.8	62.3	64.8
Small	22.6	22.4	17.8	16.3	19.0	18.5
Medium	33.8	28.8	21.8	18.1	17.3	15.4
Large	4.5	3.1	1.9	1.3	1.4	1.3
All	100.0	100.0	100.0	100.0	100.0	100.0

Source: Agricultural Statistics at a Glance 2001 (for 2000-01 and 2005-06); Papola, 2010 for 1961-1991.

Note: Medium includes semi-medium.

24.3.3 Deficit in Income/Consumption Expenditure

Table 24.3 presents data on 'total income' by different sources of activities and total consumption expenditure incurred for different classes of farmers. It also presents the percentage of 'income deficit' in relation to the total 'consumption expenditure'. Major inferences that flow from the data are the following.

- 1) On average, across all classes of farmers, the income deficit per month is to an extent of Rs. 655. This works out to an income deficit of about 24 percent on average over all class of farmers. The one class of farmers for which there is a surplus income is the medium and large class (the surplus being about Rs. 4208).
- 2) The income deficit varies from a high of about 40 percent for the 'landless' and a low of about 20 percent for the 'small farmers'. For the sub-marginal and marginal class of farmers the deficit is roughly the same (around 30 percent).
- 3) 'Wages' as source of income was understandably the highest for the landless (77.9 percent). The source of income by 'wages' progressively declined with the increase in the size of landholdings: sub-marginal (60 percent), marginal (40 percent), small (25 percent) and medium & large (9 percent).
- 4) The income deficit implies that all class of farmers, except the 'medium and large' category, are perhaps indebted. To that extent, a household experiencing deficit in its budget, whether meeting the deficit by debt or otherwise, are vulnerable.

The 'situation assessment survey (SAS)' report of 2003 has further looked into the extent of indebtedness among the farmers and the source from which they were able to meet it. While farmers from all class of landholdings were in debt, those in larger land-

Table 24.3: Income (Rs.) Deficit by Class of Farmers: 2002-03

Class of Farmers (household)	Average Monthly Income from				Total Income (Deficit)	Total Consumption Expenditure
	Cultivation	Wages	Livestock	Non-farm Business		
Landless	11	1075	64	230	1380 (40.0)	2297
Sub-marginal	296	973	94	270	1633 (31.7)	2390
Marginal	784	720	112	193	1809 (32.3)	2672
Small	1578	635	102	178	2493 (20.8)	3148
Medium & Large	15682	1680	182	1393	18937 (*)	14729
All Classes	969	819	91	236	2115 (23.6)	2770

Source: Bhalla, 2008. **Note:** * - no income deficit for this class.

size groups were indebted more often than the landless. While at the aggregate 49 percent farmer households were indebted, the corresponding percentage for the two classes of broad landholding size are: (i) those with no land or up to 1 ha of land, 46 percent; and (ii) those with more than 2 ha of land, 58 percent. Further, while a larger proportion of medium and large farmer households could take loan from institutional sources (67 percent), for the sub-marginal and marginal farmers the corresponding percent was relatively lower (58 percent and 47 percent respectively). Data on 'purpose of loan' indicates that loans were taken for capital expenditure by about 30 percent, for current productive expenditure by 35 percent and for consumption expenditure by 35 percent. By class of farmers, nearly 61 percent of 'landless' took loan for consumption expenditure. The loans taken for current consumption expenditure declined with the increase in size of land holding. On the whole, sustenance and improvement in livelihood by agriculture were of primary concern for a large proportion of farmers.

Check Your Progress 2 [answer in about 50 words using the space given]

- 1) Based on the trends in agricultural labour, what can be said about the process of labour transfer in India? Why is it so?

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- 2) What has been the trend in respect of: (i) proportion of agricultural labour to total agricultural workers; and (ii) cultivators to total rural population?

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- 3) Over the period 1961-2006, the proportion of which class of farmers has increased steeply? To which factors is this trend attributed?

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- 4) What does the trend on 'deficit in income' by class of farmers convey for an average agricultural household in India?

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5) To what extent has ‘institutional finance’ been able to assist the different class of farmer households in India?

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6) What proportion of loans taken was for creation of productive assets? How did loans taken for consumption expenditure vary among the class of farmers and by size of land holding?

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24.4 PROGRAMMES FOR IMPROVING THE LIVELIHOOD STATUS OF AGRICULTURAL LABOUR

As early as in the middle of 1960s, the government realised that agricultural labourers and marginal/small farmers require special support to enable them to benefit from the process of agricultural growth. Since then, there have been many programmes implemented for assisting them in getting employment particularly during lean agricultural seasons. Some of these programmes are farming oriented while others are aimed at self-employment promotion. From time to time, many of the earlier programmes have been merged into new programmes. In this section, we shall take an overview of these programmes.

24.4.1 Farming Oriented Programmes

During the fourth five year plan (1969-74), two agencies viz. (i) the small farmers development agency (SFDA) and (ii) the marginal farmers and agricultural labour development agency (MFALDA) were established. These agencies, were to launch programmes to help the landless labourers and marginal/small farmers in establishing small irrigation means (by undertaking land development and soil conservation works) and to acquire animals for expanding their means for earning income through allied agricultural works. In view of this, they were primarily set up at the district level. Till 1980, an estimated 8 million persons were assisted under their aegis. The two programmes/agencies were merged into the ‘integrated rural development programme’ (IRDP) in the subsequent years.

24.4.2 Self-employment Programmes

The objective of promoting self-employment among the poor households was given a distinct thrust with the launch of IRDP towards the end of 1970s. The aim of the programme was to assist the poor households to acquire productive non-land assets. For this, the programme gave both subsidy and assistance for bank loan. During its life time of 20 years from 1979-1999, an estimated 54 million households were assisted. Many evaluation studies of IRDP have found out that the contribution of the programme

to supplement income of poor households was significant. The estimated number of households who could raise themselves above the poverty line with the help of this programme was about 15 percent. A major criticism of IRDP was that though it was meant to be 'integrated' in the sense of providing all the required assistance for a successful establishment of a self-employed venture, in practice it was very much lacking in its integrated character. Further, with an average estimated investment per assisted household of Rs. 9000, the scale of assistance provided was considered too small to begin an enterprise and sustain it. The IRDP was replaced by 'swarnajayanti gram swarozgar yojana' (SGSY) in 1999. The SGSY focused on development of micro-enterprises with social mobilization through formation of self-help groups (SHGs). Further, to improve upon the much needed integrated character, it adopted measures like: (i) planning of activity clusters; (ii) infrastructure build up; (iii) technology support; and (iv) market linkages. Till 2009-10, about 10 million SHG swarozgaris and 4 million individual swarozgaris were assisted under the programme. The average investment (from credit plus subsidy) per swarozgari was Rs. 32,008 in 2009-10. Although this was higher than the amount of assistance received per self-employed person under IRDP, even this was found far lower than the figure of Rs. 1,00,000 considered as minimum investment required for a self-employment venture. Further, even in the best performed states (e.g. Andhra Pradesh and Kerala), the SGSY beneficiaries were found to be earning a monthly income of just Rs. 2,000. In view of this, rural households had to undertake multiple activities including wage-labour to supplement their income. In light of this, the Committee on Credit Related Issues (Radhakrishna Committee, 2009) recommended the restructuring of SGSY and combine it with skill-based wage employment programmes.

24.4.3 Wage-employment Programmes

The need for providing wage employment opportunities for aiding the rural poor had been recognised for long. However, a stimulus for this was received in the early 1970s with the availability of quinquennial estimates of unemployment generated by the employment-unemployment surveys of NSSO. In other words, these estimates helped the planners in having a quantitative estimate of employment to be targeted for generation in rural areas. Drawing upon the long experience of labour-intensive public work programmes for providing mass relief during times of natural calamities, the first wage-employment programme, the 'national rural employment programme' (NREP), was launched in 1980. Launched as a poverty alleviation programme, the NREP had two twin objectives: (i) providing wage income to rural poor; and (ii) creating rural infrastructure. In 1983, the 'rural landless employment guarantee programme' (RLEGP) was launched with the objective of providing guaranteed employment for 100 days to the rural landless. Another programme viz. the 'employment assurance scheme' (EAS) was also launched with a similar objective of providing 100 days of employment in selected backward areas in 1983. The two programmes of NREP and RLEGP were merged into the 'jawahar rozgar yojna' (JRY) in 1990. Later in 2001, all wage-employment programmes were merged into the 'sampoorna grameen rozgar yojna' (SGRY). The wage-employment programmes, during any one given year, were able to generate substantial amount of 'person days of employment'. For instance, in 1998-99, about 4.4 million person years of employment amounting to about 1.5 percent of total labour force person years in that year was generated. In spite of all these efforts, it was observed that 'all these programmes were able to meet only a small part of the required supplementary employment and were, therefore, able to make only a small contribution to the household incomes of rural households, in general'. The continued hardships experienced by the rural agricultural households, through the years of 1990s and beyond, resulted in the commissioning of the National Commission on Farmers in

2004. The commission, in its many reports submitted over the years 2004-06, raised serious concern on the slowdown in agricultural growth and termed the condition of marginal and small farmers particularly in the rainfed areas as one of 'distress'. This led to the enactment of the National Rural Employment Guaranteed Act in 2005. You will study about this Act in the next unit of the course.

24.4.4 Area Development Programmes

The suitability and effectiveness of self-employment and wage-employment programmes vary among areas as it depends very much on the resource endowments of a region. In realisation of this, the efforts have also focused on development of area specific, and farmers-specific, programmes. Under this category, the 'drought prone area programme' (DPAP) was one of the earliest to be launched in 1973-74. The objective of the programme was to minimise the adverse effects of drought on the production of crops and livestock by focusing on the needs of productivity of land, water and human resources in drought prone areas. The ultimate objective of the programme was to make such areas 'drought-proof'. While the DPAP was successful in creating durable assets, its overall impact on containing the adverse impact of drought was not effective. The Hanumantha Rao Committee (1993) which reviewed the programme attributed the poor performance of DPAP to the 'geographically and activity-wise highly dispersed and un-integrated nature of implementation'. Subsequent to this, the DPAP was restructured focusing on a watershed approach. In subsequent years, the DPAP was run concurrently with two other programmes viz. the watershed development programme and wasteland development programme. Further, in order to have a more integrated approach, the three programmes were operated on common guidelines. In the Eleventh Plan (2007-12), the three programmes were consolidated into a single programme viz. the 'integrated watershed management programme' (IWMP).

24.4.5 National Rural Livelihood Mission (NRLM)

The NRLM is a post-2010 initiative implemented with the objective of reducing poverty among the below-poverty-line (BPL) households in rural areas. The mission has adopted a multipronged approach to strengthen the livelihoods of rural poor by: (i) promoting SHGs; and (ii) improving existing occupations by providing skill development and placement. The mission is implemented on a decentralised basis through the 'district rural development agencies' (DRDAs). Recognising that the promotion of self-employment alone cannot be the solution to all households, the mission is adopting a simultaneous effort to equip the workers in such households with skills to take up wage and salary-based employment. For this, the mission is linking its efforts with those of the 'national skill development mission' (NSDM). Through this, the mission envisages to: (i) set-up many 'rural self-employment training institutes' (RSETI) and (ii) impart training in employable skills by utilising the existing training infrastructure and master craftsmen for the skill development of rural youth.

24.4.6 Eleventh Plan Initiatives

The Eleventh Plan aimed at restoring dynamism to agricultural sector by raising public investment in agriculture from 3 percent of agricultural GDP to 4 percent. Further, in order to ensure that the agricultural sector grew at 4 percent per annum, the Plan proposed to adopt a regionally differentiated strategy particularly in respect of rainfed areas. You have already studied in the previous block of this course (in unit 22) on many schemes already launched like: (i) the rashtriya krishi vikas yojna (RKVY) and (ii) the macro-management of agriculture scheme (MMAS). A particularly significant

aspect of the Eleventh Plan was its special focus on the ‘social context’. This sought to bring on the agenda issues of land reforms, protection of rights in land of tribal people, security of homestead rights and tenancy reforms. Such an approach was said to reflect a point of departure from the production-centric strategies adopted in the earlier decades.

24.4.7 Twelfth Plan Approach

The Twelfth Plan acknowledges the continued prevalence of agrarian crisis particularly in the rainfed areas of the country. Remedial action, begun in the Eleventh Plan period, is proposed to continue through the Twelfth Plan period. These include a substantial increase in plan allocation to: (i) Bharath Nirman for Rural Infrastructure (BNRI); (ii) the dovetailing of employment security with land and water conservation under MGNREGA (vide Unit 25); and (iii) the enabling of PRIs (panchayati raj institutions) in poorer regions to make their own plans for budgetary support under Backward Regions Grant Fund (BRGF).

Check Your Progress 3 [answer in about 50 words using the space given]

1) What was the objective of the two farm-oriented programmes (agencies) established during the 4th five year plan? What was the extent of its progress till 1980?

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2) What was the broad objective of IRDP? What is the extent of its achievement during its life span?

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3) What were the two major criticisms made by the evaluators of IRDP?

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4) How were the lacunae in IRDP overcome in its successor programme SGSY? For this, what was the approach adopted by the SGSY?

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5) In which respect and to what extent SGSY could improve over IRDP? Despite this, what was the observation of the committee on 'credit related issues' on SGSY?

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6) Mention the two main objectives of the two wage-employment programmes launched during the 1980s? To what extent, were the wage-employment programmes able to meet the employment needs of the rural poor?

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7) Which was an 'area development programme' launched in the early 1970s? Why was it restructured in the 1990s?

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8) Name the post-2010 initiative to reduce rural poverty? What are the two elements of its approach?

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9) How does the NRLM aims to achieve its objective of developing skill among the rural workers?

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10) How did the Eleventh Plan try to restore dynamism in the Indian agricultural sector? What was an identified departure in its approach from those of the earlier strategies adopted?

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- 11) In which specified directions the Twelfth Plan proposes to move to address the issue of ‘agrarian crisis’?

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24.5 AGRICULTURAL WAGES: DATA SOURCES AND TRENDS

An important feature of wages in general, and agricultural wages in particular, is its differential in terms of activities and gender. Although the Minimum Wages Act (1948) lays down the statutory minimum wage for agricultural workers, in practice the prevailing wage rates are much lower. Further, while the minimum wages Act specifies a national minimum wage irrespective of location or gender, the wages are different between the gender within the agricultural sector and for workers between the agricultural and non-agricultural sectors. In other words, there are inter-sectoral and intra-sectoral disparities in the matter of wages. Covering these dimensions, we shall in this section take an overview of agricultural wages from the angles of data sources and trends.

24.5.1 Data Sources

The reports of Rural Labour Enquiry (RLE) gives data on earnings for different type of agricultural and allied activities like ploughing, sowing, transplanting, weeding, harvesting, cultivation, forestry, plantation, animal husbandry and fisheries. Since 1977-78, the work on the collection of data for the RLE reports are integrated with the NSSO’s quinquennial employment-unemployment surveys. Subsequent to the collection of data by NSSO, the reports of RLE on ‘Wages and Earnings of Rural Labour Households’ are compiled and published by the Labour Bureau. The latest report published in this respect is for the 61st NSS Round for the year 2004-05 (published with a six year time lag in 2010). Before we turn to study the trends in wages for agricultural workers (from the data of three preceding employment-unemployment surveys for the years 1993-94, 1999-00 and 2004-05), it will be in order to mention two *specific features* of ‘agricultural labour’, having implications on consistency dimension, one relating to their ‘estimated numbers’ and the other to their ‘earnings/wages’.

- 1) **Differences in Estimates:** Earlier, in section 24.3.1, we noted that as per the Census reports for 2001, the number of ‘agricultural labour’ was 106.8 million and as a percentage of ‘total agricultural workers’ (estimated at 234.1 million), the agricultural labour constituted 45.6 percent. Realising the importance of addressing the issues of such large number of informal or unorganised sector workers, the Government of India constituted a National Commission for Enterprises in the Unorganised Sector (NCEUS) in 2004. Among other things, the Commission was tasked to ‘review the status of unorganised sector workers in India in terms of their size, spread, scope and magnitude of employment’. The Commission has since brought out many reports and these can be referred as an important data source on the unorganised sector in India. In its report on Conditions of Work and Promotion of Livelihoods (NCEUS, 2007), the Commission has observed that: (i) almost all of the agriculture labourers are casual labourers depending on manual activities in agriculture in return for wages (paid either on hourly or piece rate basis); and (ii) in 2004-05, the estimated number of agricultural labourers in India is 87 million constituting 34 percent of a total of 253 million agricultural workers in

India. The estimated number of agricultural labour, based on NSSO data, was thus lower than that of the Census. It is, therefore, important to note that due to limitations of data collection, the estimates by different sources could vary considerably. For instance, the NCEUS has observed that ‘the LB’s survey on unorganised sector do not cover self-employed workers in small enterprises run by family labour’. This tells us the importance of going by the range of estimates/proportions, with a careful examination of the concepts and definitions adopted for collection of data, while using the data by different sources.

- 2) **Two Norms for Minimum Wage:** The national minimum wage for manual work, set by the Minimum Wages Act irrespective of rural-urban location in 2004-05 prices, is Rs. 66. However, observing that a large proportion of workers in 2002 remained outside the protection of the Minimum Wages Act, the NCEUS proposed an alternative ‘basic minimum wage’ of Rs. 49 for rural areas.

24.5.2 Trends in Agricultural Wages

Table 24.4 presents trends in disparity of wages by gender and agriculture/non-agriculture activities. Major inferences which flows from the data, and some additional facts on the trends in wages by States, are the following.

- 1) Wages in 2004-05 (at 2004-05 prices) in agriculture was slightly less than even the basic minimum wage proposed by NCEUS.
- 2) By gender, the females got a further 31 percent less wages than males. The ratio of female wages to male wages has remained nearly the same over the period of 1994-2005.
- 3) The growth rate in wages, for both the genders, had sharply decelerated during 2000-05 as compared to the period 1994-00 (for males from 2.8 to 1.4 percent and for females from 2.9 percent to 1.3 percent). However, the growth in wages for both male and female workers, over the 11-year period of 1994-2005, was same (2.2 percent). This indicates a period of stability over the first half of 2000s as compared to the later part of 1990s.

Table 24.4: Disparity in Agricultural Wages – 1993-94 to 2004-05

Gender/Ratio	Year	Wage (Rs./Manday) at 2004-05 prices	Growth Rate (%) [period]
Male	1993-94	37.9	2.8 [1994-00]
	1999-00	44.8	1.4 [2000-05]
	2004-05	48.1	2.2 [1994-05]
Female	1993-94	26.5	2.9 [1994-00]
	1999-00	31.6	1.3 [2000-05]
	2004-05	33.4	2.2 [1994-05]
Ratio of Female to Male Wages	1993-94	0.70	-
	1999-00	0.71	-
	2004-05	0.69	-
Ratio of Agriculture to Non-agriculture	1993-94	0.66	-
	1999-00	0.62	-
	2004-05	0.65	-

Source: NCEUS, 2007.

- 4) The ratio of average agricultural wage to non-agricultural wage rate has hovered around 0.65 over the period 1994-2005. This indicates that an agricultural labourer got less than two-thirds of the wage for non-agricultural work.
- 5) The lack of minimum wage standards existed across all the states. However, Kerala, J & K and H. P. were exceptions with a substantially higher percentage of agricultural labour (71-83 percent) getting wages above the national minimum wage of Rs. 66.
- 6) The above percentage was notably less in the agriculturally prosperous states of Punjab and Haryana with 60 percent of agricultural labour in Haryana and 58 percent in Punjab getting wages above the national minimum wage of Rs. 66.

Check Your Progress 4 [answer in about 50 words using the space given]

- 1) What are the major sources of data on the number of agricultural labour and their wages?

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- 2) Why do we find wide difference in the estimates of proportion on the 'number of agricultural labour to total agricultural workers' by different sources? In light of this, what is advisable to do while using the data by different sources on a common characteristic of interest?

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- 3) What is the 'minimum wage' prescribed for manual work in agriculture? What reason did the NCEUS offer while suggesting a much lower 'basic minimum wage' as against the 'national minimum wage' for agriculture in India?

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- 4) What is the extent of disparity in agricultural wages by gender in India? What was the extent of disparity between the agricultural and the non-agricultural wage (over the period 1993-94 and 2004-05) in India?

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5) Which three states were exceptions in respect of minimum wages to agricultural labourers? To what extent were they different?

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6) How did the situation on agricultural wages compare in the agriculturally prosperous states of Punjab and Haryana as compared to the State referred to in (5) above?

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24.6 LET US SUM UP

The NSSO estimates on the number of agricultural labour in India for 2004-05 is 34 percent (87 million) of a total of 253 million agricultural workers in 2004-05. The agricultural labourers are characterised by poor conditions of work and consequently suffer high poverty levels. Almost all of them are in the unorganised sector with little regulation or social security cover. Realising their plight, the government has launched a number of programmes from time to time to assist them in enhancing their wage and self-employment opportunities. Evaluation studies conducted from time to time have revealed the extent of their success and weaknesses. Taking note of these inputs, the government has taken many new measures to improve the lot of agricultural labourers. Despite these measures, initiated over the last six decades since independence, the agricultural workers are still vulnerable both with regard to finding adequate work and receiving the statutory minimum wage for manual work. There is disparity in wages paid both on account of gender and agricultural/non-agricultural sectors of activities.

24.7 KEY WORDS

- Agricultural Labour** : A person offering his manual services in exchange for wages paid in cash or kind in any of the following occupations: (i) farming including cultivation, tillage, etc.; (ii) dairy farming; (iii) production, cultivation, and harvesting of horticultural commodities; (iv) raising of livestock, bee-king, or poultry farming; and (v) forestry, timbering, carriage for transportation to market or delivery to storage/market, etc.
- Wage employment** : Jobs which gives wages on piece rate or salary (including paid apprenticeship) working on full time or part time basis. Such jobs are not, however, on the basis of daily or periodic renewal of work contract.

Casual wage employment : Jobs in which payment is made as per the daily or periodic work contract. Depending on whether they are working in public work sponsored by government agencies or local bodies, they are distinguished as 'casual labour in public works' and 'casual labour in other types of work'.

24.8 SUGGESTED BOOKS/REFERENCES FOR FURTHER READING

- 1) Agricultural Statistics at a Glance -2011, Table 2.3 (a), Directorate of Economics and Statistics, Department of Agriculture and Cooperation, Ministry of Agriculture, GoI, 2012.
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- 3) Government of India (2011), Faster, Sustainable and More Inclusive Growth: An Approach to the Twelfth Five Year Plan, Planning Commission, October, New Delhi. pp 67-68.
- 4) Labour Bureau (2010), Report on Employment and Unemployment Survey (2009-10), GoI, Chandigarh.
- 5) Mukesh, E. (et. al.) (2009), Sectoral Labour Flows and Agricultural Wages in India, 1983-2004: Has Growth Trickled Down?, EPW, January 10, pp 46-55.
- 6) National Statistical Commission (NSC), Report of the Committee on Unorganised Sector Statistics (Chairman: R. Radhakrishna), GoI, February, 2012.
- 7) National Commission for Enterprises in the Unorganised Sector (NCEUS) (2007), Report on Conditions of Work and Promotion of Livelihoods in the Unorganised Sector, Chapter 8 on Agricultural Labourers, pp 122-124.
- 8) Papola, P. S. (2010), Livelihood in Agriculture – Status, Policies and Prospects in State of India's Livelihoods Report 2010 (Ed. By Sankar Datta and Vipin Sharma), Sage-Access.

24.9 ANSWERS/HINTS FOR CYP EXERCISES

Check Your Progress 1

- 1) See section 24.1 and answer.
- 2) See section 24.1 and answer.
- 3) See sections 24.1 and 24.2 and answer.
- 4) See section 24.2.1 and answer.
- 5) See section 24.2.2 and answer.
- 6) See section 24.2.3 and answer.
- 7) See section 24.2.3 and answer.
- 8) See section 24.2.3 and answer.

**Issues in Agricultural
Sector-II**

- 9) See section 24.2.4 and answer.
- 10) See section 24.2.4 and answer.
- 11) See section 24.2.4 and answer.
- 12) See section 24.2.4 and answer.

Check Your Progress 2

- 1) See section 24.3.1 and answer.
- 2) See section 24.3.1 and answer.
- 3) See section 24.3.1 and answer.
- 4) See section 24.3.2 and answer.
- 5) See section 24.3.3 and answer.
- 6) See section 24.3.3 and answer.

Check Your Progress 3

- 1) See section 24.4.1 and answer.
- 2) See section 24.4.2 and answer.
- 3) See section 24.4.2 and answer.
- 4) See section 24.4.2 and answer.
- 5) See section 24.4.2 and answer.
- 6) See section 24.4.3 and answer.
- 7) See section 24.4.4 and answer.
- 8) See section 24.4.5 and answer.
- 9) See section 24.4.5 and answer.
- 10) See section 24.4.6 and answer.
- 11) See section 24.4.7 and answer.

Check Your Progress 4

- 1) See Section 24.5.1 and answer.
- 2) See Section 24.5.1 and answer.
- 3) See Section 24.5.1 and answer.
- 4) See Section 24.5.2 and answer.
- 5) See Section 24.5.2 and answer.
- 6) See Section 24.5.2 and answer.

UNIT 25 SMALL FARMERS DISTRESS AND MGNREGA

Structure

- 25.0 Objectives
- 25.1 Introduction
- 25.2 National Rural Employment Guarantee Act (NREGA), 2005
 - 25.2.1 Key Processes in Implementation
 - 25.2.2 Unique Features
 - 25.2.3 Critical Aspects
- 25.3 Status of NREGA: A Five-Year Assessment
- 25.4 MGNREGA: New Initiatives
 - 25.4.1 Complaint Settlement and Facilitation
 - 25.4.2 Strengthening Social Audit
 - 25.4.3 Partnership with UIDA and National Helpline
- 25.5 Convergence
 - 25.5.1 Expected Outcomes
 - 25.5.2 Progress
- 25.6 Let Us Sum Up
- 25.7 Key Words
- 25.8 Suggested Books/References for Further Reading
- 25.9 Answers/Hints for CYP Exercises

25.0 OBJECTIVES

After going through this unit, you will be able to:

- outline the issue of small farmers' distress in terms of its major elements/dimensions;
- describe the implementation process of NREGA with a focus on its critical aspects;
- assess the status of NREGA based on the five years of experience in implementation;
- state the 'new initiatives' introduced to NREGA/MGNREGA in 2009-10; and
- explain the concept of 'convergence' in MGNREGA and initiatives/progress made under this approach so far.

25.1 INTRODUCTION

As we noted in the previous unit in section 24.2.1, at the prevailing daily wage rate for manual labour in 2004-05, it was necessary for at least three members of an agricultural labour household to get employment for more than 200 days in a year in order to maintain itself above the poverty level. We also noted that since in reality it is difficult for many households to get this much employment, the poverty level in rural households is still high. Owing to this, again as we have noted in the previous units, the ground

reality continues to reveal disturbing trends. For instance, as we saw in unit 19, while the availability of foodgrains has come down in general (i.e. rural + urban) from about 510 grams in 1990-91 to about 444 grams in 2009, the per capita consumption of foodgrains in rural households has declined relatively more from 373 grams in 1987-88 to 313 grams in 2009-10. Further, besides a continued increase in the proportion of marginal farmers over time (vide Table 24.2), among all the three classes of agricultural households (viz. landless, marginal and small farmers), there is a significant income deficit (to a tune of 20 to 40 percent) to meet their minimum consumption needs (Table 24.3). As a result, the rural households are indebted with the landless/marginal/small farmers segment being more dependent on informal lending sources to meet their minimum consumption needs. More specifically, while in the aggregate close to 50 percent of rural households are indebted, more than 60 percent of landless labour incur debt for meeting their consumption expenditure. The wages paid to rural labour are often far below the statutory minimum wage and are differentiated by gender, location and nature of work/activity. Due to these disturbing trends, the government in its mid-term appraisal of the Tenth Plan (2002-07) raised serious concern on the 'distress' experienced by agricultural labourers and marginal/small farmers. Following this, as noted in unit 22 (section 22.4.2), the government has since taken many steps to mitigate their hardship experienced. One of the notable initiatives of the government in the direction of providing guaranteed wage employment opportunities for rural unskilled manual labour was to enact a legislation (viz. the National Rural Employment Guarantee Act, NREGA) in 2005. The Act guarantees employment at statutory minimum wages for all those persons who sought manual unskilled labour for at least up to 100 days in a year. Subsequent to this, a National Policy for Farmers was announced in 2007 stressing the need for focusing on the 'economic well-being of the farmers, rather than just on production'. An assessment of the implementation of NREGA for its initial years of performance revealed that while there are critical lapses in its implementation, there are also signs of the programme catching up on many fronts. With these insights, the scheme has since been reoriented with many 'new initiatives' introduced to improve its effectiveness. Against this background, the present unit appraises you with the specific features of NREGA, 2005 and the modifications introduced into its rechristened version in 2009 viz. the MGNREGA. The unit then discusses the concept of 'convergence' towards which the efforts of the government in the MGNREGA has since been sought to be dovetailed with those of many other efforts initiated by the government. The progress achieved on the convergence front in terms of the initiatives taken by some state governments is also discussed in the unit.

25.2 NATIONAL RURAL EMPLOYMENT GUARANTEE ACT (NREGA), 2005

The earlier experience of implementing poverty alleviation programmes like IRDP, RLEGP, DPAP, EGS, SGSY, SGRY, etc. had two objectives, one regarded as primary and the other regarded as secondary. The primary objective was to generate wage employment opportunities for the unskilled manual labour and the secondary objective was to generate productive/durable assets as an outcome of works undertaken in those programmes/schemes. While the degree to which the two objectives were achieved have varied, one of the most disconcerting findings of many evaluation studies of such programmes was that due to leakages in the system (e.g. expenditure on administrative machinery, presence of intermediaries and the consequent low wages paid to labourers, engagement of contractors for works, etc.), the actual benefit of increased income from wages received by the beneficiaries was very low. In the light of this experience, one of the priority objectives of NREGA was to institute mechanisms by which not only

such leakages was minimized but the effective payment of wages paid to the workers was the highest. In order to achieve this, two of the specific objectives stated by the Act were to: (i) strengthen the grassroots processes of democracy by infusing transparency and accountability in governance; and (ii) adopt a decentralized approach by according a pivotal role to the PRIs (panchayati raj institutions) in planning, monitoring and implementation. The other objectives of the Act are to: (i) improve the livelihood status of rural poor by strengthening the natural resources management through works that address the causes of chronic poverty like drought, deforestation and soil erosion, and thereby, (iv) encourage the adoption of sustainable development practices through the works undertaken. Thus, what is particularly significant about this Act is that: (i) it is a first programme/Act which is based on the 'right to work' approach; and (ii) it makes significant contribution to the social security of the unorganised workers in the rural areas.

25.2.1 Key Processes in Implementation

The process of implementation of the Act/scheme works in stages as follows.

- 1) **Submission of Names and Issuing of Job Card:** Adult members of rural household can submit details of their name, age, address and photo to the Gram Panchayat (GP). The particulars of job seekers in the applications made are verified by reliable local sources in order that job cards are not issued wrongly. After due enquiry, the GP *registers* and *issue* a job card containing the details and the photograph of the member.
- 2) **Eligibility for Applying for Work:** A registered person becomes eligible to apply for work. Applicants are required to apply for at least 14 continuous days of work. The Panchayat or the Programme Officer accepts valid applications and issue a receipt. Letter of providing work would be sent to the applicant and also displayed at the Panchayat Office.
- 3) **Offer of Employment or Unemployment Allowance:** Employment would be provided within a radius of 5 km within 15 days of receipt of application. While the wage rates may be different for different regions, the per day wage for work provided shall not be less than Rs. 60 per day. The employment provided would be at least 100 days of employment per *household* per year. If work is not provided within this time limit, daily unemployment allowance will be paid to the applicant. If the distance for work offered is more than 5 km, extra wage is paid. The rate of unemployment allowance paid is to be notified by the state government and shall not be less than 25 percent of wages fixed by the state for the first 30 days during a financial year and not less than 50 percent of the wages during the remaining part of the financial year. Further, in the event of inability to disburse the unemployment allowance in time, the programme officer shall report the matter to the district programme coordinator with reasons for the non-payment duly specified.
- 4) **Cost Sharing:** The central and the state governments would share the cost of works initiated under the Act in the ratio of 3:1 i.e. 75 percent by central government and 25 percent by state government.

25.2.2 Unique Features

The objectives of the Act are sought to be served with the processes outlined above. For this, in addition to what follows from the above, certain other unique features of the Act are also facilitating. These are the following.

- 1) **Time Bound Character:** The stipulation of 15 days time limit for offering work and further stipulation of 15 days time limit for payment of wages accords the time bound character to ensure work and payment.
- 2) **Incentive/Disincentive:** In case of failure to provide employment within the stipulated period of 15 days, the payment of unemployment allowance is to be made by the state governments at their own cost. There is thus an incentive and disincentive built into the mechanism of implementation of works.
- 3) **Emphasis on Labour Intensive Work:** The Act prohibits engaging contractors and machinery and thereby emphasizes the undertaking of labour-intensive works. By this, the Act ensures that maximum share of total cost are paid as wages to the beneficiaries. For this, the Act specifies that the material cost of projects, including the wages of skilled and unskilled workers, shall not exceed forty percent of total cost of works.
- 4) **Protection of Women's Rights:** The Act mandates 33 percent of works to be allotted to women job seekers. This is an enabling feature of the Act to ensure higher female work force participation.

25.2.3 Critical Aspects

The ensuring of: (i) payment of correct wages to the actual beneficiaries avoiding misuse; (ii) job cards being given to the actual job seekers; (iii) work being planned for in advance so that within the stipulated time job offers can be made; etc. requires certain critical aspects to be ensured in advance. This is achieved in the following manner.

- 1) **Advance Planning:** To conserve on time, Gram Sabhas with the help of the Programme Officer are meant to make advance planning for identifying a 'shelf of projects' to be implemented under the Act. These must be made sufficiently in advance prior to employment demand and work allocation.
- 2) **Transparency and Accountability:** Besides the selection of all the works to be undertaken to be made by the Gram Sabha, there is a further stipulation that at least half of the works should be run by the Gram Sabhas. The list of works finalized should be displayed openly to ensure public choice and are as per the norm of wage-material ratio (i.e. 60 : 40) and that the works are non-contractor-based.
- 3) **Muster Rolls of Cardholders at Work Site:** To prevent contractor-led works and concocted work records, muster rolls of cardholders are required to be maintained at each work site. These are to be available for public scrutiny and used for 'measurement of work' to ensure payments are made at the prescribed rates.
- 4) **Payment of Wages:** In order to ensure correct payment to the actual beneficiaries, the Act mandates payment of wages through banks and post offices. This is also meant to close avenues for use of contractors, avoid under-payment of wages and remove corruption.
- 5) **Facilitating Engagement of Women:** The Act specifies establishment of facilities at work sites like 'shades for children' and 'where the number of children below the age of six accompanying women workers are five or more' provision to be made to depute one such woman worker, with paid wage, to look after the children.

Check Your Progress 1 [answer in about 50 words using the space given]

1) Mention the three empirical indicators which point out towards increasing “small farmers’ distress”.

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2) What was a significant step taken by the government to deal with the issue of “small farmers’ distress” in 2005? What did this action statutorily guarantee?

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3) What are the basic objectives of NREGA, 2005? How are these objectives proposed to be met in its implementation?

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4) In what way is the issue of sustainable development integrated into the basic objective of enhancing the livelihood status of rural poor through NREGA?

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5) State the specific role assigned to the Gram Sabhas in respect of the implementation of jobs/works under NREGA?

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6) What is the stipulation of NREGA on guaranteed work provision and wage payment?

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7) What incentive/disincentive has been provisioned to ensure the active involvement of State governments in the implementation process of NREGA?

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8) In what way the NREGA ensures that the interest of labourers are protected in terms of work allotment and payment?

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9) In what way the NREGA ensures that bogus payment are not made to non-registered and absentee workers?

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10) What would you identify as the particularly significant aspect of NREGA, 2005 as compared with the earlier programmes launched with similar objectives?

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25.3 STATUS OF NREGA: A FIVE-YEAR ASSESSMENT

Beginning with a coverage of 200 districts in 2006-07, by the year 2010-11 the programme/NREGA has been extended to cover all the 626 districts in the country. The cumulative total employment provided, measured in million person days, has progressively increased from 905 million in 2006-07 to 2836 million in 2009-10. There was a decline in this respect in 2010-11 with the total million person days of employment generated being 2571.5 million. The person days of employment provided per household also increased from 40 days in 2006-07 to 42 days in 2007-08, 48 days in 2008-09 and 54 days in 2009-10 and declined to 47 days in 2010-11. The average wage per workday has, however, steadily increased from Rs. 65 in 2006-07, to Rs. 75 in 2007-08, Rs. 84 in 2008-09, Rs. 91 in 2009-10 and Rs. 117 in 2010-11. Multiplying the average earning per workday with the person days of employment provided we find that the average earning per participating household from the work in the programme has increased steadily all through the five years. Indeed, with an increase of Rs.5499/- in 2010-11, it amounted to a significant addition to the incomes of the poor households in rural areas when seen from the objective of the programme which is ‘to supplement’ and not ‘substitute’ the main source of employment and incomes of the households

Table 25.1 NREGA: Progress and Performance (2007-2011)Small Farmers Distress
and MGNREGA

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Districts covered	200	330	615	619	626
Employment provided (million person days)	905.0	1435.9	2163.2	2835.9	2571.5
Percentage of women workers	40	43	45	49	48
Employment person days per household	40	42	48	54	47
Average wage per workday (Rs.)	65	75	84	91	117
Income addition (in Rs.) to participating household (rows 5 × 6)	2600	3150	4032	4914	5499
Budget outlay (Rs. billion)	113	120	300	391	412
Expenditure (percent)	73	82	73	68	58
Expenditure on wages (%)	66	68	67	69	72

Source: Papola & Sahu, 2012 (<http://nrega.nic.in/netnarega.mpr>).

and their members. It is particularly noteworthy that the percentage of women workers has not only been above the stipulated level in the Act but has increased steadily over the first four years of implementation of the programme with a slight dip, however, in 2010-11. Also, the works undertaken have had an increasing and larger share of expenditure on wages. These are positive aspects of works implemented under the Act.

The above trends reveal that although the employment provided under the programme to a household was far less than the at least 100 days of work promised by the Act, it has the promise of making a difference to the livelihood levels of poor rural families. An evaluation study on the implementation of the Act in 330 districts of the country up to 2007-08 reveals that massive demand for NREGA work exists [nearly 98 percent persons surveyed expressed the desire to work for at least 100 days]. The actual percentage of persons who were successful in getting employment to the extent of 100 days was only 14. The programme being an open-ended demand-driven programme with no budgetary constraint, the trend on the declining utilisation of available budget over the years 2009-11 (Table 25.1) suggests a lacuna on the front of 'shelf of projects' to be kept ready for implementation. This suggests a relative poor management of village councils (or gram sabhas who are responsible for the implementation of the programme) and the need to focus on improving their ability in this regard. In terms of performance by states, there is large variation in the average number of employment per household across states: 69 days in Rajasthan and 66 days in Andhra Pradesh to 28 days in Bihar and Punjab. More specifically, judged from this yardstick of 'intensity of work provided', taking the national average of 48 days of work per household as a benchmark for comparison, as many as 15 states' average was below this figure. A second yardstick adopted is to compare the 'share of states in person days generated under the programme with their share in rural BPL households'. In this, UP and Bihar emerge as the poor performing states with their employment generated being a good 10 percent less than their share in rural BPL households. As per this yardstick, Rajasthan and AP had performed well.

As mentioned before, elimination of middlemen for assisting the poor people to get jobs for a commission, or reducing corruption and inefficiency in management in general, had been realised as the prime need to be focused upon in NREGA works. The evaluation studies have revealed that weaknesses in implementation of works under NREGA have existed on the fronts of: (i) non-provision of works on demand; (ii) lack of transparency in calculating wages based on schedule of work; (iii) non-payment of minimum wages; (iv) non-payment of wages within the stipulated 15 days time limit; (v) use of contractors despite its prohibition; (vi) non-payment of employment/unemployment allowance; (vii) non-provision of worksite facilities; etc. Cases of ‘fudging’ of muster rolls to ‘sell’ entitlements have also been reported. These are areas in which focused efforts are needed for improving the implementation process of works under the Act.

Despite the above drawbacks on which focused efforts for improvement are needed, field studies to examine the empowerment effects of NREGA on rural women in four states of Bihar, Jharkhand, Rajasthan and Himachal Pradesh has found that women workers have gained from the scheme. The gains have been specifically observed in terms of: (i) income-consumption effect; (ii) intra-household effect; and (iii) enhancement of choice and capability. Other benefits include realization of equal wages balancing the gender discriminatory wages prevalent in the rural labour market. However, it has also been pointed out that as market wages are higher than the NREGA rates, men are not generally available for work in its programmes, and it is mostly women who offer to work in them. Indeed, women have constituted as high as 90 percent of workers in Kerala and 83 percent in Tamil Nadu as against the nationwide average of 48 percent in 2009-10. Notwithstanding this observation, the favourable findings on women employment in NREGA works are by themselves encouraging signals worthy of noting.

Check Your Progress 2 [answer in about 50 words using the space given]

- 1) Over the years 2007-11, what has been the trend in the performance of work under NREGA, in terms of: (i) average days of employment provided to a participating household; and (ii) the average wage per work day?

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- 2) Do you agree that the addition to income of a poor participating household has been able to make a difference to their livelihood status? Why?

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- 3) What percentage of persons seeking employment under NREGA could get work up to 100 days? What can this be attributed to and what needs to be focused upon for improvement on this front?

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4) What has been the extent of variability in the performance of NREGA by states?

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5) Which two states stand out on the extreme ends of relative comparative performance? What are the two yardsticks used for making such a comparison?

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6) Mention the specific areas identified as weak spots in the implementation of works under NREGA.

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7) In what specific respects NREGA has been found favourable for women workers?

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25.4 MGNREGA: NEW INITIATIVES

The government has introduced many new initiatives to make the NREGA programme work in a more transparent and accountable manner. With this in view, it has changed the name of the programme to MGNREGA (dedicating the programme to the memory of the Father of the Nation signifying the commitment for greater transparency and efficiency in the running of the programme) in 2009 and enlarged the scope of work to include 'provision of irrigation facility, horticulture plantation and land development facilities to land owned by households belonging to SCs and STs and other BPL families, etc. The ceiling on the wages under the Act has been increased to Rs. 100 with a further provision that states willing to pay more than this ceiling may do so with their own funds for the part exceeding the ceiling of Rs. 100. Further, to ensure that wages are paid to the real beneficiaries it has been made mandatory that wage to MGNREGA workers be paid through bank/post-office accounts. Besides strengthening the 'vigilance and monitoring committees' at state and district levels, for impact assessment and

concurrent monitoring a Professional Institutional Network (PIN) has been constituted with premier institutes and universities as their members. Studies conducted by PIN reveals that the productivity and multiplier effects of MGNREGA include: (i) improvement in ground water; (ii) improved agricultural productivity and cropping intensity; and (iii) livelihood diversification in rural areas. Some of the other specific initiatives taken are the following.

25.4.1 Complaint Settlement and Facilitation

Guidelines have been issued to states for the appointment of Ombudsman at the district level to help receive complaints from MGNREGA workers and others, consider such complaints and facilitate their disposal in accordance with the law. Such ombudsmen would comprise of well known persons from civil society with experience in public administration, law, academics, social work and management.

25.4.2 Strengthening Social Audit

Recognizing ‘social audits’ as an important tool, the Act has been amended to provide for procedures on conducting social audits. These are aimed at enabling the rural communities to monitor the quality, durability and usefulness of MGNREGA works. During the course of its work, the audit teams are tasked to mobilize awareness and enforcement of the rights of the workers among the people. For easy public access of information collated from such audits, a web site has since been created with data on all critical parameters like job cards, muster rolls, wage payments, number of days of employment provided and works under execution, etc. made available online.

25.4.3 Partnership with UIDA and National Helpline

To facilitate easy bank account opening and eliminate duplicate job cards and ghost beneficiaries, use of ICT (information and communication technology) devices especially biometrics, integration with Unique Identification Development Authority (UIDA) has been established by the MGNREGA. Further, a National Helpline (1800110707) has been set up to enable submission of complaints and queries for the protection of workers’ rights and entitlements under the Act. This is also being ICT-enabled and linked with the state and district level helplines to create a national network of MGNREGA helpline.

Besides the above, two other major initiatives introduced for greater inclusion and spread of MGNREGA activities are: (i) issuing of instructions to all Naxal affected states for implementation of MGNREGA works to intensify ‘awareness generation campaigns’ among rural households and (ii) construction of ‘sewa kendras’ to act as centres for dissemination of knowledge and delivery of public services to rural households. Most importantly, guidelines for ‘convergence’ of MGNREGS (mahatma Gandhi national rural employment guarantee scheme: an alternative name used in literature interchangeably for NREGA/MGNREGA) with different schemes and programmes have been issued. We will know more about this in the next section of the unit.

Check Your Progress 3 [answer in about 50 words using the space given]

- 1) Which two significant initiatives were recently introduced into the MGNREGS that can be identified as steps towards establishing a greater degree of transparency and accountability?

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2) What purpose is sought to be served by the establishment of Professional Institutional Network (PIN) in the MGNREGS? In which three respects do the assessment studies conducted by PIN indicate productivity and multiplier benefits to have accrued from the works undertaken in the MGNREGS?

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3) How is 'complaint settlement and facilitation' sought to be addressed under the new initiatives instituted into the MGNREGS?

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4) What importance is accorded to the conduct of 'Social Audit' under the new initiatives of MGNREGS?

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5) How is the issue of 'duplicate job cards' proposed to be tackled in the MGNREGS works? What specific initiatives have been taken in this regard?

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6) What are the two major initiatives introduced for 'greater inclusion and spread' of MGNREGA programme?

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25.5 CONVERGENCE

With an idea of creating durable assets and strengthening the livelihood resource-base of rural poor, the work undertaken in the MGNREGA is being dovetailed with many other programmes with similar objectives. The concept/scheme of 'convergence'

may, therefore, be defined as ‘adding value to MGNREGA works by enabling planned and coordinated works by public investment in rural areas’. It involves identification and prioritization of needs and preparation of suitable ‘shelf of projects’ with due involvement of all implementation agencies. More specifically, it seeks to optimize multiplier effects of MGNREGA by combining it with the objectives of National Horticultural Mission (NHM), Rashtriya Krishi Vikas Yojana, Bharat Nirman, Watershed Development programmes, etc. For this, the funds available with the PRIs (panchayati raj institutions) from other sources (like National Financial Commission, State Finance Commission, state government departments) under centrally sponsored schemes [like SGSY, backward region grand fund (BRGF), etc.] would be combined with the MGNREGA funds for the construction of durable community assets. The broad objectives of convergence may, therefore, be identified as: (i) add variety into the action plans of other implementing agencies for common purpose; (ii) meet the critical unmet demands of services created by other works so as to facilitate the raising of the productivity levels and thereby the income levels of rural families; (iii) achieve sustainable economic/social returns by transfer of new technologies; and (iv) ensure better returns as an outcome of the cumulative efforts made with similar objectives. With this in view, a total of 115 convergence pilot districts have been identified in 23 states and independent organisations have been instituted with monitoring from National Institute of Rural Development. The expected outcomes of such a convergence action may be identified as follows.

25.5.1 Expected Outcomes

The expected outcomes from the convergent action are the following.

- 1) **Increase in Physical/Social Capital:** The creation of durable assets, besides increasing land productivity, is expected to enhance social capital through collective planning and implementation among different stakeholders by improved management and output.
- 2) **Facilitation of Ecological Synergies:** Activities of afforestation, drought proofing, flood proofing and watershed are expected to add to environmentally sustainable development through natural resource regeneration. They are in turn expected to address issues of ‘climate change’ such as CO₂ emissions, industrial pollution and global warming (vide unit 21, section 21.2.2 and 21.2.4).
- 3) **Facilitate Sustainable Development:** In effect, the achievement of ecological synergy combined with the efforts for creation of durable assets, rural connectivity, productivity enhancement and capacity development would lead to sustainable development.
- 4) **Strengthen Democratic Process:** Convergence awareness and planning at the grassroots level will lead to increased participation of people in project formulation and implementation. This will strengthen the grassroots democratic process in the rural areas.

25.5.2 Progress

Early evidence of MGNREGA convergence mechanisms shows that many states (e.g. MP, WB, Kerala, AP) have taken good initiatives in this direction. For instance, the government of MP has introduced many sub-schemes (e.g. Kapil Dhara irrigation structures, Nandan Phalodyan for horticulture works on private land, Bhum Shilp for ‘farm bunding’ on private land, Vanya for plantation in community waste land, Resham for sericulture in community as well as private land, Nirmal Neer for well and tank

construction for community drinking water, Nirmal Vatika for construction of leaching pit and fruit tree plantation, Meenakshi for pisciculture activities, Sahasradhara for micro-irrigation structures with canals, etc.) for creation of durable assets through MGNREGS works. In WB, a Professional Assistance for Development Action Plan (PRADAN) has been instituted for training local PRI functionaries and district officials for ‘integrated natural resource management’ (INRM). With support from women SHGs (self help groups), MGNREGA activities have been undertaken to create decentralised water bodies as a key component of INRM. A comprehensive plan for 2000 ha area for INRM treatment is made through convergence of MGNREGS, NHM (National Horticultural Mission), etc. In Kerala, MGNREGA is implemented through Kudumbashree, a government sponsored women’s network for poverty reduction. The scheme’s implementation is totally controlled by local governments with each ‘gram panchayat’ having its own model of convergence. In AP, the convergence efforts have been structured through a web-based software for tracking and updating information helpful in monitoring the activities of registration of job seekers, work allocation and execution, payment for work and timely disbursement of unemployment allowance, etc. Special provisions for providing employment throughout the year in specific areas which are drought-stricken and migration-prone have also been made. Early evidence of convergence action captured through a study (ACCESS, 2010), undertaken with support from UNDP, have given evidence that farmers have significantly benefited from the convergence activities in the state.

Convergent action agenda is moving faster in other states like Orissa, Uttarakhand, Maharashtra, Rajasthan and some parts of Northeast. The two major government programmes of National Rural Livelihoods Mission and National Food Security Mission converged with MGNREGA is expected to substantially improve Indian agriculture. This is expected to happen with its potential to contribute towards greening India by its focus on sustainable practices on the one hand and by benefiting the marginal and small farmers directly through convergent action on the other.

Check Your Progress 4 [answer in about 50 words using the space given]

- 1) Define the concept of ‘convergence’ in the context of MGNREGA and agricultural development.

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- 2) State the four broad objectives of ‘convergence’ initiative/scheme.

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- 3) What are the four broad expected outcomes of the ‘convergence’ scheme? Which of them can promote the objectives of sustainable development? How?

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- 4) Which states have taken the lead in implementing the concept of ‘convergence’ so far? What does the early evidence from the evaluation of convergence programme reveal?

25.6 LET US SUM UP

The employment deficit of a large number of rural agricultural labour and marginal and small farmers are provisioned to be tackled by the NREGA/MGNREGA. A demand-driven programme with no financial constraint, the scheme involves many built-in features of transparency and accountability in its implementation. Results of evaluation of NREGA, during the first five years of its implementation, reveal that although there is an increasing trend in the number of days of additional employment accrued to the participating households, the average actual number of days of employment is still below 50, far lower than the at least 100 days of employment promised under the Act. Among the reasons for this poor implementation is the lack of managerial skills on the part of village council by keeping a ‘shelf of approved projects’ ready. This is revealed by the declining percentage of allocated financial budget utilised. Further, the percentage of workers reporting to have received 100 days of employment is low at 14. There is, however, an increasing trend in the number of women beneficiaries, far higher than the one-third minimum ceiling stipulated under the Act. Although this is attributed to the relative higher wage in the market and the resultant reluctance of men to take up jobs under NREGA works, the increased participation of women is a trend which is empowerment oriented. The average wage earned by a participating household, when compared with the average number of days of employment secured, reveals a significant addition to the income of a participating household. In view of this, many evaluators, even while pointing out the many lacunae in NREGA works, have acknowledged that the scheme is by far the best among all the anti-poverty programmes implemented over the last four decades. Moreover, judged from the angle that the Act was meant to ‘supplement’ and not ‘substitute’ the usual other employment avenues, these trends indicate positive outcome from the project. The government has introduced many new initiatives by: (i) enlarging the scope of works to be performed under the Act to include land development activities, (ii) specifying that such activities should especially be undertaken in the land belonging to the SC/ST and BPL households, (iii) increasing the ceiling on wages to be paid to Rs. 100, and most importantly, (iv) announcing a scheme of ‘convergence’ with many other programmes with similar objectives in order to reorient the scheme for the creation of durable assets from the works undertaken under the MGNREGS. The evaluation results of the implementation of the convergence scheme has provided encouraging signals from the point of view of productivity and multiplier effects. Coupled with the efforts being made under the National Food Security Mission and the National Rural Livelihood Mission, and aided by the many institutional mechanisms introduced into the monitoring and implementation process of MGNREGA,

it is expected to make significant contribution to the livelihood status of poor agricultural labour in the country.

25.7 KEY WORDS

**NREGA/MGNREGA/
MGNREGS** : Used interchangeably, the terms refer to the Act and the works performed under the Act or programme aimed at providing guaranteed employment on demand, or an allowance of unemployment if the guaranteed employment is not provided within a period of 15 days time, to any adult person voluntarily seeking work. The Act/programme is a major departure from the earlier many poverty alleviation programmes in that it is right-based and there are built-in provisions for transparency and accountability mechanisms.

Farmer as per NPF, 2007 : The NPF, 2007 defines a farmer as a person actively engaged in the economic and/or livelihood promotion activities either by growing crops and/or by being engaged in the production of other primary agricultural commodities. It includes persons engaged in activities like - cultivation, agricultural labour, sharecropping, tenancy, poultry and livestock rearing, fishing, beekeeping, gardening, planting, sericulture, vermiculture and agro-forestry. The term also includes tribal families and persons engaged in shifting cultivation and collection, use and sale of minor and non-timber forest produce.

Convergence : Refers to ‘adding value to MGNREGA works by enabling planned and coordinated works by public investment in rural areas’. It involves identification and prioritization of needs and preparation of suitable ‘shelf of projects’ with due involvement of all implementation agencies. It dovetails the efforts of NREGA works with similar works initiated under other schemes with a view to generating durable assets for productivity enhancement.

25.8 SUGGESTED BOOKS/REFERENCES FOR FURTHER READING

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25.9 ANSWERS/HINTS FOR CYP EXERCISES

Check Your Progress 1

- 1) See section 25.1 and answer.
- 2) See section 25.1 and answer.
- 3) See section 25.2 and answer.
- 4) See section 25.2 and answer.
- 5) (a) accepting application and issuing a receipt; (b) scrutinising/verifying the particulars in the application, issuing of a job card and sending the offer of work to the applicant; (c) advance planning for preparation of a shelf of projects; and (d) selection of work and actually running at least half of the works.
- 6) See section 25.2.1 and answer.
- 7) See section 25.2.1 and 25.2.2 and answer.
- 8) See section 25.2.2 and answer.
- 9) See section 25.2.3 and answer.

Check Your Progress 2

- 1) See section 25.3 and answer.
- 2) See section 25.3 and answer. The Act aims at 'supplementing'; not 'substituting'.
- 3) See section 25.3 and answer.
- 4) See section 25.3 and answer.
- 5) See section 25.3 and answer.
- 6) See section 25.3 and answer.
- 7) See section 25.3 and answer.

Check Your Progress 3

- 1) See section 25.4 and answer.
- 2) See section 25.4 and answer.
- 3) See section 25.4.1 and answer.
- 4) See section 25.4.2 and answer.
- 5) See section 25.4.3 and answer.
- 6) See section 25.4 last para and answer.

Check Your Progress 4

- 1) See Section 25.5 and answer.
- 2) See Section 25.5 and answer.
- 3) See Section 25.5.1 and answer.
- 4) See Section 25.5.2 and answer.

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