

Bridging the Employment Gap in Agriculture Sector: A post-COVID-19 Revival Analysis

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Abstract

In the light of COVID-19, the reverse urban to rural migration of Indian workforce is having a far-reaching and contrasting impact on different sectors across the economic spectrum of the country. The productivity in well-endowed urban regions is likely to witness a downturn due to the shortages in labour supply whereas, in the ever vulnerable rural regions, the productivity is likely to gain momentum with a massive influx of workforce. Against this backdrop, it becomes imperative to bring under the lens, the most crucial sector of the Indian economy- Agriculture. In the wake of gloomy forecasts which predict a major economic quagmire in the country, a silver lining persists along with the agricultural sector of the economy. The infusion and absorption of the large workforce into the primary sector during the pandemic entails a structured analysis of the situation in hand. The present study is conducted to address the issue of how India can fully leverage the potential of the agriculture sector to revive the economy in post-COVID phase by eliminating the associated challenges and capitalising on the opportunity. The study presents a critical analysis of the impact of COVID-19 on employment in the agriculture sector and suggests a set of revival measures for the same.

Keywords: Agriculture; employment; labour supply; COVID-19.

Introduction

The COVID-19 pandemic has triggered large scale reverse migration from “destination” to “native source” in all parts of the country. As per the estimates of Census 2011, the total population of internal migrant workers in the country is 450 million and the actual numbers are much higher than what is captured by the data. The migrant labour force is regarded as the invisible driver of the urban economy and broadly falls under

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the informal sector of the economy. Post the imposition of nationwide lockdown to contain the exponential progression of Coronavirus, a gigantic exodus of workers in the range of 50 million to 120 million as reported by various sources has departed to their native places [“Explained: Indian migrants, across India” 2020]. Given the incongruous conditions prevailing in the so-called “native source” regions, the biggest challenge confronting the Indian economy is the absorption of the workforce in the rural economy for quick revival. More than 400 million workers in India who were employed in the urban informal sector are at the risk of falling deeper into poverty during the crisis due to retrenchment strategies likely to be pursued by businesses to cut down their costs [PTI 2020]. The onus for the absorption of erstwhile migrant labour lies in the rural economy and agriculture sector.

Methodology

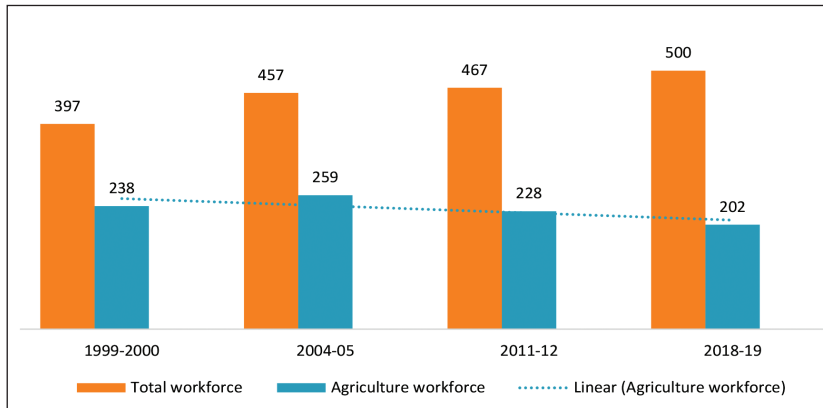
The paper uses secondary data for analysing and interpreting the results using various reports published by credible sources such as Ministry of Statistics and Programme Implementation, NSSO survey, Census 2011, Periodic labour Force Survey, etc. The paper also deploys an economic model to test its relevance in the post-COVID phase.

Analysis (pre-COVID Phase)

The study takes into consideration the two major challenges which plagued the agriculture sector in the pre-COVID phase. The first one is related to the shortage of labour faced by the sector and the second is related to the inherent bias and neglect of the sector in favour of manufacturing and services.

- **Labour shortage in Agriculture sector**

In the last two decades, the Indian economy went through a critical phase of development which significantly altered the nature of sectoral employment. The erstwhile surging agriculture sector has been ensnared into a quagmire due to conspicuously high unemployment rate (*Economic and Political Weekly*, 2015). The natural corollary of a booming economy is the exit of the workforce from the traditional sector to gain entry into the modern sector. However, in India, the entire transition process was facilitated at the cost of traditional (agriculture) sector as the trend was not just confined to a declining share of agriculture in employment but also resulted in a huge decline in an absolute number of workers in the sector. According to NSSO’s periodic survey, more than 44 million workers left the agriculture sector from 2004-05 to 2013-14.

Figure 1: Year-wise total and agriculture workforce (in million)

Source: NSSO Periodic Survey 2017-18

The figure shows that the percentage of the workforce employed in the agriculture sector has been consistently plummeting from 60 percent in 1999-2000 to a meagre 42 percent in 2018-19. The magnitude and pace of shift away from agriculture has been substantial over the years which has accentuated the dismal state of the sector. The issue of labour shortage coupled with falling marginal productivity and escalating wage bills have made the sector unviable for employment. With the acceleration in economic growth and rapid urbanisation, a set of forceful “pull” factors emerged in the country which resulted in driving away from the workforce to the nonfarm sector.

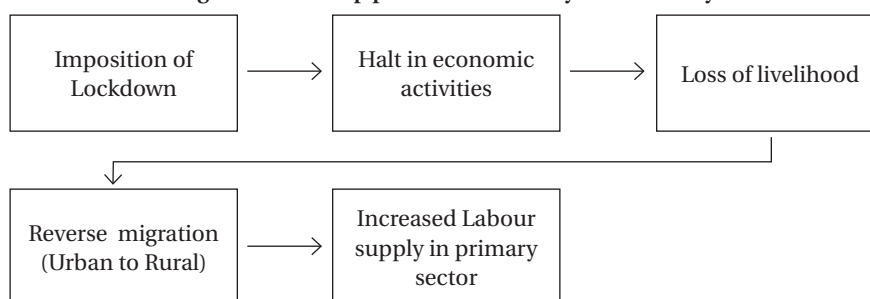
- **The neglect of the Agriculture sector in favour of Manufacturing and Services**

The inception of milestone NEP reforms in 1991 led to a pragmatic shift in the value addition by the agriculture sector (Experiences and Lessons, UNCTAD 2012). The noteworthy reforms resulted in a hike in minimum support price increased foodgrain procurement and a sharp rise in global food grain prices which marked the revival phase of the sector. However, the growth in the agriculture sector was short-lived and soon the interests of high revenue generation sectors industry and services overpowered the interests of agriculture which led to a deepening of agrarian crisis in the country. A large number of empirical studies have criticised the neoliberal policy regime behind the neglect of backbone sector. The neglect was so profound that agricultural indebtedness pushed several farming households into chronic poverty (Sah, Bhatt & Dalapati, 2008). The deceleration in productivity and wages of the sector completely squeezed the employment avenues, it could generate.

The agrarian crisis of India can be intrinsically linked to the inherent policy bias against agriculture. The regime of import substitution policies aggravated the discrimination

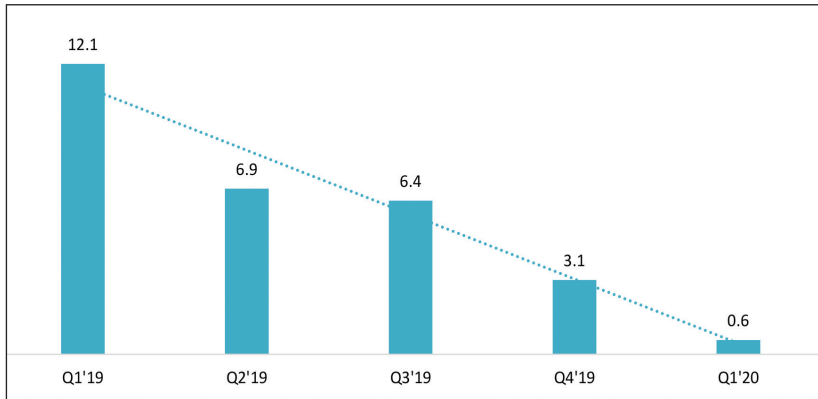
against agriculture because the protectionist measures taken to safeguard the industrial sector without commensurate protection for agriculture turned the terms of trade against the latter (Food and Agriculture Organisation, 2012). There is gross inadequacy in the pre and post-harvest infrastructure facilities in the rural areas, which have been leading, not only to inefficiencies but also to colossal wastages. The low value-addition and poor quality standards further make our agricultural products uncompetitive in the international market.

Figure 2: Five-step process followed by the economy



Source: Author

- **Imposition of nationwide lockdown:** Given the rapid transmission rate of COVID-19, a nationwide lockdown was imposed to flatten the bulging curve of infected cases. The rationale behind the imposition of lockdown was lucid and coherent, as to give a full swing implementation to social distancing and reverse the growth rate of the epidemic. Astringent and well-thought decision gained appreciation across the globe. However, the economic devastation which rippled across sectors was totally unprecedented.
- **Halt in economic activity:** Even before the onset of COVID-19, the global economy was going through a rough patch and was facing turbulences on account on disruption in international trade, slackened domestic demand and deteriorating terms of trade due to global uncertainty. The manufacturing sector growth slumped to 0.6 percent in the first quarter of 2020 fiscal as shown in Figure 3 below.

Figure 3: The quarter-wise growth rate of the manufacturing sector (in percent)

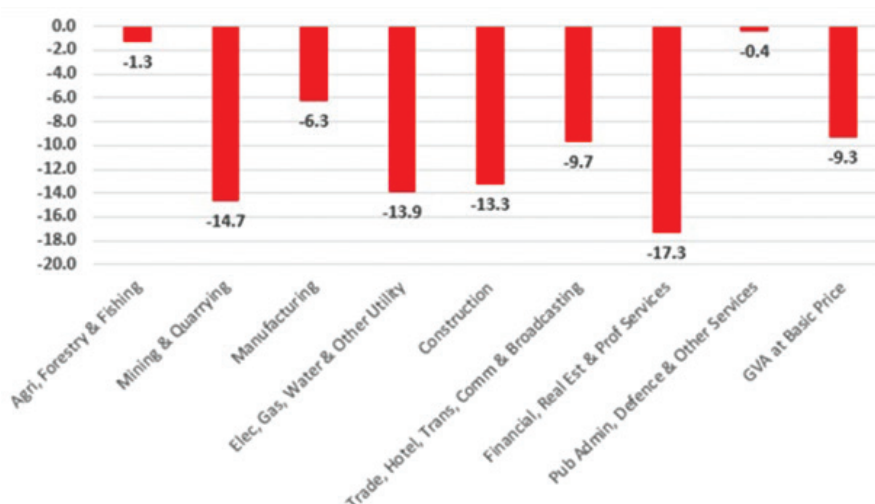
Source: Ministry of Statistics and Programme Implementation

The economic implications of COVID-19 superseded the health risks it exposed. The international organisations such as the World Bank and IMF have downgraded India's growth to a "duck" figure that is 0 percent growth rate for 2021 fiscal. The Indian economy lost approximately 2,000 crore per day during the initial twenty-one days of lockdown (*World Economic Outlook*, 2020).

Since the pandemic originated in China, a country which exerts centripetal force to drive trade across the globe, a major disruption in supply chains was observed in India which further hampered the productivity of essential industries such as pharmaceuticals, electronics, etc.

The major private players such as Larsen & Toubro, Ultratech, Reliance, BHEL temporarily suspended and reduced the scale of operations. The performance of infant industries and startups faced a serious setback due to the lack of funding options.

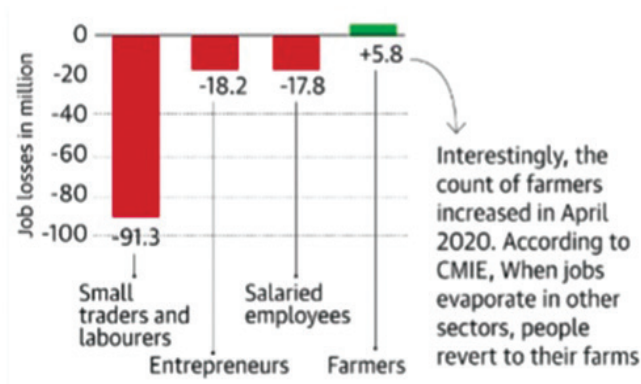
Figure 4: Estimated fall in sectoral growth in Gross Value Added from April-June'2020 (in percent)



Source: Economist Intelligence Unit

3. Loss of livelihood: The most catastrophic and enduring consequence of COVID-19 came in the form of massive job losses. The much-debated informal nature of Indian economy is undeniable, which constitutes 90 percent of country's total workforce (ORE, 2020). According to the report by the UN, the pandemic is expected to wipe out 195 million full-time jobs from India and can push 400 million informal workers deeper into poverty.

Figure 5: Unemployment rate in different job roles



Source: CMIE

The pandemic endangered a grave threat to the existing job roles which has further exacerbated the job crisis in the country. As per CMIE estimates, As per CMIE's data, the monthly unemployment rate in April 2020 reached 23.52 percent from 8.74 percent in March. The figure below depicts the average employment in India witnessed a steep decline from 404 million in 2019-20 to 282 million by the end of April. The impact of lockdown imposition on business enterprises has been colossal and far-reaching, because of which a significant number of small traders, labourers, salaried employees have lost their jobs mainly due to accumulation financial losses in the secondary sector.

4. Reverse migration: The reverse migration from urban to rural areas gave rise to a challenging task of absorbing the migrant workers, both socially and economically. The likelihood of returnee migrant workers going back to urban centres in the near future seems grim. The so-called urban pull factor of migration is unlikely to operate in the foreseeable future as the urban job opportunities are declining significantly due to recession (Ray & Dutta, 2019). In addition to that, the extreme suffering and plight faced by economically downtrodden will act as a further deterrent to moving back to cities. A major issue that has emerged with reverse migration is to reconcile employment in the rural informal sector, which traditionally depended on the urban sector.

5. Increased labour supply in the Primary sector: In the times of pandemic, a striking observation has been realised in the agriculture sector. According to CMIE data, agriculture is the only sector in the economy which has registered a positive employment rate amidst lockdown. The reason behind the same is sought to be the job losses in other sectors has forced people to resort to agriculture for livelihood. So, the agriculture sector has emerged as a bright spot in the entire economic turmoil. The return of migrant workers and their subsequent absorption in the rural economy can prove to be a blessing in disguise if the potential of the primary sector is adequately leveraged (Kundu, 2020). There exists a dire need to identify, evaluate and adopt models which harness economies of scale and deploy a large number of human resources. Since the labour-intensive sectors such as fisheries, horticulture have remained underdeveloped over the years, the COVID-19 crisis offers a unique opportunity to tap on the untapped potential of these sectors. In agriculture, the substitution of labour input for other factor inputs to maintain similar productivity levels can substantially increase the absorption rate of labour.

Another aspect of the increase in labour supply is related to the concept of feminisation of agriculture in India. With the burgeoning migration by men from rural to urban areas, a considerable number of women are opting for multiple roles as cultivators, entrepreneurs and agricultural labourers. According to the data in

Agriculture Census for the year 2010-11 out of an estimated aggregate of 118.7 million cultivators, 31 percent were women. The estimate of Census 2011 shows that there has been a 24 percent increase in the number of female agricultural workers from 2001 to 2011. Across the globe, the empirical evidence suggests that women play a decisive role in ensuring food security of their households and communities, thereby preserving local agro-biodiversity (FAO, 2017). In the post-COVID period, with a huge influx of males back into the rural economy provides a viable option of men devoting higher proportion of time and efforts to job roles which require more physical strength whereas women can be employed in a cottage or household industries such as textiles, food processing, etc. **Results: How the conundrum of labour shortage can be resolved in Agriculture? (Post-COVID phase)**

Referring to the data provided by Census 2011, about 69 percent of India's population lives in rural areas and 39 percent are internal migrants in the country. In the times of COVID-19 pandemic, the onus lies in the smooth transformation of the rural sector into a matrix of local economies, thereby striking a balance between their diversified local production for domestic needs and trading the surplus. There exists a dire need in the system to re-evaluate and re-vamp the current expenditure and investment patterns in agriculture by various stakeholders involved, in order to accelerate productivity growth of agriculture at the macro level.

As the remittances sent earlier by migrant workers from urban areas is getting dried up, the consumption of non-food items might witness a decline in the rural economy. The wage rate of agricultural can also decline in the initial phase following the influx of job seekers in the primary sector. So, in effect, the rural economy needs to focus on internally exploring new labour-intensive employment avenues to generate viable employment opportunities and hence income. The present study suggests three alternate ways to achieve self-reliance in the sector: First, a two-pronged move to substitute labour input against mechanisation in agriculture which can a render cost-effective alternative and absorb excess labour. The mechanisation was brought as a result of a shortage of labour in the agriculture sector which in turn triggered further migration. The vicious cycle of the interplay between pull and push factors can end if labour-intensive techniques are implemented to enhance productivity and wages.

Second, the establishment of informal micro-enterprises and local community groups by weavers, artisans, craftsmen, etc. to suffice for local demand by local production using local marketing techniques.

Third, giving an impetus to rural employment generation schemes such as MNREGA and encourage local initiatives to build community infrastructure such as water harvesting, canal irrigation, etc. The present situation of centre and state-run schemes and social security nets can be improved to assure timely disbursement of wages and proper maintenance of records. With a decline in the share of remittances, the rural sector might face a liquidity crunch unless government regularly injects money through various government schemes. But a direct consequence of injecting money in rural economy is the outflow of the same money in the urban economy to fund internal transactions. Due to the shortage of money in the rural sector, a paradoxical situation can emerge in rural markets where there is a surplus of agro products but no money in the system to buy those and stimulate demand. A temporary quick fix to the paradox can be to delink and insulate the rural economy from external urban markets.

Therefore, the overarching objective of agricultural markets needs to be reoriented towards fulfilling local and regional needs instead of larger urban markets. There is a need to let go specialisation of crops and adopt diversification in more crops to meet the demand in local and regional markets. A switch to organic farming can also be an important step as the input costs of chemical fertilisers and pesticides are eliminated. This move can make agriculture more self-reliant by reducing its dependence on industrial products like fertilisers, pesticides, etc. As the global economies are all scrapping down the fundamentals of free trade market economy to protect and safeguard the domestic industries, the short-term needs for India is also to focus on inward-looking economy to protect the economy from external monetary shocks. The wheel of economic policy discourse should move in the opposite direction that is Indian should now focus on de-urbanisation and de-industrialisation.

Conclusion

Nevertheless, agriculture sector remains the largest employer in India, hence the future structural transformation in post-COVID phase must take into account the significance of agricultural transformation. Extrapolating from past trends and emerging conditions after the pandemic, India needs to gear up for the next revolution in the sector as long as its employment share is sizeable relative to the output share. To expedite transformation, the country needs to promote long term productivity growth in agriculture and facilitate the upgrading of farms and agro-enterprises within the global value chain. The best way to resolve agriculture versus industry debate is to simply recognise the evolving role of the rural economy in the

general and primary sector, in particular, following the pandemic. At the nascent stage of economic development, a major circular flow of economic activity is confined to rural areas.

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