

## 1. The link between jobs, farming and climate

### Context:

- ▶▶ Growth has slowed for the past few quarters — the past two-and-a-half years, if we go by annual growth rates. The report of the last Periodic Labour Force Survey point to a dramatic rise in the unemployment rate since 2011-12.

### Status of Unemployment:

- ▶▶ Periodic Labour Force survey points out that unemployment in the ‘Urban Females’ is highest in the 45 years since 1972-73. For ‘Rural Males’ in 2017-18, it is four times the average for the 40 years up to 2011-12.
- ▶▶ These figures should convince us of the existence of a grave situation, if not crisis, with respect to employment in the country.

### Why recent Government Measure doesn't address the problem?

- ▶▶ The government has responded to the slowing of growth by announcing a range of measures, the most prominent of them being the reduction in the corporate tax rate.
- ▶▶ Policy focus is disproportionately on the tax rate, the ease of doing business in the non-agricultural sector and a fussy adherence to a dubious fiscal-balance target. While this may have a positive effect, the move is not based on the big picture.
- ▶▶ The tax cut is meant to be a remedy for stagnant corporate investment. But if the level of corporate investment itself reflects some underlying reality, it is only by tackling the latter that we can get to the root of the problem. **A large part of corporate sales is driven by rural demand**, reflected in the reported lay-offs by biscuit manufacturers.

### Why Rural Growth Matters?

- ▶▶ The rural picture matters not only because **The Largest Numbers are located there but also because of their Low Incomes.**
- ▶▶ This means that the future growth of demand for much of industrial production is likely to come from there.
- ▶▶ For example how many more flat-screen televisions can an urban middle-class household buy once it already possesses one?
- ▶▶ The high unemployment rate for ‘Rural Males’ does suggest that we have zoomed in up to a reasonable degree of precision on the site of low demand.

### Why Rural Incomes are Growing Slowly:

- ▶▶ The recent history of crop **agriculture** points towards one reason. In the nine years since 2008-2009, this activity has recorded zero or negative growth in five. Put differently, in the majority of years, it has shown no growth.
- ▶▶ When growth fluctuations include production decline, a particular feature emerges. **Households incurring consumption debt in bad crop years would be repaying it in the good ones. This implies that consumption does not grow appreciably even in good years.**
- ▶▶ However, other factors such as low export growth, state of the banking sector are considerable reason for this slow growth.

### How Unstable Agricultural Production led to Slow Economic Growth?

- ▶▶ Unstable agricultural production **First Lowers the demand for agricultural labour** and, subsequently, its supply, showing up in greater unemployment.
- ▶▶ It has been pointed out that the investment rate has declined. This is indeed correct but this may well be a reflection of the poor agricultural performance. Private investment both follows output growth and leads it.
- ▶▶ When non-agricultural firms observe slow agricultural growth, they are likely to shrink their investment plans and may not revise their decision till this growth improves. Thus, attempting to influence the private investment rate is to only deal with a symptom. **It is rural income generation that is the problem.**

### Role of Ecological Factors Causing Disruption in Agricultural Production:

- ▶▶ Observing the performance of crop agriculture since 2008-09, we are witnessing stagnation.
- ▶▶ There is not a role for ecological factors in causing agricultural stagnation. These factors **encompass land degradation involving loss of soil moisture and nutrients, and the drop in the water table, leading to scarcity which raises the cost of cultivation.**
- ▶▶ Almost all of this is **directly man-made, related as it is to over-exploitation or abuse, as in the case of excessive fertilizer use,** of the earth's resources.
- ▶▶ Then there the increasingly erratic rainfall, seemingly god-given but actually due to climate change entirely induced by human action.

---

### Long Term Solution:

- ▶▶ Any long-term solution to the problem of unemployment to which the slowing growth of the economy is related must start with agricultural production.
- ▶▶ **A deeper adaptation is required to deal with the climatic and ecological factors.** Intelligent governance, resource deployment and change in farmer behaviour would all need to combine for this.
- ▶▶ It is now time to draw in the public agricultural institutes and farmer bodies for their views on how to resuscitate the sector.

