

# Rural Diversification in Himachal Pradesh

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## 1. Introduction

Rural diversification is a national phenomenon in India and the hilly state of Himachal Pradesh is also experiencing this development. A large amount of literature and studies have documented the extent, nature and various facets of this diversification and Rural Non-Farm Employment (RNFE) at the national level and in the context of major Indian states. However, the information about the different facets of rural diversification and RNFS especially in the case of hilly states is an under-researched area. It is with these questions in mind we attempt to understand the nature, extent, trends and patterns of employment in RNFS in Himachal Pradesh and ii) to identify and examine the major determinants that affect access to RNFE.

The following chapter is divided into five sections. Section 1 introduces the concept; literature review is summarised in Section 2; Section 3 deals with data and methodology; Structure of RNFE in HP is sketched in Section 4; the summary and conclusion are presented in section 5.

## 2. Review of the selected Literature

RNFS exhibits an extremely heterogeneous and complex system which consists of different activities. In economic literature, different sets of definitions have been proposed. RNFS encompasses all non-agricultural activities: mining and quarrying, household manufacturing, processing, repair,

construction, trade and commerce, transport and other services in villages and rural towns have undertaken by enterprises varying in size from household own account enterprises to factories (Lanjouw and Lanjouw, 1995; Jha,2006, 2011,). All economic activities in which the rural workforce is employed, other than agriculture and allied activities included in RNFE activities (Unni, 1991; Ranjan, 2009; Abraham, 2011).

Economic literature points out that there are two major factors related to the growth of RNFS ‘push factors’ and ‘pull factors’. Push factors are primarily declining level of agriculture productivity, high land man ratio etc. which push the workers to abandon the farm sector (Himanshu *et al* ,2016 and Jatav and Sen ,2013) .On the other hand, pull factors attracts the workers towards RNFS like higher wages, better working conditions, availability of social security benefits etc. (Bhalla,1993; Visaria and Basant 1994).

## 3. Data and Methodology

Unit level NSSO data for three quinquennial rounds i.e. 50th (1993-94), 61st (2004-05) and 68th (2011-12) on Employment and Unemployment for Himachal Pradesh (HP) was used for the analysis. The data was available on a CD in .txt format. Extraction of this data was done in STATA Software, individually for all three rounds. Further in this RNFS and RNFE are used interchangeably.

## 4. Nature and Trends in RNFE in Himachal Pradesh

Table 1: Gender Wise Distribution of Rural Workers (ps+ss) across Farm and Non-farm Sector in HP 1993-94 To 2011-12(%)

State	1993-94					
	Farm			Non-Farm		
	M	F	P	M	F	P
Himachal Pradesh	65.8	95.6	80.2	34.2	4.5	19.8
All India	73.9	86.2	78.3	26.1	13.8	21.7
2004-05						
Himachal Pradesh	49.4	91.1	69.6	50.6	9.0	30.4
All India	66.5	83.3	72.7	33.5	16.7	27.4
2011-12						
Himachal Pradesh	39.1	87.0	63.0	60.9	13.0	37.1
All India	58.8	74.7	63.6	41.3	25.3	36.4

Note: M, F and P are male, female and persons respectively

Source: Computed using NSS unit-level data on employment and unemployment, 50<sup>th</sup>, 61<sup>st</sup> and 68<sup>th</sup> Rounds

Table 1 shows the gender-wise distribution of rural workers into farm and Non-farm employment in HP from 1993-94 to 2011-12. The table highlights that following the national level trend of rural diversification the rural workers of Himachal Pradesh are moving away from the farm sector towards the non-farm sector. The share of rural non-farm employment in

HP has increased nearly twice from 20 percent in 1993-94 to 37 percent in 2011-12. Further 2004-05 onwards the share of RNFE has been higher in HP than the national level. Moreover, the diversification was more prominent among male workers than female workers which are evident from table 2. In 1993-94, 34 percent of rural male workers were engaged in RNFE

however in 2011-12 this share has increased nearly twice and reached 61 percent. In contrast for female workers, the corresponding figures were 5 percent in 1993-94 and 13

percent in 2011-12. This implies that RNFE is gender-biased in which less number of opportunities are available for female workers.

Table 2 : Gender Wise Distribution of Rural Workers (ps+ss) in Rural Non-farm Employment in HP 1993-94 To 2011-12(%)

State	1993-94			2004-05			2011-12		
	M	F	P	M	F	P	M	F	P
Himachal Pradesh	34.2	4.5	19.8	50.6	9.0	30.4	60.9	13.0	37.1
All India	26.1	13.8	21.7	33.5	16.7	27.4	41.3	25.3	36.4

Source: same at table 1

Table 3: Distribution of Rural Workers (ps+ss) across RNFS in HP 1993-94 To 2011-12(%)

State/sectors	1993-94							
	Mining and Quarrying	Manufacturing	Electricity	Construction	Wholesale & Retail trade	Transport & Storage	Financing & Insurance	Community & Business services
Himachal Pradesh	0.6	16.5	3.9	32.0	15.0	4.2	1.0	26.8
All India	3.2	32.4	0.9	10.7	19.8	6.6	1.4	25.1
2004-05								
Himachal Pradesh	0.3	16.8	4.6	32.5	12.6	11.2	2.3	19.7
All India	1.9	30.0	0.6	18.2	20.0	9.5	2.6	17.1
2011-12								
Himachal Pradesh	0.5	11.3	26.5	21.0	9.7	9.6	5.7	15.8
All India	1.5	24.1	8.4	25.0	16.3	8.2	4.1	12.4

Source: same at table 1

Table 3 present the sectoral distribution within RNFS. It highlights the major subsectors which have emerged as an important source of employment for rural workers in HP from 1993-94 to 2011-12. Pursual to the table shows that during 1993-94 within RNFS more than half of the employment was being generated by construction and community and business services sectors. However, in 2011-12, the construction has

remained an important employment provider to rural workers but the share of community and business services declined and that of electricity increased. For male workers during 2011-12, the share of both electricity and construction sector was more than 20 percent and more than 40 percent of male employment was generated by these two sectors alone (table 4).

Table 4: Distribution of Rural Male Workers (ps+ss) across RNFS in HP from 1993-94 To 2011-12(%)

States/Sectors	Mining and Quarrying	Manufacturing	Electricity	Construction	Wholesale & Retail trade	Transport & Storage	Financing & Insurance	Community & Business services
Himachal Pradesh	0.6	14.0	3.8	34.9	15.1	4.7	1.1	25.8
All India	3.2	26.7	1.1	12.1	21.2	8.5	1.6	25.5
2004-05								
Himachal Pradesh	0.4	15.1	5.1	36.4	13.3	12.1	2.4	15.2
All India	1.9	24.3	0.8	20.9	21.5	11.9	2.8	15.9
2011-12								
Himachal Pradesh	0.4	12.3	23.2	25.2	10.3	11.3	4.9	12.4
All India	1.6	20.0	6.0	28.9	17.9	10.3	4.1	11.3

Source: same at table 1

Table 5 : Distribution of Rural Female Workers (ps+ss) across RNFS in HP from 1993-94 To 2011-12(%)

States/Sector	1993-94							
	Mining & Quarrying	Manufacturing	Electricity	Construction	Wholesale & Retail trade	Transport & Storage	Financing & Insurance	Community & Business services
Himachal Pradesh	0.7	37.3	4.3	8.8	14.5			34.4
All India	3.1	51.4	0.2	5.7	15.0	0.4	0.5	23.8
2004-05								
Himachal Pradesh		26.6	1.7	9.5	8.2	5.7	1.4	46.9
All India	1.8	50.2	0.1	8.7	14.8	1.0	2.0	21.5
2011-12								
Himachal Pradesh	0.9	6.4	41.8	1.6	6.8	1.5	9.3	31.7
All India	1.4	39.2	17.0	10.4	10.7	0.5	4.3	16.5

Source: same as table 1

As discussed above RNFS was providing comparatively fewer employment opportunities for rural female workers. The sectoral distribution of female workers into different subsectors of RNFE are given in table 5. During 1993-94 and 2004-05, more than 70 percent of rural female workers of HP have concentrated in manufacturing and community and business services alone. However, in 2011-12, the share of manufacturing sector declined from 27 percent in 2004-05 to 6 percent in 2011-12. A new sector i.e. electricity became a major sector within RNFS which employed nearly 42 percent of rural female workers. At national level sectors like manufacturing, construction, wholesale and retail trade are the major employment provider for rural female workers. However in HP due to geographical and cultural differences, these sectors are not prominent.

## 5. Conclusion

This paper tried to understand the process of rural diversification along with the growth of RNFS undertaking in the hilly state of Himachal Pradesh from 1993-94 to 2011-12 and also analysed the major determinants of RNFE based on unit-level data of NSSO. RNFS has emerged as an important source of employment for rural workers of HP whereby the opportunities for employment in agriculture are very less due to topographical reasons. However, RNFS is more biased towards male workers than female workers regarding providing employment. The study highlights that skill and education are one of the major determinants of RNFE so much of emphasis must be on providing skill and better education to rural folks in the hilly states so that the prospects of finding gainful employment in RNFS can be enhanced.

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