

Rural India learns new ways to earn its living

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Playing a word association game with 'rural India' typically generates images of 'tradition', 'poverty', 'caste hierarchy' and 'stagnation'. Such associations remain partly valid, but things are changing. Traditional occupations such as potter and weaver are in decline, with negative implications for livelihoods. Other changes are more positive: India has become self-sufficient in major foods, rural poverty is declining, albeit slowly, and new options for earning a living are being generated in areas where agriculture has become more dynamic.

With the support of the Department for International Development, the Livelihood Options study surveyed some 720 households of different castes and classes over a full year in 12 villages in two contrasting states of India – Andhra Pradesh and Madhya Pradesh – to identify how rural livelihoods are changing and how policy measures might best support them. The divide between the urban 'feelgood' factor and rural poverty much debated in the recent national elections was in strong evidence. But more insidious at both state and central levels was the creeping paralysis rooted in fiscal crisis: India's deficit is approaching 10 per cent of GDP and is among the highest in the world. In many sectors, there is only just enough money to pay public sector employees, let alone finance operating costs.

The impending financial crisis makes it doubtful whether the new government can meet its election promises to maintain agricultural subsidies, which in any case are geared mainly towards wealthier farmers in wealthier states. These amount to some 3 per cent of GDP, with around the same again paid in other transfers for poverty reduction and rural development. Fiscal crisis increases the pressure to make these transfers more efficient. The Indian government's own studies have questioned the cost-effectiveness of many types of transfer.

Against this background, the Livelihood Options study makes a radical proposal for reaching the poor through social pensions, using funds switched from less effective transfer schemes. The argument here is that the rural elderly are disproportionately represented among the poorest and



Diverse products at a village market in Andhra Pradesh
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cannot fully engage in economic activity. Relatively non-corrupt channels exist by which pensions can be paid – the post offices and banks – and some transfer from less effective schemes such as rural housing would allow existing (but underfinanced) pensions provisions to be implemented more fully. It would also release current informal transfers for more productive uses.

One of the major findings of the study is that poor people are adapting to change with little support from government – other than basic transport and communications infrastructure. Three decades ago, there would have been profound dismay if the impending decline of the common lands – through over-exploitation, encroachment by agriculturists and so on – could have been foreseen. They accounted then for around 25 per cent of the incomes of poor segments. Now they account for fewer than 10 per cent. Poor people's survival and accumulation strategies have had to adapt. There has been widespread innovation in agriculture – for example small farmers organising shared irrigation for vegetable production – but not as extensively and fast as it could have been had credit been widely available and research and advisory services more client-oriented.

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A more widespread example of adaptation is found in the massive increase in mobility, both for daily commuting and seasonal migration. Rural people are becoming more mobile but official statistics tend not to capture temporary migration and commuting by the poor for work. Roughly 47 per cent of households in Madhya Pradesh and 17 per cent in Andhra Pradesh had at least one member who had worked seasonally either in an urban or another rural area. Both had between 10 and 12 per cent of households with at least one member commuting to a nearby town. On average, seasonal migration contributed 51 per cent to annual income across all households in Madhya Pradesh and 15 per cent in Andhra Pradesh. Commuting contributed 5.5 per cent and 6.5 per cent respectively. Commuting was more marked in villages close to towns, and migration especially marked in the more remote, rain-fed farming villages where local job opportunities were limited. Generally it is not the poorest who migrate – often these are tied to the household through sickness, old age, and high dependency ratios, as well as a lack of confidence and contacts that reduce the risks of migration.

India's government certainly needs to inform itself better about migration, and to take supportive action. But in many cases the agricultural economy will benefit from less government, not more: the dismantling of trade barriers between states needs to be fully implemented, wholesale markets need to be deregulated, and the purchase of forest products other than timber needs to be de-monopolised. Under India's outgoing government, rural reality lagged behind the rhetoric of reform. Few fear that the incoming government will fail to close this gap. But the danger is of slipping back towards the protectionism of the Gandhi years.

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