

# ORIGINAL RESEARCH PAPER

Management

EMPLOYMENT CREATION IN INDUSTRIAL SECTOR IN RURAL AREAS AND ITS EFFECTIVENESS IN THE PRODUCTIVITY AND ECONOMIC DEVELOPMENT- A CONCEPTUAL STUDY.

**KEY WORDS:** Employment creation, Rural Region, Productivity, Economic growth.

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This paper examines the potential for industrial sector-specific productivity growth in that, human capital, economic growth of the industry, and infrastructure to contribute to the development of stable, well-paid employment in rural areas of low-income groups in India. In this paper the particular emphasis is placed on the creation of the employment and its applications in the rural areas. The employment creation and its way that different sectors of the rural economy interact with its new applications help us to know the implications on economy. A simple theoretical and conceptual framework and the descriptive analysis of available secondary data from India scenario and Indian rural areas suggests that more emphasis should be placed on increasing the productivity of the employees so that they can incorporate local areas to grow to a developed extent. This paper mainly focusses the targeted rural regions where the manpower can be utilized to increase the productivity and also helps in achieving the greater outcome which can be major contribution to economic growth and development. India can be regarded as developed country only when the major rural population gets literate, acquire employment and contributes towards the growth of the country through knowledge, standards and performance. This can be achieved through the creation of such opportunities to rural poor by introduction of various sectors and its advancements.

#### 1.INTRODUCTION:

India's development lies in the development of its rural areas, where about 69 percent of the households and 71 percent of the total population live. Rural areas, which consists of 60 percent of the total males and 61 percent of the total females as an economically active group (15-59 years) and 55 percent of the total males and 25 percent of the total females in the labour force, becomes essential to understand the growth pattern of the country as a whole (Government of India, 2014a). Moreover, it is essential to focus on rural growth pattern and the transformation, which the rural economy is passing through over a period of time (Reddy, Reddy, Nagaraj and Bantilan, 2014). The phenomenon of structural transformation is evident from the present situation of the economic development of the country, which has outpaced the role of industry and services over agriculture and allied activities. The rural areas are also going through the similar situation where the non-farm activities are growing at a faster pace than the farm activities.

Employment creation interventions include direct short-andlong-term job creation programmes, interventions that foster self-employment, and macro-level policies (Holmes et al. 2013). Despite the increasing trend in urbanization in Asian countries, a large fraction of people there remain in rural areas especially a country like India can identify poor population in the major rural region. People in rural areas face many problems like poverty, illiteracy, social issues, and unemployment and so on. Many of these individuals work in casual labor markets in both the agricultural and nonagricultural sectors in which there are few returns to their own skill to perform their own business and some of them experience cheap labor market issue, and also their earnings are very much limited as they serve as a cheap labour by doing manual work. Though with the introduction of micro finance applications in the many rural areas many of those have not reached and satisfied and has not resulted in the solutions of the rural poor. Given overall supply and demand conditions in the economy, the earnings to these individuals may not generate those earnings that are sufficient for a household requirement again these includes non-working dependents who rise above the poverty line. On this basis it would show the desirable to better understand the nature of rural earnings growth with a view to know how best to promote well-paying employment. Creation of employment may provide better results in such cases. In the last decade the

rural earnings have paved way for long term availability of the income with continuity without any volatility.

Today's rural development and its overall growth in its infrastructure and its futuristic developments because of aspects like growing literate population has resulted in tremendous development that it has demanded for the better development and upliftment of the rural population to simply focus on the overall economic development. The employment rate rose by 0.85 percentage points in rural India — from 38.68 per cent in August to 39.53 per cent in September. In comparison, urban India saw a smaller increase of 0.47 percentage points in its employment rate in the same months from 34.15 per cent to 34.62 per cent. The external environmental factors which greatly influences the rural environment has bought a new scenario in the rural region. This has created a new pattern of reaching market demands and also becoming competitive in market considering the economic development. This is majorly considered with the demand and supply factor of manpower. The supportive economic models in the competitive labor markets have affected the rural employees and even employers with improper utilization of resources in the economy. This has resulted in the alternative employment thought among the employees.

The primary aim of rural individuals is to obtain good and well-paid employment opportunities. They possess the viewpoint that obtaining employment opportunities would enable them to sustain their living conditions in an appropriate manner. The rural individuals are engaged in number of employment opportunities. Given the large flexibility in village development and growth a very large experiment would be required to determine whether a particular exogenously introduced experimental intervention actually has the desired effects on the developmental aspects. As a result, while understanding offfarm rural employment has improved substantially in the last 20 years, there are more measures required for the creation of employment and strengthen the rural population.

This paper provides a brief discussion by emphasizing recent evidence by development economists examining expansion of rural employment and their ability of earnings. Central to this paper is the idea that an expansion of good jobs in rural areas is about increasing the productivity of rural workers. Ultimately workers will have stable and reasonably well-paid employment if they have explicit or implicit ownership of productive assets. These assets include their own labor, of course, but can also include physical assets such as land, financial assets such as access to working capital, human assets such as education or experience, public assets such as access to electricity or low-cost transportation infrastructure, or social assets such as the ability to organize and coordinate other people as well. it is often helpful to think of human capital as anything that enhances worker productivity, including physical strength, schooling, experience, and entrepreneurial skill. It may have different returns in different sectors and within sectors based on one's role. Moreover, how the returns to these different assets change depends importantly on the composition of local employment; the extent to which product and labor markets are integrated with the wider world; as well as access to credit markets, effective transportation, and other forms of basic infrastructure.

#### 2.REVIEW OF LITERATURE:

In order to develop a framework for rural employment generation that addresses the elements offering the best prospects for sustenance and future expansion, there was a need to review the literature offering various insights to the formulation of a scheme for the same. Most of such studies are based on developing economies, high in need for social protection like, India, Pakistan, Bangladesh, Philippines, Nepal, Uganda, and Indonesia etc.

A culmination of the available literature which has helped the author present the work in its present form is, presented in an apt detail in this section. The term alternative forms of employment are used to refer to non-farm employment or non-agricultural employment since they offer alternative to the most dominant form of employment in rural areas-the agriculture. Concerning the nature of these alternative forms of employment and in sync with the monsoon economy hypothesis, Fabella (1986) found countercyclical behavior of some of these employments where it substituted for agriculture during off-seasons. Contrary to this finding, the paper views that alternative forms of employment should be promoted as meaningful employment in its own right and a strive similar to green revolution in Asia, which resulted in a manufacturing boom in rural areas, is needed. Efforts to create employment in rural areas must consider that there could be several barriers in the road to success. Rural sector in India is still underdeveloped and lacks the basic infrastructure, one of the necessary ingredients for any business model.

Coppard (2001) while working on non-farm sector of India finds direct link between alternative employment and infrastructure like transport and electricity. Also, remote location could always pose serious operational issues for any such initiatives.

Van de Walle (2004) and Rose grant and Hazell (2000) depict strong and positive correlation between the location of the rural community and alternative forms of employment. The importance of location in employment diversification is from the fact that it enraptures many aspects like climate, available resources, proximity to urban cities, literacy level etc. Alternative forms of employment were found to be concentrated in villages located in proximity with urban cities than those in distant areas, as found by different studies done by Hazell and Haggblade (1993)12 Manning, (1988)13 and Khmana (1992)14. The explanation for such findings is forwarded by Rose grant and Hazell (2000) 11. According to them, the dispersed economic activity of towns generate demand for non-agricultural produce, and provide crucial markets and financial services to support economic activity in the nearby areas, thus functioning as an originator of employment activities. The finding is closer to the dual

economy model. Drawing upon from this finding, employment generation models are more likely to be successful in villages nearby to cities therefore; these locations could be the starting points for initiating or establishing employment generating units. Another factor in selecting a rural location for an employment generating unit could be climate in context of agriculture. However, the linkage of favorable or unfavorable climate with diversification of employment is not very conclusive. David and Otsuka (1994)15 studied seven Asian countries and concluded that income diversification is higher in rural areas where climate for agriculture is unfavorable. Lack of adequate agricultural employment serves as a drive to explore other forms of employment including temporary migration. Reardon et al. (1999)16 find that where climate is unfavorable to agriculture, other forms of employment which are linked to agriculture are not available and hence, due to lack of alternative forms of employment locally, rural households tend to earn most of their non-farm income through temporary migration. Studies (Saith, 199117; Estudillo and Otsuka, 199918) have found that wage employment including migrant remittances is the more dominant form of nonagricultural employment measured at the household level and it has been rising over the decades. As compared to the year 2000, off-farm workers in 1981 were three times more likely to reside in their homes (Zhang et al., 200319). Such increased migration of rural individuals to urban areas would only add to the growth imbalance and the implications attached with it. These studies indicate that the employment diversification is poor in villages with unfavorable climate and the source of high-income diversification in these areas is majority migrant remittances. It also points out to a scope to create local employment opportunities which are not agriculture based. Concerning the form of such employment opportunities, agriculture is dominated by self-employment form; the same can be promoted for non-agricultural employments. In this form they can absorb the surplus workforce locally and inhibit them from migrating away from their homes in search of employment. Some evidence in this regard was found in Bangladesh rural households by Hossain et al. (2003) 20, where only one third of non-farm employment reported wage labor as the main form of employment. In the pursuit of alternative forms of employment, access to formal credit is often the main constraint to investment and entrepreneurship. This was concluded by Wand Schneider (2003)21 while studying developing economies like India and Uganda. Lack of finance as a major constraint was also cited by Reardon et al. (1999)16 who found that most of the enterprises in rural areas were undertaken by richest households. Some et al. (2002)22 in their survey of nonagricultural employment also found access to credit as the most important business need. The other needs identified by them were: market access, skills, raw materials supply, infrastructure and social stratification. The role of education in the creation of economic benefit for rural residents was established by Yang (1997)23 who found that education can raise their wage-earning potential. Several studies found that with increased education levels and experience.



# Conceptual Model for the Study 3.RESEARCH GAP:

The previous research studies were focusing of rural agricultural and non-agricultural farms and its employability applications for the development of rural areas. The Present study is mainly focusing on the creation of industrial employment creations in the rural areas and its implications

on the rural development and further its results on the overall economic development which plays a major role in the contribution of the developed economy which India is striving for.

### 4.STATEMENT OF THE PROBLEM:

The implications of poor economic growth in rural India are: increasing immigration/greater dependency on urban economy; over-crowding of urban cities; social unrest/increasing crime rate; increasing pollution in urban cities; increasing traffic; rural isolation/non-inclusion, and breaking up of social units/families in rural areas. The important reasons for poor state of rural sectors are: biased economic policy; unfavorable agricultural climate; poor infrastructure; inconsiderate urban society; lack of finance, material resources, professional training, employment skills, ideas, and awareness about existing facilities and schemes; remote location; urban pull, and cultural conditioning. This requires an attention and a strong focus. Public finance has been inadequate, awareness of different public programs for rural employment generation has been poor and there has been observed failure of government in enabling rural population to earn their livelihood. Standalone initiatives and actions of the government are not enough to generate sustainable employment and income in rural areas.

## **5.OBJECTIVES OF THE STUDY:**

To study the role of employment creation in industrial sectors in rural areas.

To identify the economic measures in the field of rural development and its implication  $% \left( 1\right) =\left( 1\right) \left( 1\right)$ 

To analyse the rural developments measures in economic developments.

## **6.NEED OF THE STUDY:**

When a rural economy diversifies, the workers may rise in status either as self- employed workers (at large scale) or as regular employees. At the same time, it is also possible that their status may be lowered to that of casual labours. While in most developed nations workers move to regular jobs or become self-employed; in developing countries like India, they move to the less advantageous position of casual labours (Government of India, 2014a). So, mere shifting from one lower-paid occupation to another lower paid occupation may not improve the employment situation rather may indicate to distress. Moreover, it is also important to know why an individual leaves his/her previous occupation and enters into the non-farm sector or simultaneously works in both the occupations. Such issue of occupational diversification is undoubtedly complex, and its determinants are difficult to identify (Buchenrieder and Mollers, 2006). However, an effort has been made to examine the determinants of rural diversification and opting non-farm occupations.

## **7.DATA COLLECTION:**

Data for the present research study is based on the two sources one is secondary sources of data collection which is gathered through various online sources, journals, research articles, government websites and other related online information. Further to present more accurate and the factual research work the data was also collected through empirical observations in the rural areas through the personal visits and also informal discussions were conducted among experts, relatives, friends and others in rural areas.

# 8.MATERIALS AND METHOD:

This research study is adopted with a descriptive and explanatory approach. The descriptive nature highlighted that the observations and detailed documentation of the employment creation in industrial sectors in rural areas and its implication in development process and which in turn results in economic development. The explanatory approach intends to provide explanation for the determinants of rural development of economy.

## 9.ANALYSIS AND DISCUSSIONS:

During 2004-05 to 2011-12, rural workforce is leaving farm sector and finding alternatives in the non-farm sector. This research study emphasizes that 37.2 % of the employed population has opted non-farm occupations as their principal source of employment during 2011-12 The slow and declining growth of employment in agriculture is the result of the declining rate of GDP growth in this sector as compared to the other sectors.

Even the employment elasticity of this sector turned to be negative in 2011-12, which indicates that farm sector is not able to absorb the existing workers; thus, they move from farm to the non-farm sector in general and industry in particular. The disaggregated analysis shows that during 2004-05 the share of industry and services in providing employment was almost same, i.e., 14.28 % and 14.9 % respectively, but during 2011-12 the share of industry is higher (20.5 %) than that of services (16.6 %).

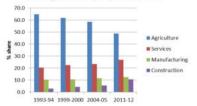
This rise in industrial activities (even within all non-farm activities) is majorly because of construction sector (11.2 %) as it engages the highest proportion of rural population followed by manufacturing activities (8.5 %). However, most of the employment generated in this sector is of low quality, casual and irregular, which does not need much skilled and qualified labour. The manufacturing activities has remained the dominant part of industrial activities in rural areas since past decades but the latest dataset shows the surge of construction activities. Although the share of manufacturing has declined; still the employment provided by these activities is better than that of construction activities (Wiggins and Hazell, 2008; Rangarajan and Seema, 2014). The important demographic, economic and environmental changes rural areas are facing and the need to ensure future employment in these areas, provide the context for the diversification of the traditional agricultural profession towards both on and offfarm activities. European Farm Structure Survey results suggest that between 2000 and 2003 the percentage of holdings having on-farm "other gainful activities" increased in 10 out of 13 Member States for which data was available. An analysis of Labour Force Survey data reveals that over 40% of the adult population in rural regions of the EU has only primary or lower secondary education. In urban regions the proportion is rather lower, at fewer than 34%. In urban areas almost one fifth of the adult population has tertiary education attainment, whilst in the rural areas the proportion is only one

Indicators of economic activity and employment have revealed two dimensions of regional differentiation, "participation" and "performance". This suggests that it is important to "tailor" regional labour market policy to take account of both aspects, to ensure an appropriate balance between interventions relating to diversification/entrepreneurship and those addressing social inclusion and human capital issues.

The need for life-long education and training initiatives is a recurrent theme throughout the report, where analysis of education statistics suggested a significant "deficit" within the rural workforce. Hence, it will be important to provide agricultural and nonagricultural education/training as an attractive and high-quality option for both young people (as a disincentive to out-migration), and to the middle aged (as a means of combating underemployment).

From the above statistics from India together based on the census of 2011 shows the graphical representation of rural people employability in various sectors and leaving agriculture and focusing on industrial jobs, services sectors and construction for daily earnings to satisfy their requirements. This shows the results of economic development in the Indian scenario.

## Changes in employment share



## 10.FINDINGS AND CONCLUSIONS:

Most of the time the rural will be considered under the gram panchayat, zilla panchayat based on the panchayat Raj system for any development and economic progress. The empirical evidences on the changes in rural economy during the past four decades lead to following conclusions and strategic options to promote pro-employment and equitable growth in the rural areas. About half of the national income and more than two third of the total employment is generated in rural areas. Apart from producing almost all agricultural output, rural areas contribute about half of the manufacturing and construction sectors output and one quarter of the services sectors output in the country. The rural areas are characterized with the low level and wide disparity in worker productivity. The declining rural share in national output without a commensurate decline in its share in total employment during the past four decades implies that a much faster growth in capital-intensive sectors in urban areas did not generate adequate employment to absorb rural labour.

The higher dependency on rural areas for employment is a major reason for low level of per worker income. Temporally, contribution of rural areas in total output and employment registered striking changes across different sectors. The production base of manufacturing sector shifted to rural areas significantly, but without a commensurate increase in rural employment during the past forty years preceding 2011-12.

The services sector lost heavily to urban areas both in terms of output and employment. It was only the construction sector where rural share in both output and employment improved and employment grew at a faster rate as compared to output. Although construction activities improve rural infrastructure and have a multiplier effect on the economy, proportionately less output growth than the employment indicates a limited productive employment generation capacity in this sector.

Withdrawal of workforce from agriculture witnessed between 2004-05 and 2011-12 has reduced dependence on agriculture and brought convergence in the contribution of agriculture in rural output and employment to some extent. However, to match employment share with output share of agriculture another 84 million agricultural workers are required to quit agriculture and join more productive non-farm sectors. This amounts to about 70 per cent increase in the non-farm jobs in rural areas. Workers moving out of agriculture and those entering rural labour-force are getting largely absorbed in construction activity, as, employment growth in manufacturing and service sector in rural areas decelerated sharply after 2004-05. Rural manufacturing adopted more capital-intensive production as compared to the urban manufacturing and it failed to address the goal of employment generation for rural labour-force.

Most of the labor-intensive manufacturing sub-sector such as wearing apparel, tobacco 24 products, textile, non-metallic mineral products, and food products and beverages witnessed either stagnation or fall in employment between 2004-05 and 2011-12. As the conventional manufacturing has failed to generate rural jobs despite of very high growth in output, India needs to look for different type of manufacturing units for rural areas for its growth and development in the economy. Labour intensive medium, small and micro (MSME) enterprises seem to be an appropriate alternative for rural employment generation.

The lack of required skills and technical knowledge are the main barrier for rural workers to enter manufacturing sector. Setting up of industries and improvement in infrastructure are the necessary but not sufficient conditions for increasing rural employment which require effective human resources development programmes to impart necessary skills and training to rural youth to match the job requirement in manufacturing sector. Services sector has played a major role in structural transformation of Indian economy but its achievements during the recent years were mainly concentrated towards urban areas. This sector in rural areas witnessed deceleration in output as well as employment after 2004-05. An important reason for this is increased reliance of rural consumers on service providers located in urban areas. Rural areas have comparative advantage in services like postharvest value addition, on farm storage, primary processing, grading etc.

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