

Is NREGA denying Labour
Access to Manufacturing?
Evidence from Tamil Nadu
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Some Key Indicators of Tamil Nadu's Development

- One of the fastest growing states in the post-reforms period
- Much more diversified than most states with manufacturing and services accounting for a larger share of output (Manufacturing output next only to Maharashtra)
- Manufacturing and urban service sector growth is more diffused, drawing upon labour from adjoining rural areas.
- High levels of social infrastructure too- one of the highest literacy levels, and the highest gross enrolment ratios for primary, upper primary (11-14) and secondary education (14-18) in the country.
- Relatively higher educational attainments appear to have served to increase rural-urban mobility

High Growth and Agricultural Stagnation

- Agricultural income has declined over the period 1993-4 to 2005-06 from 24.82 per cent to 13.3% of total state domestic product.
- Returns to farming have consistently declined. In 2004-05, the average income from cultivation (Rs. 7908) was lower than the amount spent on cultivation (Rs. 8597)
- While at the national level 45 per cent of income for farmers come from cultivation, in TN, it is less than 30 per cent
- 75 per cent of the rural households are indebted which is next only to Andhra Pradesh in the country
- Has the largest proportion of households that do not own land other than homestead land (55.43 per cent of rural households)

High Growth and Agricultural Stagnation. Contd..

- Evidence of *depeasantisation* or proletarianisation of marginal farmers
- Rural employment too has stagnated. Tamil Nadu is the only state that has a negative growth of employment in the post 1990s
- Interestingly, the wage rate increase in the 1990s, even the real wage rate for rural labour in Tamil Nadu, is the highest in the country.
- Possibly indicative of a tight labour market driven by labour demand in other sectors.

Context for studying NREGA Implementation

- Increasing complaints from business associations on labour shortage
- Reliance on inter-state migrants in several sectors- textiles and garments, construction, brick kilns, retail services, etc.
- NREGA on the back of several state-level welfare schemes like subsidized rice, dal, other cooking ingredients and cooking oil.
- NREGA perceived as a hindrance to access labour, particularly in export sectors like textiles.
- Global recession has also impacted the quantum of employment in this sector.

Research Questions and Method

– Questions

- *Has the NREGA really affected supply of labour to the knitting and powerloom sectors?*
- *What are the implications of NREGA implementation for labour markets in non-agricultural sectors?*

– Method:

- *Primary fieldwork among exporters and workers in the knitwear and powerloom sector who have returned to their villages*
- *Secondary Data on employment demanded in the Tiruppur area from <http://nrega.nic.in/>*

Study Area

- Panchayats adjoining Tiruppur (a district now, but a part of Coimbatore Dt till a few months ago), a high growth centre for knitwear garment exports.
- Most workers are employed in the export garments and power loom sectors
- Frequent complaints of labour shortage, particularly in the last 2 years.
- Exporters often attribute this shortage to NREGA and other state govt welfare schemes
- Tiruppur Exporters Association (TEA) has even demanded a scheme similar to NREGA for urban areas to prevent reverse migration!
- Global recession and power supply interruptions have affected the sectors leading to reduced employment

Demand for NREGA Employment

- Employment offered for nearly 7.3 lakh persondays in 2008-09 for the Coimbatore Dt as a whole
- But zero employment demand in the three blocks in and around Tiruppur- Tiruppur, Avinashi and Palladam!
- But there has been a sudden increase in demand in all the three blocks between 2009-2010 (till August 2009)
-10380 households in Palladam block, 1898 households in Avinashi block and 1097 households in Tiruppur block
- Indicative of a push factor from the industry rather than a pull from agriculture/NREGA

Evidence from Fieldwork

- Evidence of Reverse Migration; Many have gone back to the villages due to the reduced income in Tiruppur and other industry level factors and not due to pull factors from the villages.
- Most families need to work a minimum of 12 hours a day in Tiruppur to meet their income requirements.
- Recession has affected quantum of employment, with many firms reducing the number of hours of work.
- In many households, only women workers have gone back to work in agriculture/NREGA
- However, income from agriculture or NREGA is seen to be neither adequate nor long-term to meet their needs
- Many plan to return to work in Tiruppur once the employment prospects improve

Possible Inferences

- It is the lower real incomes for workers in the export garment sector that appear to influence worker participation levels.
- NREGA and other welfare measures may have contributed to increasing the reserve price of labour.
- NREGA therefore appears to have the potential to have a virtuous linkage with labour markets in the manufacturing sector as well.
- More in-depth studies are however required to capture this dimension.
- The movement of more number of women back to the villages on account of NREGA and implications for gender relations need further exploration