CHAPTER 1-6: SOCIAL INSTITUTIONS AND THE STRUCTURAL TRANSFORMATION OF THE RURAL WORKFORCE

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Introduction

Employment in the rural non-farm sector has increased strikingly over the last two decades. In the case of male workers, it has increased from 16.7 percent of total employment in 1972-73 to 29 percent in 1990-91; though the corresponding shares for women workers are 11.2 and 15.1 percent. This expansion in rural non-farm employment [1] may be viewed with relief as a solution to the problems of increasing agricultural unemployment and under-employment and of the rural exodus to towns and cities in search of livelihoods with consequent increases in the pressure on urban infrastructure (Saith, 2001). There is therefore a literature documenting the growth and spatial variation in the incidence of rural non-agricultural employment [2] and analysing the causes of growth and of spatial

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[1]ENDNOTES

1. Employment means an occupation or an activity pursued by individuals and not necessarily wage employment.

[2]. See, for example, Krishnamurthy (1972, 1973), Basant and Kumar (1989) and

variations in it. [3] These studies have been influenced a great deal by Mellor's 'New Economics of Growth' (1976), his theory of growth linkages from agriculture (Bell, Hazell and Slade, 1982) and the 'coincidence' observed between the increase in agricultural production and productivity (the result of the green revolution introduced in the mid sixties) and the expansion in rural non-agricultural employment (Chandrasekhar (1993)). The growth in rural non-agricultural employment was assumed to be induced by agricultural growth linkages or agrarian prosperity, powered by changes in purchased inputs, the expansion of marketing and processing activities and consumption patterns involving demand for local non-farm products. [4]

Visaria (1994). These are only some selected works. I do not go into this literature in detail since the issue of the magnitude or extent of diversification is not the primary focus of my research.

[3]. The studies in the second category include Rangarajan (1982), Hazell and Roell (1983), Ahmed and Herdit (1984), Rao (1985), Vaidyanathan (1986), Bhatty and Vashistha (1987), Harriss (1987), Mahendradev (1989), Unni (1991), Jayaraj (1992, 1994), Chandrasekhar (1993) and Shukla (1994).

[4]. See Mellor (1976), Chuta and Liedholm (1979), Ellis (1999) and Vaidyanathan (1986), and the critique in B Harriss (1987a).

A contrary view attributes the growth in rural non-agricultural employment to agrarian distress, by which is meant acute poverty in the agricultural sector (Vaidyanathan (1986)). The contrast has been posed as being between choice and necessity (Ellis, 2001). But each of these views are extreme, partial and restrictive, not recognising the importance either of seasonality or of social and cultural factors, either as determinants of demand for non-farm produced goods or as constraints to skill accumulation. In this chapter, a broad framework which accommodates a wider range of analytical perspectives and empirical conditions will be developed, and special attention will be paid to social institutions in shaping the expansion of rural non-farm employment.

An Analytical Framework [5]

[5]. This section draws very heavily on Jayaraj (1994).

A simple model is provided in Figure 1, in which the structural transformation of the workforce is viewed as one component of the process of socio-economic transformation. Urbanisation and the growth of rural non-farm employment may be seen as spatial manifestations of this structural transformation. Urbanisation has two components a) the growth of existing urban centres and b) the emergence of new urban centres (see Sanghera and Harriss-White (1995)). The expansion of existing urban centres, apart from being due to urban population growth, is powered by migration. If the structural transformation of the workforce occurs on a large enough scale to change the character of the village economy from agrarian to non-agrarian, new urban centres emerge. So the growth of employment in the rural non-farm sector can be viewed either as a structural transformation without non-farm production's being scaled up or a prelude to the transformation of rural areas into urban space. Rural and urban can be seen as inter-related spaces in a process of transformation in which the generation of 'surplus labour', which is central to the structural transformation of the workforce, takes place. [6]

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[6]. It appears that the empirical studies that emphasize the agricultural growth induced linkages as the engine for growth of employment in the rural non-farm sector implicitly assume that a) the existence of surplus labour in the rural area (Rao 1985) and b) under employment / disguised unemployment to be a feature of agricultural sector alone (Mellor 1976). See also Ragarajan (1982), Hazell and Roell (1983), Ahmed and Herdt (1984), Rao (1985), Vaidyanathan (1986), Bhatty

and Vashistha (1987), Harriss (1987b), Mahendradev (1989), Shukla (1994), Jayaraj (1992) and Chandrasekhar (1993).

Figure 2 summarises the factors that can affect the 'generation of surplus labour'. The latter can be theorised to result from the result of the technological transformation of agriculture (Kuznets (1996)), or alternatively a consequence of 'distress' by which is meant conditions of acute poverty with or without technological transformation (McGee (1971)). [7] But Figure 2 shows how labour surpluses can develop for a variety of reasons other than the mechanisation of agriculture or agrarian poverty, the nature of which determine the character and extent of diversification in the rural non-farm sector. Population growth and the consequent increase in the labour force is straightforward to understand. Social sector development, particularly the growth of education, results in the generation of surplus labour because educated people generally look for employment outside agriculture, in particular for white-collar jobs. The commercialisation of agriculture and institutional changes in the labour market (e.g. the breakdown of the **jajmani** system and the decline in permanent/attached labourers) leads to casualisation of the workforce and freer mobility of labourers (Thorner and Thorner (1962) and Chattopadhyay (1985)). Caste is an institution under which

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[7] . The term surplus labour is used to connote labour released from the agricultural sector which seeks employment in the non-farm sector, and does not imply the existence of labour in the farm sector whose marginal productivity is necessarily zero.

the scope for alternative skill accumulation and occupational mobility has been restricted. Education has helped to break such restrictions down.

Conventional growth theory and the urbanisation literature stresses the generation of surplus labour only from the agricultural sector. But surplus labour may be extended from both the urban, industrial and the rural non-farm sectors. For instance, the decline in rural household industries (e.g. cotton handloom and mat weaving) leads to the release of surplus labour. The closure of sick, modern, small scale industries (e.g. in Tamil Nadu, the closure of eight TANSI units, BHEL ancillaries, Mettur textiles and the Standard motors) also contributes to surplus labour. Apart from these factors, the state's structural adjustment policies, downsizing employment in public sector enterprises generates surplus labour.

Conventional growth theory is flawed for yet another reason. Technological transformation in the agricultural sector, which accompanies agrarian prosperity, is assumed to be labour displacing (Kuznets (1996)). The possibility that labour-absorbing technological transformation could accompany agrarian prosperity is discounted. [8] This neglect has resulted in the hypothesis of a direct

[8]. Growth of irrigation, particularly well irrigation, is an example of a technical change that is productivity raising and labour absorbing (see, also, Walker and Ryan (1990)).

relationship between agrarian prosperity and ‘surplus labour generation’.

The generation of surplus labour, while necessary for the structural transformation of the workforce, is not a sufficient condition. Factors affecting the demand for the goods and services of the rural non-farm sector play a crucial role. Figure 3 lists the factors affecting the demand for rural non-farm goods and services. The **forward** and **backward linkages** generated by agricultural growth or agrarian prosperity are well documented. [9] Here, a direct relationship between agrarian prosperity and the rural demand for rural non-farm produced goods and services is hypothesised. Increases in income in the agricultural sector are expected to be spent on rural non-farm produced goods. But agro-processing industries are largely located in urban areas (Harriss (1987b)). Consumption patterns are affected by demonstration effects, social sector development, particularly education, by upward social mobility (Srinivas (1962)) and the introduction of new goods (say, synthetic fibres which accelerated the destruction of rural based cotton handloom industry). Thus the direct relationship is simplistic and incomplete.

[9]. Mellor (1976, Chuta and Liedholm, 1999, Vaidyanathan, 1986).

Even if demand shifted in favour of urban manufactured goods, which employment in trade and transport will increase, the net impact of such changes depends on the scale of decline in employment in the handloom and other household manufacturing industries that are destroyed in the villages and on the scale of absorption of labour in new activities. Demand for housing, for the growth of modern industries and for services in urban areas will affect the extent of employment in the rural non-farm sector. The extent and nature of growth in the rural non-farm sector depends on the nature of the urban centre to which the village is connected and the distance between the urban centre and the village (Jayaraj (1992)). Commuting results in an increase in the number of rural residents reporting non-farm employment, though the activity pursued is actually outside the rural area. Conversely, the ancillarisation or sub-contracting of production leads to the growth of ancillary industries in villages close to industrial centres. These location patterns lead to underestimates of urban employment multipliers.

Quite apart from these factors, government expenditure on rural employment generation programmes, on the promotion of **Khadi** and village industries (including the subsidies given to consumers as sales promotion measures on occasions of festivals), on government purchases of consumer goods and on expenditure on rural health, on anti-poverty schemes, on the public distribution system, education and physical infrastructure affect the growth of rural non-farm

sector. Government employees in rural and semi-urban areas create their own local consumption multipliers. [10]

[10]. Harriss (1987b) and UNRISD, (1994).

The spatial distribution of non-agricultural activities is also influenced by Government policies [11] such as the establishment of industrial estates in backward districts, credit policy, investments in infrastructural facilities and subsidies given to industries in backward regions. The location of rural industries is also path-dependent. The local history of industrialisation, the availability of natural resources, climatic conditions and the development of skills affect their sites.

If, as is assumed in the empirical literature on the growth of rural non-farm employment, the rural non-farm sector is homogeneous and market forces alone were to determine the access to employment in the rural non-agricultural sector, social institutions, particularly caste and gender will not affect the probability or chances of employment. But if these institutions are found to affect rural classes differently and hence differentially affect the chances of entry into non-agricultural sectors, then it follows that the rural non-farm sector is **not** homogenous and market forces by themselves do **not** determine access to non-farm activity. Our particular concern, which arises from a consideration for equity, is the relationship between access to land and access to non-agricultural employment. If the members of landed households enjoy relatively better access to non-agricultural employment, than do landless agricultural labour households, then inequality in the distribution of income will increase. The objectives of this

[11]. See, Vaidyanathan (1986), Harriss (1987b) and Setty (1991).

chapter are to examine 1) the influence of caste and gender on access to non-farm employment; and 2) the importance of access to the means of production, particularly land, as a determinant of access to non-agricultural employment.

Sources of Data

Census schedules canvassed in the three villages of Nesal, Vinayagapuram and Veerasambanur provide detailed information on caste, education, land holdings, and occupational details of members of households. Apart from the data collected from the village census house listing, information obtained from selected knowledgeable village informants was also used. We examine first the distribution of households by the major occupation of household members and second the distribution of workers according to their industrial classification by caste and sex.

There are 745 households in the three selected villages. These households are classified into households with a) at least one earning member (703) and b) no earning member (42). The distribution of these households by caste and by access to land is presented in Table 1.

The Non-farm Village Economy

The 703 households with at least one earning member have been classified into agricultural and non-agricultural households. Four different distributions of the

households are obtained. About 58 per cent of the total households have access to land. About 50 per cent of these households have at least one worker reporting his/her primary occupation to be a non-agricultural activity other than animal husbandry. Around 75 percent of the households with access to land have at least one working member reporting the secondary occupation as a non-agricultural activity, including animal husbandry. Similar figures for the landless households are 33.94 percent (with a non-agricultural primary occupation) and 54.75 percent (with a non-agricultural secondary occupation). [12] Households with access to land enjoy relatively better access to non-agricultural employment.

In the past caste determined occupation, access to resources and education. Despite constitutional provisions to safeguard the interests of the backward and deprived sections of India's population, the situation seems to have changed but little. Table 2 provides, for each caste, the distribution of households obtained for classification I in Table 1. Based on the data provided in Table 2, an index of excess access to land and non-agricultural occupation has been constructed. [13]

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[12]. For workers, who report their primary occupation to be household chores or pensioner the secondary occupation of her/his is considered as primary occupation.

[13]. The Index of Excess Land is constructed as follows:

i) for land: as the difference between the proportionate contribution of each caste

This index is defined for each category.

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to the number of households having access to land and its proportionate contribution to the total number of households expressed as a percentage of the latter;

ii) for non-agricultural employment among households with access to land: as the difference between the proportionate contribution of each caste to number of households with access to both land and non-agricultural employment and its proportionate contribution to the total number of households with access to land expressed as a percentage of the latter;

iii) for non-agricultural employment among landless households with at least one agricultural labour: as the difference between the proportionate contribution of each caste to number landless households with access to employment in both agricultural and non-agricultural sectors and its proportionate contribution to the total number of landless households with at least one member working as agricultural labour expressed as a percentage of the latter; and

iv) for households with no connection to agriculture: as the difference between the proportionate contribution of each caste to number of households with access to only employment in the non-agricultural sector, and its proportionate contribution to total number of households expressed as a percentage of the latter.

Table 3 provides information on; 1) excess access to land by each caste, 2) excess access to non-agricultural employment by caste, controlling for access to land, 3) excess access to non-agricultural employment by caste controlling for landlessness and presence of at least one agricultural labour and 4) excess access to non-agricultural employment by caste controlling for all other characteristics (specialised non-agricultural households). **Agamudhya Mudaliars** who are at the top of the caste hierarchy in these villages enjoy relatively better access to both land and non-agricultural employment. Similarly, **Naidus** who are placed next to **Agamudhya Mudaliars** in the caste hierarchy enjoy disproportionately better access to land and non-agricultural employment. The **Vanniars** are the single largest caste in these villages, accounting for 28.45 percent of all households. The value of the index of excess access to land, at 30.61, suggests that they have disproportionate access to land compared with any other castes, except the **Agamudhya Mudaliars**. However, their access to non-agricultural employment is relatively low compared to their share to total households. Surprisingly, the **Yadavas**, who are not different from the **Vanniars** either in their caste position or in terms of economic status, enjoy a greater access to non-agricultural employment for their traditional occupation was animal husbandry. Tables 2 and 3 show that the Scheduled Castes, those most deprived, still have not gained much from the protective measures of the government. Their access to both land and non-agricultural employment is very low. Nor have Scheduled Caste converts to Christianity fared better than their Hindu counterparts.

Two major communities, **Vanniars** and Scheduled Castes - including the Scheduled Caste Christians - supply the agricultural labour force. The excess access to non-agricultural employment is the highest to those designated as 'Others' including service castes.

Distribution of Workers by Industrial Classification

The distribution of workers by primary occupation according to industrial classification is provided in Tables 4 and 5 for males and females respectively. Gender limits the access to non-agricultural employment. The non-agricultural sector, while accounting for a little less than half the total male employment, accounts for only 23.44 percent of the total female employment. Household industry other than weaving, manufacturing, trade and commerce accounts for a negligible proportion of women workers; in particular there are no women employed in the transport and storage industry. With respect to caste, **Agamudhya Mudaliars** specialise in manufacturing, accounting for about 47 and 45 percent, respectively, of the male and female manufacturing workers. Similarly, **Vanniars** specialise in weaving. Nearly 69 percent of all male workers in the industrial category and more than 71 percent of agricultural labour are either from Scheduled Castes or from Scheduled Caste Christians. Thus, until now, despite all protective measures by the government, the Scheduled Caste workers are largely found in physically demanding wage work.

Education also affects access to the non-farm economy particularly sharply for women (Table 6).

Table 6 Employment in the Non-Agricultural Sector (% of total population)

	Male	Female
Illiterate	42	18
Higher than Secondary	63	80

The relationship is also much modified by caste. **Agamudhya Mudaliars** are at a disadvantage compared with **Vanniars**, at (higher) equivalent levels of education. Poorly educated or illiterate members of backward or most backward castes have all been able to enter weaving. While Scheduled Castes and Scheduled Caste Christians have a greater probability of work in the non-farm economy as their educational level rises, this dips dramatically after secondary education. Illiterate Scheduled Caste workers are unable to enter weaving.

Weaving emerged as an occupation in these villages from 1985 onwards. There are about 63 looms in Vinayagapuram, 50 in Nesal, and 22 in Veerasambanur. The sudden emergence and growth of this activity calls for some scrutiny. In the region of Arni, as is the case in the whole of Northern Tamil Nadu and in

particular in the old North Arcot district, the 'pumpset revolution' has displaced traditional irrigation sources denying tank water to small and marginal farmers (see Janakarajan, chapter 1-2). The pumpset revolution and the consequent extension of irrigation to dryland has resulted in cropping pattern changes. Sugarcane has been cultivated since the mid 80's. In the garden land or the irrigated **punjai** (rain fed land), vegetables are being produced. Since the beginning of the 80's tractors are being used, particularly for tilling.

These changes associated with the overall growth of rural non-agricultural activity appear to support the agricultural growth-linkage hypothesis. But the analysis of the distributions of workers by industrial classification reveals the fallacy of such an inference. Weaving, particularly silk saree weaving, which has emerged as the major activity in these villages, is **not** directly related to agricultural production either in these particular villages or in this region either through backward linkages to raw materials (cocoons from Bangalore and **Zari** (gold thread) from Ahmedabad), or through forward linkages to markets (urban and metropolitan). The looms do not produce commodities for local consumption. None of the weavers are independent petty producers. Instead, all the weavers work as disguised wage labour for the silk **maligais** (big silk merchants/master weavers). The **maligais** and master weavers, who control information about the markets for different types of local silk sarees throughout Tamilnadu and India, have acted as catalytic agents by advancing loans for the installation of looms and for the

provision of raw materials.

In the mid seventies and in the beginning of the eighties, there were years of poor rainfall. The competitive deepening of wells intensified in this period (Janakarajan (1986, 1993)). In the process, small and marginal farmers have lost out while the upper sections of the peasantry have gained (Nagaraj, Janakarajan, Jayaraj and Harriss-White, (1996)). As a consequence, members of small and marginal farm households (particularly those who belonged to the **Agamudhya Mudaliar** caste) in Nesal and Veerasambanur and landless agricultural labour households, (particularly those who belonged to the **Vanniar** caste) in Vinayagapuram entered weaving. The **Sengunda Mudaliars** in the region of Arni, who had been historically engaged in cotton weaving, shifted to silk and expanded into villages. This expansion led to an increase in the demand for child labour to assist weaving both in Arni town and in villages around Arni. Children, belonging to middle and lower middle castes acquired weaving skills. But children from the Scheduled Caste households were not allowed entry into the caste-hindu households and hence did not learn weaving skills. We see here i) the role of agrarian distress in the emergence of silk weaving in these villages and ii) the role of caste in restricting skill acquisition. So the labour market is deeply segmented by caste. We see that the causes of the growth of the non-farm economy will vary according to the circumstances of each precise sector.

Conclusion

A coherent framework has been developed to analyse spatial and temporal variations in the incidence of rural non-agricultural employment, in which the development of the rural non-agricultural sector is viewed as one component in a process of structural transformation. The growth of rural non-agricultural employment, which is a spatial manifestation of this structural transformation, is affected by factors such as caste, gender and access to land (which in general have been neglected). Here we have shown both the usefulness of the framework and the importance of social institutions as determinants of access to employment in the rural non-agricultural sector. Gender and caste, in particular, limit access to **non**-agricultural employment.

The case of silk weaving in these villages demonstrates the fallacy of hypothesising the growth of rural non-agricultural employment as being induced either by agrarian distress or by prosperity alone. The roles of agrarian distress, of gender, caste and caste-based social exclusion, of the history of skill formation in the region and of the development of a national market for Arni-style silk sarees each plays a part in accounting for this remarkable phenomenon.

Acknowledgements

Grateful thanks are due to Dr S. Janakarajan for giving access to the village survey data used for Tables 2 to10, and to Prof. A. Vaidyanathan for his

discussant’s comments.