



## EDITORIAL

### **Covid-19 and the Rural Non-Farm Sector**

The importance of agriculture and livestock production in the rural economy of India has declined steadily for at least three decades. Large sections of the peasantry and rural labour households are increasingly dependent on non-agricultural employment and incomes. The lockdown measures that were announced in March 2020 listed agriculture as an essential service, but shut down the rural non-farm sector.

Using data from the Central Statistics Office, a NITI Aayog paper showed that the sectoral share of agriculture in rural Net Domestic Product fell from 72.4 per cent in 1970-71 to 39.2 per cent in 2011-12. According to the Situation Assessment Survey of Agricultural Households (SAS), conducted in 2012-13, crop production and animal farming were the principal sources of income for 67 per cent of agricultural households. Principal sources of income for the remaining one-third of agricultural households were wages and salaries (22 per cent), non-agricultural enterprises (4.7 per cent), other agricultural activities (1 per cent), and other incomes including pensions and remittances (5 per cent). For the rural economy as a whole, the proportion of households that received the major share of their incomes from agriculture are likely to be lower than that estimated by SAS.

Data from 16 village surveys undertaken by the Foundation for Agrarian Studies (FAS) as a part of the Project on Agrarian Relations in India (PARI) show that the share of agriculture in total household incomes, including crop and livestock production, wage labour in agriculture, and rental incomes from agricultural land, ranged between 24 and 80 per cent. In eight of the sixteen villages, income from agriculture constituted less than 50 per cent of incomes.

Rural non-farm activities are not always located in the village of a worker's residence. A quick analysis of non-agricultural wage earners in 10 FAS-PARI villages showed that about 45 per cent of total non-agricultural wage employment received by workers was at locations outside their village of residence. The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) was an important source of non-agricultural wage employment, and the construction sector provided workers wage employment in nearby urban centres.

The first and second phases of the lockdown in India, which extended for more than five weeks, severely curtailed all forms of non-agricultural wage employment opportunities in rural India. Even though some of the restrictions were eased in the third phase of lockdown, restrictions on the movement of workers continued to limit the scope of non-agricultural employment. MGNREGS employment was permitted only from April 20, 2020. The number of households demanding employment under the Act almost tripled, rising from 12.8 million in April 2020 to 36.1 million and 32.5 million in May and June. At the same time, employment generation continued to fall short of demand – only 74 per cent of households that demanded employment between April 1 and June 15, 2020, were provided employment. Average wages paid in many States are well below the notified wages.

Remittances sent by migrants are also important constituents of household incomes, particularly in rainfed villages. FAS-PARI data show that in two villages (from Rajasthan and West Bengal) with high rates of out-migration, the contribution of remittances to the total village income was between 24 and 44 per cent. The lockdown disrupted income flows from remittances and wage earnings, and devastated the lives of migrant workers who were stranded in their workplaces with no income or employment. They also had no means to return to their villages. For more than a month, the Government had no plan on the ground to provide relief to stranded workers, or to transport them back home. The same lack of empathy and planning marked the operations of Shramik special trains that started from May 1. Many workers spent their savings to buy tickets, many lacked basic provisions of food and water and lost their lives before and during their journeys home. The ordeals of the migrant workers reveal the Government's cruel negligence towards the rural workforce that powers the country's growth.

The rural rich own and operate businesses that are listed as “essential services” such as grocery shops and outlets for agricultural inputs and outputs. The rural poor on the other hand depend on petty and uncertain self-employment activities, such as street vending, small tea shops, barber shops, selling vegetables, fish and other wares. These fragile self-employment activities were severely hit during the lockdown, and will not benefit from micro, small, and medium enterprise (MSME) loans declared in the government's relief package.

The rural non-farm economy, which constitutes 60 per cent of India's rural GDP, was adversely affected by the lockdown. To the extent that rural non-farm employment provided supplementary incomes to the rural poor, there was surely an immediate accentuation of poverty due to this disruption. If the government continues to undermine the sector and programmes such as the MGNREGS, there is likely to be a prolonged distress in the rural economy. Special attention has to be paid to the revival of the rural non-farm sector to reduce poverty and distress. Increasing MGNREGS employment to 200 days, increasing notified wages, and expanding financial support to the rural workforce through direct transfers are the needs of the hour.