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Rural Non-farm Employment in Uttar Pradesh: 1993-94 – 2004-05

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ABSTRACT

Rural India has been reeling under the shadow of agricultural stagnation for the last two decades. In this context employment diversification towards non-farm activities has received considerable policy and academic attention. However, the employment diversification witnessed in the recent years has been suspect to the two divergent theoretical views on employment diversification, namely, distress-push and/or demand-pull forces. Many studies made important contributions in examining the nature of the Rural Non-Farm Employment (RNFE) especially at all India level. Yet, India being a country of continental proportions with vast regional variations studies of this type hide more than they reveal about the processes involved in employment diversification. In this background, this study takes up an analysis of employment diversification in rural Uttar Pradesh (UP). This study has made an endeavour to analyse the regional variation in growth and nature of RNFE in UP using the unit level data of Employment- Unemployment collected by National Sample Survey organization. The analysis shows a significant variation in size of RNFE across region and this disparity tends to increase over the years. The process of employment transformation in UP found to be dominated by distress-push forces. The intensity of the distress-push factors vary across regions from lowest in western region to highest in southern region.

Key words: *Rural Non-Farm Employment, Self-Employment, Regular Employment, Casual Workers, Uttar Pradesh.*

Rural Non-farm Employment in Uttar Pradesh: 1993-94 – 2004-05

1. Introduction

The state of Uttar Pradesh (UP), situated in the northern region of the India, is the most populous state of the country. The state has a population of 19.96 crore as per 2011 census and a geographical area of 2.41 lakh square Kilometer. Its share in total area of the country is 7.3 per cent, while its share in country's population is 16.2 per cent. The state is divided into four well defined economic regions; Western, Central, Eastern, and Southern. Almost 78 per cent of the state's population lives in rural areas and largely depend on the agriculture for their livelihood. But due to low land-man ratio, agriculture sector is no more capable to further absorb growing labour force and support the livelihood.

In this case one of the strategies advocated in the development literature is the diversification of rural labour force in favor of Non-Farm activities (Lanjouw and Lanjouw, 1995; Datt and Ravallion, 1996; Ravallion, 2000; Hossain, 2004). It becomes more important for small and marginal farmers as well as the landless labourers, who cannot derive sufficient income from farming, and it acts as a safety net to rural households in times of agriculture distress (Fisher *et al*, 1997). It also contributes to raising national income through efficient utilization of labour time in an environment of seasonal unemployment (Lanjouw and Lanjouw, 1995). However, the expansion of Rural Non-farm Sector (RNFS) may not always be considered as gainful employment opportunities, as it is often being driven by two processes: (a) distress-push, where the poor are driven to seek non-farm employment for the need of adequate

employment opportunities, and (b) demand-pull, where rural people are able to respond to new opportunities.

The state of UP also has been experiencing diversification of rural workforce in favor of Non-farm activities in recent years. In this background, present study aim to examine whether the diversification of employment in favor of RNFS in UP is due to demand- pull or distress-push factors. The second section of the paper discussed the framework for the analysis. An overview of the RNFS employment in UP is given in the section third of the chapter. Section fourth of the chapter discussed the regional aspects of the RNFS employment. Whether the process of RNFS employment is a result of demand-pull or distress-push has been analyzed in section fifth of the paper. Last section concludes the findings.

2. Framework for Analysis

One of the key areas of discussion in the literature is to understand whether individuals respond to new opportunities in the RNFS (demand-pull) or driven to seek RNFS because there are no opportunities on farm (distress-push). The argument for demand-pull diversification is based on Mellor's (1976) hypothesis which demonstrated that agriculture has the potential to stimulate new economic activities in the RNFS through consumption-expenditure, and backward and forward production linkages. The consumption linkages would arise out of increased incomes for both farmers and labourers, generating increase in demand for goods and services, and would be largely concentrated in rural areas since the goods and services demanded are typically produced by small scale, labour intensive enterprises. According to Mellor the initial increase in rural income triggers a sequence of multiplier effects which can invigorate expanded goods and small-scale units in RNFS that

are labour intensive. The enhanced incomes due to higher employment of lower-income households, who spend large portions of their increased income on food, stimulate the demand for additional food grains production. Higher income farmer on the other hand spend more on non-food products. This paves the way for the establishment of inter-sectoral linkages between farm and non-farm sectors in rural areas leading to a simultaneous development of both sectors.

The residual sector hypothesis advocated by Vaidyanathan (1986) has been the basic argument for the distress-push diversification. It has been argued that the growth of employment in the RNFS could be a reflection of the sluggish growth in agriculture employment pushing work seekers into certain types of low productive non-farm work. Two kind of distress situation has been identified. First, supplementary workers who have no main occupation, but engage in subsidiary work to supplement household income. Second, those with main occupation engaged in a secondary activity. In other words distress-push participation is a result of inability of agriculture to provide gainful employment opportunity to growing rural labour force. It may be due to the decreasing farm returns or increasing population pressure or both.

3. Rural Non-farm Employment in Uttar Pradesh: Some Facts

The rural work force in UP has experienced a significant increase in the share of RNFS during the 1983 - 2004-05 (Table-1). It is clear from the table-1 that after a brief period of stagnation between 1983 - 1987-88, the proportion of RNFS in total rural employment rose consistently to record a total increase of 9 percentage points between 1987-88 - 2004-05. The increase during the approximately 10 years long sub-periods between 1983 - 1993-94 and 1993-94 -

2004-05 amounted to 2 and 7 percentage point respectively. Although the relative importance of farm sector declined from 82 per cent in 1983 to 73 per cent in 2004-05, it still continues to be the mainstay for rural workers.

Table 1: Distribution of Usually (Ps+ss) Employed Rural Workers in Uttar Pradesh

Sectors	1983	1987-88	1993-94	1999-2000	2004-05
Person					
Farm	82.1	82.2	80.0	76.2	73.03
Mining and Quarrying	0.1	0.1	0.2	0.1	0.2
Manufacturing	6.9	6.3	6.4	7.8	8.6
Electricity Gas and Water	0.1	0.1	0.1	0.1	0.1
Construction	1.5	1.9	2.0	3.3	5.3
Total Secondary Sector	8.6	8.3	8.7	11.3	14.2
Trade, hotels and restaurants	3.1	3.4	4.3	5.4	6.1
Transport and communication	1.3	1.1	1.5	2.1	2.1
Other services	4.9	5.0	5.6	4.9	4.6
Total Tertiary Sector	9.3	9.5	11.4	12.4	12.8
Total Non-farm Sector	17.9	17.8	20.0	23.7	26.97
Male					
Farm	78.8	78.9	76.2	71.8	66.20
Mining and Quarrying	0.1	0.1	0.2	0.2	0.2
Manufacturing	7.6	7.2	7.0	8.3	9.4
Electricity Gas and Water	0.1	0.1	0.2	0.2	0.1
Construction	2.0	2.4	2.6	4.4	7.6
Total Secondary Sector	9.8	9.8	10	13.1	17.3
Trade, hotels and restaurants	3.6	4.1	5.1	6.7	8.2
Transport and communication	1.8	1.5	2.1	2.9	3.0
Other services	6.0	5.7	6.6	6.9	5.2
Total Tertiary Sector	11.4	11.3	13.8	15.1	16.5
Total Non-farm Sector	21.2	21.1	23.8	28.2	33.80
Female					
Farm	89.8	91.2	89.9	87.5	87.29
Mining and Quarrying	0.0	0.1	0.0	0.0	0.2
Manufacturing	5.4	3.9	4.8	6.4	6.9
Electricity Gas and Water	0.0	0.0	0.0	0.0	0.0
Construction	0.3	0.4	0.2	0.5	0.6
Total Secondary Sector	5.8	4.4	5	6.9	7.7
Trade, hotels and restaurants	1.8	1.5	2.1	1.8	1.7
Transport and communication	0.0	0.0	0.0	0.0	0.1
Other services	2.6	2.9	3.0	3.7	3.1
Total Tertiary Sector	4.4	4.4	5.1	5.6	4.9
Total Non-farm Sector	10.2	8.8	10.1	12.5	12.71

Source: Employment-Unemployment Survey of NSS; various rounds

Sectoral Distribution of the Workforce: In the non-farm sector, manufacturing is the largest source of RNFS employment in rural UP. Its proportion increased from 6.4 per cent in 1993-94 to 8.6 per cent in 2004-05 before that, it declined from 6.9 per cent in 1983 to 6.4 per cent in 1993-94. Trade, Hotels and Restaurants is the second largest source of RNFS employment. It registered continuous increase in its share of employment from 3.1 per cent in 1983 to 6.1 per cent in 2004-05. In terms of percentage point Trade, Hotel & Restaurants registered higher increase in its employment share than the manufacturing.

Like the Trade, Hotel and Restaurants the share of next important sector, Construction, also has registered the regular increase. Its share raised from 1.5 per cent in 1983 to 5.3 per cent in 2004-05 and in terms of percentage point it registered the highest increase in its share during 1983 – 2004-05. ‘Other’ services which contributed 4.6 per cent in total rural employment in UP is another important sector. Unlike other three important sectors explained above, its share remains stagnant during the period of analysis. Transports and Communication contributed only 2 per cent in total rural employment in 2004-05 which was little higher in comparison to its share of 1.3 per cent in 1983. The share of Mining & Quarrying and Electricity, Gas & Water was static at a very low level of employment.

Status of Employment: Another aspect of RNFS that needs to be analyzed is the status of employment. NSS employment-unemployment survey classified the entire rural worker in three broad categories; self-employed, regular/salaried and casual labour. Regular employment is considered secure in terms of employment and earnings. Casual workers undertake all kinds of work with different employers on a short-term basis may be daily or, weekly, etc. Neither employment nor wages are secure for them and therefore are more

vulnerable than regular and self-employed. Self-employed run their own enterprises and therefore employment is secured for them. But nothing is known about their earnings and so it is difficult to classify whether they are secure or vulnerable. The relative proportion of different categories of workers, self-employed, regular and casual also provide clue about the quality of employment (Jha, 2006). The increase in the proportion of casual workers in the total workforce are considered as decline in quality of employment since social security measures for casual workers are less effective in the country.

Table 2: Distribution of Usually (Ps+ss) Employed Rural Workers by Status in Uttar Pradesh

Employment Status	Person			Male			Female		
	1983	1993-94	2004-05	1983	1993-94	2004-05	1983	1993-94	2004-05
Farm	82.02	79.98	73.03	78.64	76.2	66.2	89.75	89.99	87.27
Self-Employed	66.71	62.46	61.55	63.67	58.96	54.6	73.67	71.73	76.06
Regular	1.24	0.42	0.32	1.61	0.51	0.41	0.39	0.16	0.14
Casual	14.06	17.1	11.16	13.36	16.73	11.19	15.69	18.1	11.07
Non-farm	17.98	20.02	26.97	21.35	23.8	33.8	10.23	10.01	12.71
Self-Employed	11.18	11.93	15.11	12.42	13.42	17.71	8.34	7.87	9.66
Regular	3.54	3.98	5.17	4.82	5.24	6.9	0.63	0.63	1.57
Casual	3.26	4.11	6.69	4.11	5.13	9.14	1.26	1.41	1.48
All	100	100	100	100	100	100	100	100	100
Self-Employed	77.89	74.39	76.66	76.09	72.38	72.31	82.01	79.6	85.72
Regular	4.78	4.4	5.49	6.43	5.75	7.31	1.02	0.79	1.71
Casual	17.32	21.21	17.85	17.47	21.86	20.33	16.95	19.51	12.55

Source: Estimated from Employment-Unemployment Survey of NSS, 38th, 50th and 61st round

The self-employment is the dominant mode of employment in rural UP. In 2004-05 more than two third of rural workforce in UP were engaged as self-employed (see Table 2). The proportion of casual workers and regular/salaried workers were nearly 18 per cent and 5.5 per cent respectively. The status distribution of rural workers in UP remains unchanged between 1983 - 2004-05. However, there has been significant change in the status distribution of rural

workers between the sub-periods 1983 – 1993-94 and 1993-94 – 2004-05. The proportion of self-employed in total rural workers which declined from 78 per cent in 1983 to 74 per cent in 1993-94 rose to 76.6 per cent in 2004-05. Contrary to that the proportion of casual workers which increased from 17.3 percent in 1983 to 21.2 per cent in 1993-94 declined to nearly 18 per cent in 2004-05.

The increase in the share of RNFS employment in UP was contributed by all the three mode of employment; self-employed, regular and casual. Between 1983 – 2004-05, self-employment registered nearly 4 percentage point increase, casual 3.4 percentage point and regular 1.6 percentage point. In 2004-05 out of 27 per cent share of RNFS employment; 15 percentage points was contributed by self-employed activities, 5 percentage point by regular and 6.7 percentage point by casual mode of employment. In the same year out of 72 per cent of agriculture sector employment, 65.5 percentage points was contributed by self-employed activities and approximately 11 percentage points by casual workers. The share of regular workers was almost negligible. The share of self-employed workers in agriculture regularly declined from 66.7 per cent in 1983 to 62.5 per cent in 1993-94 and to 61.5 per cent in 2004-05. During 1983 – 1993-94 declines in the share of self-employed workers in agriculture is largely led to the increase in the share of casual workers in agriculture which left the dismal increment in the share of RNFS employment. The share of casual workers in agriculture increased from 14 per cent in 1983 to 17 per cent in 1993-94. The period 1993-94 – 2004-05 present very different trend than the earlier period. It registered decline in the share of both the self-employed workers and casual workers in agriculture which led to increase in the share of RNFS employment.

Gender Aspects of RNFS employment: Employment in the RNFS is male dominated. The proportion of female workers engaged in RNFS is much less than their male counterparts. In 2004-05, 33.8 per cent of male workers were employed in RNFS while it was only 12.7 per cent for female. Moreover, participation of female in RNFS is less diversified than male. In 2004-05, out of 12.7 per cent of female workers engaged in RNFS, 7 per cent were engaged in Manufacturing sector and 3 per cent in Other Services. In case of male workers; Manufacturing (9.4 per cent), Construction (7.6 per cent), Trade, Hotels & Restaurants (8.2 per cent), Transport & Communication (3.0 per cent) and Other Services (5.2 per cent) were the major constituents of RNFS employment. The gender differences are not only observed in the size of RNFS but in the pace of transformation as well. The share of female workers engaged in RNFS increased only from 10.2 per cent in 1983 to 12.7 per cent in 2004-05 while for male it increased from 21.2 per cent in 1983 to 33.8 per cent in 2004-05. Gender differences in the RNFS were observed in the status distribution of employment as well. In 2004-05 out of 33.8 per cent male workers engaged in RNFS, 17.7 per cent were self-employed, 7 per cent were regular employed and 9 per cent were casual employed while in case of female it was largely contributed by the self-employed workers.

4. Rural Non-Farm Sector in Uttar Pradesh: Regional Differences

For a large state like UP existence of regional variation in any aspects of development is natural. In this premise, analysis of regional variation becomes necessary. Department of Planning, Government of Uttar Pradesh divides the entire state in four well defined economic regions; western, central, eastern and southern. The western and eastern regions of the states are nearly equal in area and population but form two extreme at numbers of development

indicators. There has been considerable regional variation in the state of UP. The regional differences have been witnessed in the sectoral distribution as well as status distribution of employment. The data shows that the Western region of UP has the highest proportion of workers engaged in RNFS followed by Eastern then Central lastly Southern. Moreover, the Western region has shown the highest increment in the share of RNFS followed by Eastern then central and lastly Southern. It reflects the increasing regional imbalance in front of RNFS employment.

Table 3: Sectoral Distribution of Usually Employed(Us+ss) workers in Uttar Pradesh across Regions

Sectors	Western		Central		Eastern		Southern	
	1993-94	2004-05	1993-94	2004-05	1993-94	2004-05	1993-94	2004-05
Farm	77.57	68.79	83.07	77.29	79.24	72.64	84.85	80.39
Mining & quarrying	0	0.23	0.33	0.11	0.19	0.3	0.38	0
Manufacturing	7.36	10.61	5.12	8.42	7.3	8.49	3.6	4.05
Electricity Water, .etc.	0.22	0.14	0.04	0.04	0.13	0.09	0.1	0
Construction	2.02	5.19	1.38	3.93	1.5	5.25	3.98	10.46
Total Secondary Sector	9.6	16.17	6.87	12.5	9.12	14.13	8.05	14.51
Trade Hotel & Restaurant	4.46	7.04	4.02	4.54	4.88	6.87	2.61	2.54
Transport, etc.	2.4	3.01	0.8	1.57	1.4	1.8	0.4	1.18
Other services	5.98	5	5.25	4.09	5.35	4.56	4.11	1.38
Total Tertiary Sector	12.84	15.04	10.07	10.21	11.63	13.24	7.11	5.1
Total Non-Farm Sector	22.43	31.21	16.93	22.71	20.76	27.36	15.15	19.61

Source: Estimated from Employment- Unemployment Survey of NSS 50th and 61st round

In the western region increase in the share of RNFS is contributed by secondary as well as tertiary sectors. The contribution of secondary sector was higher than the tertiary sector. In the secondary sector, it is equally contributed by manufacturing and construction sector (nearly 3 percentage point each). This is a clear indication that demand-pull as well as distress-push factors are at work in Western region. Diversification of workers towards the manufacturing sector justifies the agriculture growth linkage hypothesis as it is an indication

of shift in the consumer's demand pattern. Since construction sector is known for providing poor quality of employment diversification towards it, is an indication of distress-push factors. The increase in share of tertiary sector employment was contributed by Trade, Hotel & Restaurant and Transport & Communication which is the clear indication of working of demand-pull forces. It conforms that demand-pull forces are working more intensively than distress-push forces in Western UP.

The growth of RNFS employment in Central region of the state also seems to be the result of both demand-pull and distress-push factors. Since increase in the share of RNFS employment merely contributed by secondary sector, equally by manufacturing and construction, it indicates the working of the demand-pull and distress-push factors with same intensity. The increase in the share of RNFS employment in the Eastern region is dominated by the distress-push forces as it is largely contributed by the construction sector. Though, manufacturing and tertiary sector mainly Trade, Hotel & Restaurant has registered increase in its share, but their contribution as whole in overall RNFS is less than the construction.

In Southern region of the state, growth in the RNFS employment is the clear indication of the merely distress-push forces are at work. The increase in the share of RNFS employment is contributed solely by the construction sector. The proportion of construction sector employment increased from 4 per cent in 1993-94 to 10.5 per cent in 2004-05. Moreover, the Southern region has experienced decline in the share of tertiary sector employment. It declined from 7 per cent in 1993-94 to 5 per cent in 2004-05.

Table 4: Status distribution of Usually employed (Ps+ss) workers in UP across regions

Status of Employment	Western		Central		Eastern		Southern	
	2004-5	1993-94	2004-5	1993-94	2004-5	1993-94	2004-5	1993-94
Farm	68.79	77.57	77.29	83.07	72.64	79.24	80.39	84.85
S. E.	57.4	63.09	64.94	64.67	60.25	57.84	74.24	66.78
Salaried	0.45	0.54	0.29	0.25	0.25	0.34	0.11	0.56
Casual	10.93	13.94	12.06	18.15	12.13	21.06	6.04	17.51
Non-farm	31.21	22.43	22.71	16.93	27.36	20.76	19.61	15.15
S. E.	16.61	13.02	13.88	10.93	16.15	12.95	8.27	8.22
Salaried	7.56	4.37	3.69	3.43	4.36	3.99	0.98	1.5
Casual	7.04	5.04	5.14	2.57	6.85	3.77	10.36	5.44
All	100	100	100	100	100	100	100	100

Source: Estimated from Employment-Unemployment Survey of NSS 50th and 61st round

The dynamics of the status distribution of employment in the RNFS also differs across the regions of the state. In the Western region, increase in the share of RNFS employment was contributed by self-employed, regular as well as casual employed. In the Central and Eastern regions it is contributed by self-employed and casual workers while in southern region, it is contributed only by casual workers. The increase in the share of regular RNFS employment in the Western region is an indication of improvement in the quality of employment which can be considered as the demand-pull diversification and increase in the share of casual RNFS employment as distress-push. For other regions only distress-push forces seems to work as share of regular employment remains unchanged.

The analysis of dynamics of the status distribution of employment in the farm sector too is important to understand the demand-pull/distress-push factors and its regional variation. The decline in the share of farm sector employment in the Western region is contributed by self-employed and casual employed. In the Central, Eastern and Southern regions of the state it is contributed only by Casual employed. Moreover, Eastern and Southern regions registered increase in the share of self-employed farm activities. This dynamics of status distribution of employment in agriculture sector again conform the functioning of both the demand-pull and distress-push factors in western regions while in other regions only distress-push factors are at work. Since, it is the casual workers in farm sector; face the high incidence of poverty and vulnerability. Thus, due to seasonal uncertainty and wage rate fluctuations these workers forced to hunt for RNFS employment, either inside and outside the village, for short and long duration. Casual workers in farm are the first who get affected due to the displacement of man hour used for farm activities by machine which forces them to participate in RNFS. The transformation of farm casual workers in RNFS explains the low productivity of self-employed activities in RNFS. Since casual workers in agriculture are very poor and vulnerable mode of employment, they are less likely to engage in high productive self-employed RNFS activities due to resource constraint. The facts get conformation from a comparison of poverty incidence among self-employed farm and self-employed non-farm households where former were found to be less poor than latter one (Table 5). However, self-employed RNFS activities in Western regions provide some indication of high productive activities as it supported by decline in the share of non-farm self-employed activities.

Table 5: Poverty Head Count Ratio in Rural Uttar Pradesh

Household Type	1993-94	2004-05
S.E. in Farm	36.4	26.37
S.E in Non- Farm	44.3	34.35
Farm Labour	63.5	55.3
Other Labour	52.3	48.87
Others	25.9	19.25
All	42.3	33.31

Source: Estimated from Consumer Expenditure Survey of NSS 50th and 61st Round Using Official Poverty Line

4. Employment Diversification: Demand-pull or Distress-push Process

Apart from the status of employment, association between the income growth and employment growth is another way to understand the process of diversification. Income employment relationship informs us whether workers are diversifying towards the sector experiencing high growth. Table 6 presents the sector-wise rural employment growth and NSDP growth for UP during 1983 to 1993-94 and 1993-94 to 2004-05. Since there is no separate data of NSDP for rural economy separately, we have used the NSDP growth as a whole to see whether the growth in employment was related with growth in income. It has to be recognized that economic growth is a pre-requisite for employment growth as higher income levels are necessary for expanding decent and gainful employment opportunities. Expansion of employment opportunities as such is not sufficient for enhancing the standard of living of rural households unless it is not supported with high level of economic growth. It is argued that the process of labour transfer, if it has to improve overall employment condition in rural economy has to be associated with higher economic growth in modern sector. But the situation of rural UP is reverse. The transformation of employment towards non-farm sector,

which was a result of higher growth of employment in non-agriculture sector than agriculture, was not associated with higher economic growth (Table 6). The increase in employment growth in non-agriculture sector in UP during 1993-94 to 2004-05 over the 1983 to 1993-94 was neither a result of high income growth in non-agriculture sector nor in agriculture. The growth of agriculture sector were stagnant between 1983 to 1993-94 and 1993-94 to 2004-05 and growth of non-agriculture sector decline. In spite of that employment growth in both the sector increased. Thus, experience from UP are against the Mellor's (1976) growth linkage theory. The theory argued that growth of agriculture sector lead to a substantial indirect growth in non-agriculture employment and incomes through the production and consumption linkages. Neither growth in employment nor income in non-farm sector seems to be related with the growth in agriculture sector. However, slow growth of agriculture output might be the reason for decline in output growth in non-agriculture. Not only the growth in non-agriculture sector, but overall employment growth in UP was not a result of demand-pull forces as it was not the result of the increase in NSDP growth.

Table 6: Annual Compound Growth Rate of Rural Employment (Ps+ss) and NSDP

Sector	Rural Employment		NSDP	
	1983 - 94	1994 - 05	1983 - 94	1993 - 05
Farm Sector	0.86	1.42	2.36	2.5
Mining and Quarrying	14.15	4.31	6.47	7.66
Manufacturing	0.39	5.05	6.22	3.37
Electricity Gas and Water	5.68	-1.18	9.35	-1.15
Construction	4.26	11.99	0.86	7.78
Total Secondary Sector	1.36	6.98	5.19	4.32
Trade, hotels and restaurants	4.54	5.66	4.09	2.89
Transport and communication	2.94	5.34	4.19	10.39
Other services	2.35	0.32	6.71	5.4
Total Tertiary Sector	3.2	3.34	5.42	5.28
Total Non-Farm Sector	2.36	5.07	5.32	4.98
All	1.09	2.26	3.95	4.05

Source: Employment Data is From NSS Employment-Unemployment Survey 38th, 50th, 61st Round and NSDP From CSO

The analysis of growth in labour productivity¹ across sectors also indicates the distress-push diversification. The labour productivity for manufacturing and construction was negative (Table 7). This negative value was found to be higher in case of construction than manufacturing which is a clear indication of distress-push diversification. As Sardana *et. al.* (1995) with regards to rural Haryana found the higher growth of non-farm employment in agriculturally backward district. The growth of employment was in traditional rural industries and the output per worker was declining. Trade, Hotels and Restaurants which registered highest growth of rural employment among tertiary sector is also showing negative growth in labour productivity. The transport and communication, and 'other services' showed positive growth in labour productivity that can be considered as demand-pull growth of employment. But share of these sectors in rural employment remains nearly unchanged during 1993-94 to 2004-05.

The formal and informal classification of workers can also be taken as an indicator of quality of employment. The 61st round of NSS, EUS collected information related to type of enterprises in which workers are employed. It shows that in non-agriculture activities a large proportion of workers are working as informal workers. It is well known that the informal non-agriculture sector is characterized as low productive sector. Also the informal workers do not generally enjoy employment security (no protection against arbitrary dismissal), work security (no protection against accidents and illness at the work place) and social security (maternity and health care benefits, pension etc.). According to the estimates provided by NSS, EUS about 95.2 per cent self-employed workers, 48.0 per cent regular and 84.5 per cent casual non-agriculture workers were working as informal workers.

¹ Labour Productivity is estimated, dividing NSDP of the sector by Usual Status (Ps+ss) workers of the sector.

Table 7: Labour Productivity in UP at 1993-94 prices (Rupees)

Sector	1993-94	2004-05	ACGR*
Farm Sector	8731	9854	1.1
Mining & Quarrying	56872	84696	3.7
Manufacturing	20711	17576	-1.5
Construction	28822	20367	-3.1
Electricity, Gas and Water	86451	95804	0.9
Secondary Sector	23827	19206	-1.9
Transport, Storage & Communication	27036	44726	4.7
Trade, Hotels and Restaurant	28662	23269	-1.9
Other Services	31920	56862	5.4
Tertiary Sector	30734	38469	2.1
Non-farm	28209	29678	0.5
All	14714	17446	1.5

Note: *Annual Compound Growth Rate of Labour Productivity during 1993-94 to 2004-05

Source: NSDP is obtained from CSO and Employment is estimated from NSS's EUS 50th and 61st round

6. Conclusion

The paper aims to analyse the size and nature of the RNFS employment in UP. The attempt was made to understand the sectoral, gender and regional aspects of the RNFS employment in UP. The analysis reveals that the share of RNFS employment in UP increased significantly during 1993-94 to 2004-05 while it was nearly stagnant during 1983 – 1993-94. The increase in the share of RNFS employment was largely contributed by manufacturing and construction sector. Significant difference has been found across the gender and regions of the states. The differences were observed in the size, pattern and process of the diversification. The female are less diversified towards RNFS than male and largely engaged in self-employed activities. The western regions of the state has highest share of the RNFS employment than the other region and diversifying faster.

Analysis of income and employment growth association does not provide any evidence of demand-pull process as employment growth in RNFS is not associated with income growth neither in farm or non-farm sector. The analysis of labour productivity across sectors also

reveals the same results as the labour productivity in non-farm sector as whole is quite small. Moreover, the sectors (construction and manufacturing) which experienced highest increase in its share of employment register the negative growth of labour productivity. However, the analysis of sectoral and status distribution of employment across regions provide some evidence of demand –pull transformation in western region, however, it was weaker than distress-push transformation. In other region only distress-push forces were evident.

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