



Rural Diversification and Socio-Economic Differentiation in Tamil Nadu: Some Policy Inferences

A Draft Report



**STATE PLANNING COMMISSION
CHENNAI - 600 005**





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FOREWORD

The Dravidian movement has always privileged modernisation of the economy. The reasons are two-fold. One, it was seen as a means to overcome barriers posed by caste-ascribed division of labour. Second, modernisation is important to ensure better labour productivity and hence better-quality jobs, as well as to increase the number of such jobs available in the economy. The emphasis on education as well as affirmative action policies in the domain of employment in our long history of policy intervention is testimony to this.

The various interventions over the last five to six decades have indeed succeeded in ensuring a higher degree of modernisation of the economy than most states in the country. Tamil Nadu is home to a vibrant manufacturing as well as a services economy with agriculture accounting for only around 11 per cent of the state's GDP. We have also been successful in helping workers diversify out of low productivity agriculture into other sectors more than other states through investments in education and support for industrialisation. Though we must take credit for our achievements, we need to address the remaining gaps in this process as we move forward to strengthen the Dravidian model of development for all. This report is an intervention in this regard.

Based on detailed analysis of unit level data on rural households in Tamil Nadu, the Report identifies some of the gaps in ensuring such inclusive development. In terms of policy priorities, the following observations are important.

To begin with, though rural Tamil Nadu is one of the most diversified with relatively low dependence on agriculture, more than 52% of workers report dependence on agriculture (including dairying) for their incomes. Agriculture may therefore not be a major source of income, but continues to play an important role as a source of livelihood.

Educational attainments of members of rural households in Tamil Nadu are lower than the state average and therefore need to be improved to ensure equality of opportunity in access to education and employment. This is especially important as the Report also points out that wages/salaries of workers improve only after a threshold of educational attainment. Average incomes tend to increase only after workers complete their graduation. Educational attainments are also found to reduce gender disparities in wage incomes. Simultaneously, there is a need to improve employment opportunities for the educated youth as the levels of unemployment among educated rural youth too is higher.

There is also a difference in access to land and better income earning opportunities across social groups. Members of SC households have better access to education and non-farm employment opportunities than in many states, but tend to lag behind BC household members with regard to access to land, tertiary education and entry into 'regular employment'. This is true of members of Scheduled Tribes as well.

Rural Diversification and Socio-Economic Differentiation in Tamil Nadu: Some Policy Inferences

Key Findings:

Rural Tamil Nadu (TN) is highly diversified but more than 52% of workers report agriculture (including dairying) as the principal activity. This implies that though agriculture is not the major source of income, it continues to play an important role as a source of livelihood. Across social groups, it plays a bigger role for Scheduled Caste (SC) workers than for Other Backward Classes (OBC) workers possibly indicating that OBC members have been able to diversify out of agriculture more than members from SC households.

Educational attainments of members of rural households in Tamil Nadu tend to be lower than the state average. Within rural Tamil Nadu, 11% of members of Agricultural Households¹ have tertiary educational qualifications whereas it is only 6.5% for Non-agricultural Households. Only 9.7% of OBC members and 5.6% of SC members are able to attain such qualifications. Among both agricultural and non-agricultural households, educational attainments tend to be relatively higher among OBC households compared to SC households. Even among the younger cohort in the 15-40 age group, only 17.6% of OBC members and 9.1% of SC members report to have tertiary educational qualifications. Access to land therefore appears to work in conjunction with caste status to generate differential access to higher education. If human capital is critical to economic mobility, this is likely to generate differential mobility across these groups. While

the importance of improving the educational attainments of members of rural households cannot be overstated, it is also important to ensure equitable access across social groups. The barriers to improving this however require closer examination.

It's only when sample members complete graduation or higher levels of education do we observe an increase in average incomes. It appears that educational attainments aid improvements in incomes only after a threshold. Without denying the need for better skill endowments, this observation raises questions about the emphasis on vocational skill sets in recent skill development initiatives.

While there is a stark gender difference in wage incomes for those with primary and lower than primary educational qualifications, the differences reduce as educational attainments increase. In fact, in the 'graduates and above' category, women earn marginally higher than male workers.

Close to 21% of rural workforce in TN are in some form of self-employment. It is only among the households which also hire labour for their enterprise can we anticipate relatively better incomes. The overall share of such enterprises is less than 3 per cent.

Moving to regular waged employment which can potentially offer a degree of income security, the share in rural Tamil Nadu is less than 10%.

¹ For the purpose of this survey, an agricultural household was defined as a household having some production from agriculture activities (including livestock) during last 365 days and having at least one member self employed in agriculture during last 365 days. The total value of agricultural produce for that period should be more than INR 4000.

The remaining households are categorised as non-agricultural households.

Interestingly there is a clear difference in share of individuals earning regular salary/wages across social categories. The percentage of individuals earning regular salary/wages among ST individuals is only around 3%, it is 7% for SCs, 9% among OBC and 12% among Other communities respectively. This correlates to levels of educational attainments.

On the contrary, the share of those in casual work in the private sector is much higher among members in SC households compared to OBC households. It is in fact more than double that of OBC households.

19% of sample members with tertiary qualifications report that they are seeking but unable to find work. This share of those unable to find work is much lower for those with lower educational qualifications. This throws up an interesting paradox. While access to tertiary education definitely enhances access to regular employment and hence more secure incomes, there are also large numbers who fail to secure such employment. Going forward, this is likely to be the biggest challenge for rural transformation in the state apart from issues of productivity and marketing of agricultural output.

Significantly, nearly 17% report to be involved solely in domestic duties. Almost 34% of women above the age of 15 in rural TN report to be attending only to domestic duties. This share does not reduce with higher levels of education. While 15.7% of those with primary and lesser years of schooling are engaged in domestic work, 15.9% of those with tertiary qualifications are also involved solely in domestic work. In

other words, investments in education of women is not translating adequately into participation in the labour market.

Worryingly, a larger share (18.7%) reported to be attending only to domestic duties among the younger members compared to 14.8% among the older set. This observation suggests lower workforce participation even among the younger women.

More than 33% of members with least educational attainments are in casual employment in the private sector. And, just over 8% of members with tertiary educational qualifications report to be in casual employment. On the contrary, higher educational attainments is positively associated with representation in regular wage/salaried employment.

Average wage and salary incomes for SC and OBC households are marginally higher than ST households but much lower than that for households in the general category. Given that the bulk of the rural households are SC and OBC households, the overall average incomes reflect their average incomes.

Apart from construction, textiles and garments play an important role in the diversification of rural households away from agriculture. In the non-farm sectors, SC households are under-represented in retail but adequately represented in food and beverage service activities.

Incomes for OBC households too tend to be much higher compared to that for SC households. The reasons require more research and policy attention.

Rural Diversification and Socio-Economic Differentiation in Tamil Nadu

Rural diversification is an important aspect of economic development. The extent to which households and working population are able to move out of low productive agriculture into higher productive non-agricultural jobs and livelihoods is critical to inclusive development. Tamil Nadu is a state that has managed this transition better than most states in the country. Differences in the ability to exit agriculture and access better income opportunities however persist across regions and social groups. This report is an attempt to capture differences in income, education and livelihood opportunities across social groups in rural Tamil Nadu. The report is based on an analysis of unit-level data for Tamil Nadu from the National Sample Survey report titled “Situation Assessment of Agricultural Households and Land and Livestock Holdings of Households in Rural India, 2019” conducted during July 2018-June 2019. An earlier report published by the SPC focused on overall trends in rural Tamil Nadu based on consolidated published data. The objective therefore is to look

at this phenomena with the help of more granular data.

The estimated population of rural households in the state of Tamil Nadu was 97,69,400 households of which 25,82,500(26.4%) are agricultural households and 71,86,900(73.6%) are non-agricultural households. The survey was conducted in two rounds over which 2945 Households were surveyed. The number of individuals surveyed in these households is around 11,540. The average household size is around 3.6.

To begin with, we look at the caste composition of sample households and their relative diversification out of agriculture.

Caste Composition and Non-Farm Diversification:

Table 1 provides information on the overall profile as well as the social category of households involved in agricultural or non-agricultural activity in rural Tamil Nadu.

Table 1: Social Category and Economic Nature of Rural Households

Values in %

S. No.	Social Category	TAMIL NADU			INDIA		
		AGRI HOUSEHOLDS	NON-AGRI HH*	ALL	AGRI HH	NON-AGRI HH	ALL
1	ST	1.2(15.4)	2.4(84.6)	2.1(100)	14.2(62.5)	10.0(37.5)	12.3(100)
2	SC	20.2(18.0)	33.1(82.0)	29.7(100)	15.9(39.6)	28.4(60.4)	21.6(100)
3	OBC	78.3(30.6)	63.9(69.4)	67.7(100)	45.8(55.6)	42.8(44.4)	44.4(100)
4	OTHERS	0.3(16.9)	0.5(83.1)	0.5(100)	24.1(60.1)	18.8(39.9)	21.7(100)
5	TOTAL	100(26.4)	100(73.6)	100(100)	100(54.0)	100(46.0)	100(100)

Values in () represent row %ages

Note: **HH' refers to households throughout the report.

Source: NSSO 77th round unit level data: Land and Livestock holding of households and situation assessment of agricultural households, Ministry of statistics and programme Implementation.

Only around one in four households in Tamil Nadu is an agricultural household, while remaining three fourth of them are primarily engaged in non-agricultural activity. However, at the national level one out of every two household are engaged in agricultural activity. Diversification is therefore much higher in the state. However, there are differences across social groups.

Though Scheduled Caste (SC hereafter) households account for almost 30% of rural households in Tamil Nadu, they account for only around 20% of agricultural households. On the other hand, OBC households account for close to 68% of rural households but comprise around 78% of agricultural households. This shows that a slightly larger share of rural OBC households are engaged in farming on their own lands and hence have better access to land. However, both sets of households have diversified considerably out of agriculture. Only 18% of SC households and 30.6% of OBC households report as agricultural

households. Rural Tamil Nadu is therefore a highly diversified economy.

Compared to the all-India average, there is therefore a higher diversification of both SC and OBC households out of agriculture. This is true of the general category as well though the share of the 'general category' is negligible in the case of TN. ST households too account for only 2.1% of all rural households in the state. This report therefore does not engage with these 2 categories of households and focuses primarily on SC and OBC households.

Given that access to education has been a key driver of social and economic mobility, we next look at the educational attainments and differences across rural households in the state.

Educational Attainments of Rural Households:

The report provides information on highest educational attainments of individual members of the sample households (Table 2).

Table 2: Educational Qualification of Individuals of age above 15 per cent in Rural Households of Tamil Nadu.

Values in %

S. No.	Level of Education	TAMIL NADU		
		AGRI HH	NON-AGRI HH	ALL
1	Primary and Below	41.9	46.4	45.1
2	Secondary and above Primary	32.0	33.6	33.2
3	Higher Secondary & Diploma	15.2	13.5	14.0
4	Graduate and Above	10.9	6.5	7.8
5	Total	100	100	100

Values in () represent row %ages

Source: Same as Table 1

Overall, 45% of individuals in rural households of Tamil Nadu report to have studied only up to the primary level. Another 33 per cent report to have up to secondary level qualifications. In other words, around four fifth of rural population in Tamil Nadu belong to these two categories. As for differences between agricultural and non-agricultural Households, except for the 'secondary and below' category, there is a consistently lower level of educational attainments across all categories among the non-agri households. **The differences are however not that high except at the upper end. While 11% of members**

of agricultural households have tertiary educational qualifications, it is only 6.5% for non-agricultural households. This maybe suggestive of the possibility that access to land has a bearing on the ability to access tertiary education. And if educational attainments are critical to non-farm incomes, this may lead to perpetuation or aggravation of economic divide between the landed and the landless.

Next, we look at the relationship between social categories and educational attainments in rural TN (Table 3).

Table 3: Educational Qualification of Individuals of age above 15 years in Rural Households of Tamil Nadu across Social Groups

Values in %

S. No.	Level of Education	OBC (TAMIL NADU)			SC (TAMIL NADU)		
		AGRI HH	NON-AGRI HH	ALL	AGRI HH	NON-AGRI HH	ALL
1	Primary and Below	41.4	42.6	42.2	43.3	52.5	50.7
2	Secondary and above Primary	31.1	35.3	33.9	35.2	30.6	31.5
3	Higher Secondary & Diploma	15.5	13.5	14.2	12.2	12.2	12.2
4	Graduate and Above	12.0	8.6	9.7	9.3	4.7	5.6
5	Total	100	100	100	100	100	100

Source: Same as Table 1

Around half of the individuals belonging to SC households do not have more than primary level educational qualifications. At around 42%, the share is also high among OBC members. In fact, when we include members who have completed secondary education, the difference is a bit less, with 76.2% of OBC households and 83.1% of SC HH members reporting such low educational qualifications. Given the much higher share of OBC households in rural Tamil Nadu, this implies that a larger number of OBC members have low educational attainments.

At the tertiary level, only 9.7% of OBC members and 5.6% of SC members are able to attain such qualifications. Importantly, it is observed that in both social groups, individuals in agricultural households have better educational qualification than non-agricultural households. For example, among OBC members, while 12% from agricultural households have managed to attain tertiary education, this share falls to 8.6% for non-agricultural OBC households. Similarly, 9.3% of SC members from agricultural households

have completed tertiary education compared to just 4.7% among non-agricultural households. This once again suggests a relationship between access to land and access to education. This table also suggests caste differences even among landed households. Among agricultural households, OBC households report relatively more share of members with higher educational qualifications than SC households. Land therefore appears to work in conjunction with caste status to generate differential access to higher education. Nevertheless, the importance of improving the educational attainments of members of rural households cannot be overstated. The barriers to improving this however require closer examination.

While the above discussion pertains to educational qualifications across all age groups, it is important to look at differences in these attainments among the younger cohorts. We therefore next look at the levels of education across agricultural and non-agricultural households among the 15 to 40 age group in the sample households.

Table 4: Educational Qualification of Individuals of age Above 15 and Below 40 in Rural Households of Tamil Nadu

Values in %

S. No.	Level of Education	OBC (TAMIL NADU)			SC (TAMIL NADU)		
		AGRI HH	NON-AGRI HH	ALL	AGRI HH	NON-AGRI HH	ALL
1	Primary and Below	16.6	20.4	19.2	19.0	25.8	24.4
2	Secondary and Above Primary	33.6	41.6	39.0	45.1	43.4	43.8
3	Higher Secondary & Diploma	27.8	22.6	24.3	20.5	23.3	22.7
4	Graduate and Above	22.1	15.4	17.6	15.4	7.5	9.1
5	Total	100	100	100	100	100	100

Source: Same as Table 1

As Table 4 indicates, the levels of attainments are uniformly higher for this age group. Almost 60% of OBC sample individuals and 68% of SC individuals have secondary level or lower qualifications. Overall tertiary educational qualifications continue to be low when we consider that the state as a whole has a Gross Enrollment Ratio of almost 50% in tertiary education. The differences between agricultural and non-agricultural households, and between

SC and OBC households do persist for the younger members of these households as well.

We next look at differences in wage and salary income across these groups.

Non-farm Wage Income Differences among Rural households in TN:

Overall, education levels do not seem to make a difference to wage incomes except at the tertiary level (Table 5).

Table 5: Average wage/salary per month of individuals above 15 years of age by Educational Qualification

Values in Rs.

S.No.	Level of Education	AVERAGE WAGE / SALARY per month		
		AGRI HH	NON-AGRI HH	ALL
1	Primary and Below	6006	8427	7847
2	Secondary and Above Primary	6151	8035	7481
3	Higher Secondary/Diploma	7793	9360	8947
4	Graduates and Above	13531	9688	11002
5	Total	6522	8422	7927

Source: Same as Table 1

There is only a marginal increase in wages for those with higher secondary education or a diploma compared to those with lower educational qualifications. **It's only when household members complete graduation or higher levels of education do we observe an increase in average incomes.** This partly correlates with the state having the highest gross enrollment ratio as well as demand for tertiary education among youth. This also raises questions about the emphasis on vocational skill sets in recent skill development initiatives. **It appears that educational attainments aid improvements in incomes only after a threshold.**

The next policy inference pertains to differences in average wage and salary incomes between

agricultural and non-agricultural households independent of levels of education. We find that across all educational groups, salary/wage income levels for non-agricultural households are higher. While this difference narrows down considerably for those with tertiary education, the differences are particularly stark for the least educated category, with members of non-agricultural households reporting almost double the income of those in agricultural households. This may have to do with the possibility that members of agricultural households spend less time working in the non-farm economy. We next examine whether there are gender differentials in returns to education in rural Tamil Nadu (Table 6).

Table 6: Average wages/salary per month of individuals of age above 15 years across Gender

Values in Rs.

S. No.	Level of Education	AVERAGE Wages / salary		
		Male	Female	ALL
1	Primary and Below	8727	4341	7847
2	Secondary and Above Primary	7437	7889	7481
3	Higher Secondary/Diploma	8981	8651	8947
4	Graduates and Above	10844	11834	11002
5	Total	8404	5460	7927

Source: Same as Table 1

While there is a stark gender difference in wage incomes for those with primary and lower than primary educational qualifications, the differences reduce as educational attainments increase. In fact, in the ‘graduates and above’ category, women earn marginally higher than male workers.

For women workers too, the returns to tertiary education are therefore significant. Further, improvements in educational attainments improve their relative incomes as well. We next move on to understand the nature of employment and income source among rural households.

Employment Status of Principal Activities of Individuals in Rural Households of Tamil Nadu

An analysis of principal activities of individuals in rural TN households (table below) reveal that around 15% of individuals are self-employed (which includes cultivation on farm), of which 12% are engaged as own account workers and 3% are engaged as employers. An additional 5.6% report to be working as helpers in these enterprises. Together, close to 21% of rural workforce in TN are in some form of self-employment (Table 7)

Table 7: Principal Activity of individuals of age above 15 in Rural Households.

Values in %

S. No.	Principal Activity	Tamil Nadu				
		ST	SC	OBC	Others	All
1	Own account worker	18.1	8.3	13.3	13.2	11.9
2	Employer	1.1	1.0	3.5	0.3	2.7
3	Worked as helper in HH enterprise	3.0	2.5	7.1	1.7	5.6
4	Worked as regular salaried/wage employee	3.1	6.9	9.3	12.2	8.5
5	Worked as Casual wage labour in public works other than MGNREG works	4.3	4.8	1.6	-	2.6
6	in MGNREG works	1.9	2.6	3.8	-	3.4
7	in other types of work	22.8	36.8	20.6	46.3	25.5
8	Did not work but was seeking and/or available for work	4.2	3.0	3.5	-	3.3
9	attended educational institution	12.3	9.2	11.6	7.3	10.9
10	Attended domestic duties only	27.6	15.5	17.0	17.3	16.8
11	attended domestic duties and was also engaged in free collection of goods	0.9	2.5	3.0	0.8	2.8
12	rentiers, pensioners, remittance recipients etc	0.2	3.2	3.2	0.6	3.1
13	not able to work due to disability	-	0.8	1.1	-	1.0
14	others	0.6	2.8	1.6	0.2	1.9
15	Total	100.0	100.0	100.0	100.0	100.0

Source: Same as Table 1

Self-employment is also higher among the OBC households. On the contrary, the share of members from SC households working in casual employment is much higher than for OBC households.

Given the fragmented nature of landholdings and the fact that bulk of self-employed is in own account enterprises, it is safe to surmise that such activities are not highly remunerative. It is observed that around 31% of individuals in agricultural households in rural Tamil Nadu are engaged as self-employed (Own account and employer) whereas only around 8% of individuals in non-agricultural households are engaged as self-employed. This suggests that access to land for cultivation influences the extent of self-employment in rural TN. The fact that bulk of households are non-agricultural households also

implies a lower share of self-employment in the state compared to other states.

It is only among the households that also hire labour for their enterprise can we anticipate relatively better incomes. The overall share of such enterprises is less than 3 per cent. It is observed that within this category, OBC members' share is higher though the share is small even for this segment (3.5%). Again, as expected, the share as well as the share of those helping out in self-employed enterprises is higher for agricultural households.

Moving to regular waged employment which can potentially offer a degree of income security, the share in rural Tamil Nadu is less than 10%. Interestingly there is a clear difference in share of individuals earning regular salary/wages

across social categories. The percentage of individuals earning regular salary/wages among ST individuals is only around 3% whereas it is 7% for SC individuals, 9% among OBC and 12% among Other communities respectively. The share, interestingly, falls for those in agricultural households and holds good across caste groups. However, a higher share of members from agricultural households report to be in education. If education is the means to access regular employment, this paradox of agricultural households having a lower share of members in regular employment but a higher share in education needs to be understood better. It may also be influenced by the demands of self-employment in cultivation.

On the contrary, the share of those in casual work in the private sector is much higher among

members in SC households compared to OBC households. It is in fact more than double that of OBC households. The difference is even higher in the case of agricultural households though in terms of magnitude the share of members working as casual labour is much less.

Overall about 11% are enrolled in education with members from OBC households reporting a slightly higher share than those from SC households. **Significantly, almost 17% report to be involved solely in domestic duties.** The gender composition of this share needs to be looked at.

We next look at Principal activity of individuals for those in agricultural households alone (Table 8).

Table 8: Principal Activity of Individuals in Agricultural Households

Values in %

S. No.	Principal Activity	Tamil Nadu Agricultural HH				
		ST	SC	OBC	Others	All
1	Own account worker	20.6	23.1	23.2	26.0	23.1
2	Employer	6.9	5.2	8.4	1.3	7.8
3	Worked as helper in HH enterprise	19.2	10.6	17.3	6.3	15.9
4	worked as regular salaried/wage employee	10.6	6.3	7.6	14.5	7.4
5	Worked as Casual wage labour in public works other than MGNREG works	-	0.4	0.6	-	0.6
6	in MGNREG works	0.1	1.8	2.1	-	2.0
7	in other types of work	7.0	19.9	7.8	17.1	10.2
8	did not work but was seeking and/or available for work	2.5	2.9	2.5	-	2.6
9	attended educational institution	12.1	9.8	12.6	18.8	12.1
10	attended domestic duties only	10.3	9.9	12.0	10.0	11.6
11	attended domestic duties and was also engaged in free collection of goods	6.0	3.6	1.7	2.8	2.2
12	rentiers, pensioners, remittance recipients etc	1.2	3.1	1.6	2.4	1.9
13	not able to work due to disability	-	0.8	0.8	-	0.8
14	others	3.6	2.5	1.8	0.8	1.9
15	Total	100	100	100	100	100

Source: Same as Table 1

As anticipated, the share of self-employed is much higher in agricultural households compared to non-agricultural households, and consistently so across castes. However, while there is not much difference between SC and OBC households within agricultural households, the proportion of OBC households involved in self-employment is almost double that of SC households in the case of non-agricultural households. Again, as can be expected, the share of those in casual work is much higher for those in non-agricultural households and true for all caste groups.

We next examine the gendering of the process of diversification.

Gender and Work:

Diversification out of agriculture is indeed gendered. Across self-employment, regular employment and casual work in the private sector, the share of male workers is clearly higher than that of female members of rural households in the state (Table 9).

Table 9: Principal Activity of individuals of age above 15 in Rural Household with respect to Gender

Values in %

S. No.	Principal Activity	Tamil Nadu			India		
		Male	Female	All	Male	Female	All
1	Own account worker	18.5	5.4	11.9	33.7	4.1	19.0
2	Employer	4.1	1.3	2.7	1.1	0.2	0.7
3	Worked as helper in HH enterprise	2.3	8.9	5.6	9.8	11.7	10.7
4	worked as regular salaried/wage employee	12.9	4.0	8.5	8.2	1.9	5.1
5	Worked as Casual wage labour in public works other than NREGA works	2.7	2.5	2.6	2.5	0.5	1.5
6	In MGNREG works	0.9	5.9	3.4	0.3	0.7	0.5
7	in other types of work	34.6	16.5	25.5	21.7	6.8	14.3
8	did not work but was seeking and/or available for work	4.9	1.8	3.3	2.8	0.7	1.7
9	attended educational institution	13.5	8.2	10.9	13.9	10.7	12.3
10	attended domestic duties only	0.1	33.6	16.8	0.8	35.6	18.1
11	attended domestic duties and was also engaged in free collection of goods	0.0	5.5	2.8	0.4	21.8	11.1
12	rentiers, pensioners, remittance recipients etc	3.0	3.2	3.1	2.1	2.5	2.3
13	not able to work due to disability	1.2	0.7	1.0	0.8	0.5	0.6
14	Others	1.1	2.6	1.9	1.9	2.3	2.1
15	Total	100.0	100.0	100	100.0	100.0	100.0

Source: Same as Table 1

Overall women's participation is lower across most categories. It is only in the case of NREGA employment do we find a much higher share of women workers. However, even in this category, only 5.9% of women in rural TN report to have worked under employment provisioned by the NREGA. Nevertheless, this is still much higher than the all India average (0.5%).

In terms of the share of women in education too, it is lower than male members, and interestingly a bit lower compared to the all-India average. Given the higher levels of literacy and enrollment across different levels of education among women in TN, this is surprising. Age based differences may be able to explain this counter-intuitive estimate.

Importantly almost 34% of women above the age of 15 in rural TN report to be attending only to domestic duties. Historically, the state has reported a higher labour force participation of women compared to most states in the country. However, there has been a decline in participation rates among both rural and urban women in line with all-India trends. While decline in female employment in agriculture is definitely a factor, other reasons for non-participation requires closer examination.

Diversification and Education:

The employment status also changes with the levels of educational attainments (Table 10).

Table 10: Principal Activity of individuals of age above 15 in Rural Households across Levels of Education

Values in %

Principal Activity	Primary and Below	Secondary and Above Primary	Higher Secondary	Graduation & Above	Total
Own account worker	14.1	12.3	7.3	6.1	11.9
Employer	3.1	2.8	2.0	1.1	2.7
Worked as helper in HH enterprise	6.0	5.3	5.0	5.4	5.6
worked as regular salaried/wage employee	4.0	8.5	14.6	23.0	8.5
Workes as Casual wage labour in public work other than MGNREG works	3.4	2.0	1.3	3.0	2.6
in MGNREG works	5.8	2.1	0.1	0.8	3.4
in other types of work	33.3	23.6	15.3	7.3	25.5
did not work but was seeking and/or available for work	0.2	2.3	7.0	19.5	3.3
attended educational institution	0.3	17.2	27.8	14.7	10.9
attended domestic duties only	15.7	18.8	16.6	15.5	16.8
attended domestic duties and was also engaged in free collection of goods	2.8	3.4	1.7	2.1	2.8
rentiers, pensioners, remittance recipients etc	5.3	1.5	0.9	1.4	3.1
not able to work due to disability	1.9	0.1	0.4	-	1.0
Others	4.2	0.0	0.1	0.0	1.9
Total	100.0	100.0	100.0	100.0	100.0

Source: Same as Table 1

As educational attainments increase, the share of those in own account enterprises falls. To cite, while 17.2% of those with least educational attainments are employed through own account enterprises, only 6.9% of those with tertiary educational qualifications are in this category. Similarly, more than 33% of members with least educational attainments are in casual employment in the private sector. And, just over 8% of members with tertiary educational qualifications report to be in casual employment. On the contrary, as the table indicates, higher educational attainments is positively associated with representation in the regular wage/salaried employment.

However, the share of those solely taking care of domestic duties do not reduce with higher levels of education. While 15.7% of those with primary and lesser years of schooling are engaged in domestic work, 15.9% of those with tertiary qualifications are also involved solely in domestic work. In other words, investments

in education of women is not translating adequately into participation in the labour market. Interestingly, another 19% with tertiary qualifications report that that they are seeking but unable to find work. The share of those unable to find work is much lower for those with lower educational qualifications. This throws up an interesting paradox. While access to tertiary education definitely enhances access to regular employment and hence more secure incomes, there are also large numbers who fail to secure such employment. Going forward, this is likely to be the biggest challenge for rural transformation in the state apart from issues of productivity and marketing of agricultural output.

To look closer at the nature of non-farm diversification, we make a distinction between those below the age of 40 and those who are older than 40 years (Table 11). This will provide insights into how the younger members differ from older members in their diversification trajectory.

Table 11: Principal Activity with respect to age category

Values in %

Principal Activity	Age Category			
	Less than 15 years	16-40 years	Above 40 years	Total
Own account worker	-	7.6	17.2	11.9
Employer	-	0.8	4.8	2.7
Worked as helper in HH enterprise	0.4	5.3	6.2	5.6
worked as regular salaried/wage employee	-	11.8	5.3	8.5
Worked as Casual wage labour in public work other than NREGA works	-	2.1	3.2	2.6
in NREGA works	-	2.1	4.9	3.4
in other types of work	-	24.0	28.3	25.5
did not work but was seeking and/or available for work	-	6.3	0.4	3.3
attended educational institution	98.6	17.2	0.1	10.9
attended domestic duties only	0.1	18.7	14.8	16.8
attended domestic duties and was also engaged in free collection of goods	-	2.7	2.8	2.8
rentiers, pensioners, remittance recipients etc	-	0.2	6.4	3.1
not able to work due to disability	-	0.4	1.6	1.0
Others	0.8	0.1	4.0	1.9
Total	100	100	100	100

Source: Same as Table 1

The younger members are found to be more in regular employment and less in self-employment or casual work. However, while the difference is quite stark in the case of self-employed (8.1% as opposed to 22% for those above 40 years), the difference is lower in the casual employment category. 23.1% of them are employed as casual workers compared to 28.3% for the older sample members.

The share reporting to be in education too is much higher among the younger members (20.5%) and so is the share of people seeking employment (6% compared to just 0.4% for the

older cohort). Worryingly, a larger share (18.7%) reported to be attending only to domestic duties among the younger members compared to 14.8% among the older set. Given that women account for almost the entire share of those undertaking only domestic duties, this observation suggests lower workforce participation even among the younger women. Next, we look at differences in income levels across social groups (Table 12).

Incomes and Social Groups:

The following table gives break-up of average incomes across social groups.

Table 12: Average wage/salary per month of individuals of age above 15 years across social category

Values in Rs.

S. No.	Social Category	Individuals from Agricultural HHs	Individuals from Non-Agricultural HHs	All
1	ST	8341	10492	10159
2	SC	6447	8415	8061
3	OBC	6492	8352	7783
4	Others	11926	8341	10309
5	All	6522	8433	7927

Source: Same as Table 1

Overall, the table suggests that average wage and salary incomes for SC and OBC households are marginally higher than ST households but much lower than that for households in the general category. Given that the bulk of the rural households are SC and OBC households, the overall average incomes reflect their average incomes. Average incomes for backward class households is however marginally lower compared to that of SC households. Interestingly, while incomes from wages and salaries for SC agricultural households are higher than that of OBC households, it is lower when they belong

to non-agricultural households. Across all social groups, we find that the average incomes for non-agricultural households are higher than that of agricultural households. However, this difference widens as we move up the social ladder, with 'Others' households reporting a difference of more than INR 10,000 compared to just around INR 2700 for ST households.

Next, we look at differences across social groups for different kinds of employment. The following table gives details on differences in income earned in specific kinds of employment (Table 13).

Table 13: Principal Activity and Average Income of individuals per month above 15 years of age across social category

Values in Rs.

S. No.	Principal Activity	AVERAGE wages / salary				
		ST	SC	OBC	Others	All
1	Own account worker	10665	6372	4206	11277	4881
2	Employer	7392	5585	5629	0	5635
3	Worked as helper in HH enterprise	-	35	7685	0	6456
4	worked as regular salaried/wage employee	15097	10752	13374	8500	12728
5	Worked as Casual wage labour in public work other than MGNREG works	4240	6185	5868	0	5906
6	in MGNREG works	0	3785	7843	0	7457
7	in other types of work	11663	9400	10579	13969	10116
8	did not work but was seeking and/or available for work	-	-	1208	0	1208
9	attended educational institution	-	-	-	0	0
10	attended domestic duties only	-	10186	7823	0	7995
11	attended domestic duties and was also engaged in free collection of goods	-	3748	12533	17833	11721
12	rentiers, pensioners, remittance recipients etc	-	2197	5944	2083	4461
13	not able to work due to disability	-	1556	3217	0	2617
14	others	-	3023	7376	0	6041
15	Total	10159	8061	7783	10309	7927

Source: Same as Table 1

While SC household members report higher income when they have own account enterprises (OAEs) compared to OBC households, the latter report relatively higher income when they own enterprises with hired workers.

The other two types of employment are casual employment and regular salaried/wage employment. In absolute terms, the wage levels of regularly employed workers are higher compared to other forms of employment.

However, differences exist between social groups in this regard. OBC household members having regular employment report a higher salary level compared to SC household members. Given that the differences in earnings are related to tertiary educational attainments, it is therefore useful to check if the differences are due to such differences or if there are other factors such as the role of

social networks in this regard. This dimension is important given that even in the case of casual wage employment OBC households report a slightly higher average income compared to members of SC households.

Sectoral Diversification:

Evidence from other surveys indicate that construction work is the biggest source of employment outside agriculture in Tamil Nadu. Bulk of casual work is likely to be in this sector. The demands of mobility in this sector may restrain women workers from entering into this sector. This also raises questions about the choice between paid work and withdrawal of women from the rural workforce.

We therefore look at the gender differences in employment across different sectors in the state (Table 14).

Table 14: Principal Activity NIC Code 2008 of individuals of age above 15 years across Gender

Values in %

Principal Activity	Gender		Total
	Male	Female	
Manufacture of food products	0.5	0.6	0.5
Manufacture of beverages	1.0	0.7	0.9
Manufacture of tobacco products	0.1	0.9	0.4
Manufacture of textiles	4.4	4.4	4.4
Manufacture of wearing apparel	0.8	1.4	1.0
Manufacture of leather and related products	0.0	0.4	0.2
Construction	16.7	18.5	17.3
Retail trade, except of motor vehicles and motorcycles	5.3	2.8	4.4
Land transport and transport via pipelines	5.7	0.0	3.6
Food and beverage service activities	2.3	1.2	1.9
Computer programming, consultancy and related activities	0.1	0.5	0.2
Financial service activities, except insurance and Pension funding	0.5	0.1	0.4
Public administration and defense; compulsory social security	0.8	0.6	0.8
Education	0.6	1.8	1.0
Human health activities	0.0	0.2	0.1
Others	61.2	65.9	62.9
Total	100.0	100.0	100.0

Source: Same as Table 1

Women are clearly more represented in the agricultural workforce. Construction is the next biggest sector for women workers and interestingly not too different from that of male workers. The third biggest sector for women workers is textiles and garments. As

is to be expected, the next biggest source of employment is retail trade. Women workers are less represented in transport and in retail trade though.

Table 15 gives details on the sectoral break-up of employment by social groups.

Table 15: Principal Activity NIC Code 2008 of individuals of age above 15 years across Social Category

Values in %

Principal Activity	SOCIAL CATEGORY				Total
	ST	SC	OBC	Others	
Crop and animal production, hunting and related service activities	32.7 (1.5)	58.8 (34.6)	49.7 (63.2)	67.5 (0.6)	52.1 (100)
Manufacture of food products	-	0.1 (3.5)	0.7 (96.5)	-	0.5 (100)
Manufacture of beverages	-	2.8 (97.2)	0.0 (2.8)	-	0.9 (100)
Manufacture of tobacco products	-	0.3 (22.5)	0.4 (77.5)	-	0.4 (100)
Manufacture of textiles	1.0 (0.6)	2.0 (13.8)	5.6 (85.6)	0.4 (0.0)	4.4 (100)
Manufacture of wearing apparel		0.8 (24.0)	1.2 (76.0)	-	1.0(100)
Manufacture of leather and related products	-	0.1 (24.0)	0.2 (74.6)	0.5 (1.4)	0.2 (100)
Construction of buildings	18.8 (4.4)	9.0 (26.1)	11.1 (69.6)	-	10.6 (100)
Civil engineering	3.9 (1.6)	5.8 (30.0)	6.1 (68.4)	-	5.9 (100)
Specialized construction activities	-	0.8 (28.8)	0.9 (71.2)	-	0.8(100)
Retail trade, except of motor vehicles and motorcycles	12.6 (7.1)	2.1 (14.6)	5.2 (78.3)	-	4.4 (100)
Land transport and transport via pipelines	2.5 (1.7)	5.5 (46.4)	2.8 (51.9)	-	3.6 (100)
Food and beverage service activities	8.9 (11.5)	1.8 (28.6)	1.7 (59.9)	0.1 (0.0)	1.9 (100)
Computer programming, consultancy and related activities	-	-	0.3 (95.7)	2.2 (4.3)	0.2 (100)
Financial service activities, except insurance and Pension funding	0.0	0.4 (37.9)	0.3 (62.0)	-	0.4 (100)
Public administration and defense; compulsory social security	-	0.3 (13.4)	1.0 (86.6)	-	0.8 (100)
Education	0.2 (0.5)	0.3 (8.2)	1.4 (91.0)	0.7 (0.3)	1.0 (100)
Human health activities	-	0.0 (7.5)	0.1 (89.7)	0.5 (2.8)	0.1 (100)

Source: Same as Table 1

More than 52% of workers report agriculture (including dairying) as the principal activity. This implies that though agriculture is not the major source of income, it continues to play an important role as a source of livelihood. Across social groups, it plays a bigger role for SC workers than for OBC workers possibly indicating that OBC members have been able to diversify out of agriculture more than members from SC households.

Next, textiles and garments play an important role in the diversification of rural households away from agriculture. While on an average, members from SC households have a about 25 to 30% representation across sectors in line with

their share in the population, they are under-represented in a few. In the case of retail, they account for only 14.6%. Their low presence in retail ties in with observations made in other contexts about implicit discrimination existing in this segment. However, they are adequately represented in food and beverage service activities, a domain that is seen to historically exclude them. However, their relatively lower presence in better paying sectors like public administration, education, computer programming and related services, and health too is a source of concern.

We next look at gender differences in earnings within sectors.

Table 16: Principal Activity NIC Code 2008 and Average wages/salary/month of individuals above 15 years of age across Gender

Values in Rs.

Principal Activity	Gender		Total
	Male	Female	
Crop and animal production, hunting and related service activities	7584	5152	7286
Manufacture of food products	12724	18444	15168
Manufacture of beverages	9673	-	9673
Manufacture of tobacco products	3539	50	135
Manufacture of textiles	12031	1012	10942
Manufacture of wearing apparel	4293	11400	4313
Construction of buildings	9691	4701	9216
Civil engineering	13063	3267	9853
Specialized construction activities	9991	-	9991
Retail trade, except of motor vehicles and motorcycles	9369	5352	8992
Land transport and transport via pipelines	9444	-	9444
Food and beverage service activities	12624	7000	11634
Computer programming, consultancy and related activities	70000	13371	13764
Financial service activities, except insurance and Pension funding	11684	-	11684
Public administration and defense; compulsory social security	21479	3292	20418
Education	25627	20206	23483
Human health activities	15000	-	15000

Source: Same as Table 1

As above Table 16 indicates, the differences in average salary levels between male and female workers is by and large high across sectors. Nevertheless, the difference seems to be particularly high in the case of manufacturing and construction sectors. Garment production seems to be however an exception. In the case of services, the income differences are less, but persist. In the case of public administration, social security and health sectors, women workers report higher average incomes compared to their male counterparts. In the domain of computer programming and related services, the wage differentials are similar to that of manufacturing sectors. The reasons for such differences clearly require more fine-grained analysis.

Finally we look at the differences in incomes from non-farm businesses across social groups and gender.

Differences in Incomes from Non-farm Business:

The following two tables give information in differences in incomes earned from non-farm businesses across caste groups and gender.

Table 17: Net Receipts from non-farm business per agricultural household across gender engaged in non-farm business during a period of 30 days

S.No.	Gender	Net Receipts(Rs.)
1	Male	731
2	Female	445
3	Total	695

Season: July 2018-June 2019

Source: Same as Table 1

Table 18: Net Receipts from non-farm business per agricultural household across social category engaged in non-farm business during a period of 30 days

S.No.	Social Category	Net Receipts (Rs.)
1	ST	184
2	SC	284
3	OBC	812
4	Others	0
5	Total	695

Season: July 2018-June 2019

Source: Same as Table 1

As can be expected the incomes earned by men from non-farm business tends to be higher compared to that for women. Incomes for OBC households too tend to be much higher compared to that for SC households. Again, the reasons require more research attention.







Rural Diversification and Socio-Economic Differentiation in Tamil Nadu: Some Policy Inferences

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