

## Understanding the Dynamics of Self-Employment in Rural Assam: Productive or Precarious

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### Abstract

*Assam; primarily an agrarian state of North-Eastern region of India has undergone significant structural changes over the last two decades. As the agriculture sector is facing challenges in providing descent and stable earning as employment in the sector is largely limited to the peak season only and as a result workforce have to stay idle in major times of the year. Therefore, a large section of rural workforce has already started leaving agricultural activities or intends to leave the sector by being engaged in non-agricultural activities like manufacturing, transport and communications, petty trade etc. But, in most cases, such movement can be observed as an indication of survival strategy mostly in self-employed form rather than generation of quality self-employment as employment elasticity outside the agriculture sector is also not satisfactory.*

*This paper aims to understand the nature, trend and the pattern of self-employment and also tries to examine whether such self-employment can be seen as a productive choice of employment or a mere form of employment due to the lack of choice among rural households.*

### Introduction and Review of Literature

Employment plays a prominent role in ensuring well-being of human development and is crucial to overall economic growth and development. Productive employment opportunities are key determinants to examine the health of the labour market and overall economic performances of an economy. In recent decades, apart from few developed economies; most of the underdeveloped and developing economies are facing serious challenges in providing decent and productive employment opportunities to their large sections of workforce. In developing countries, where a dualistic nature of economic structure prevails; employment challenges may not be reflected in high unemployment but in the form of high incidence of underemployment in

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self-employment and casual wage employment outside the formal sector (Ghosh, et. al). In India too, where all basic forms of unemployment i.e. structural, frictional, disguised and significantly under employment have emerged as issues of concern among the policy makers and to the government as well. In recent times, the country is experiencing increase in the size of the *Working Poor* as rapid economic growth is not coupled by decent work opportunities to a considerable size of its growing labour force. There is an inter-linkage between productive employment and human development. Poor and marginalized sections of the society have little or no assets to create capabilities. Only productive and quality employment can yield better income which further develops capabilities among them.

According to National Sample Survey (NSS), self-employed persons are those who operate their own farm or non-farm enterprises or are engaged independently in a profession or trade on own account or with one or a few partners (NSS, MoSPI). Again, according to the Organisation for Economic Co-operation and Development (OECD), self-employed workers include employers, own-account workers, and members of producer's co-operative and unpaid family labours. Self-Employment is considered as one of the vital key to economic growth among several countries and therefore many empirical studies and researches have also been carried out in recent times. A study by Sanchez et.al (2015) in their analytical panel data study based on few European countries have examined the inter relationships between skills and self-employment. In their study, they have examined that whether skill mismatches prevails before or after movement of salaried to self-employed activities. They have also found that self-employment is a way to escape from skill mismatches which requires more efficient skill distributions among the labourers and calls for careful policy observations. A study by Pussa et.al have stated workers co-operative is an option for self-employment as it fulfills the requirement of the members by offering them safe and low risk business and also protect them from personal financial loss. They have also visualized co-operative form of self-employment as potential and attractive employment opportunities for marginalized workforce with limited assets. Kundu and Mahanan (2009), has stated that during 1993-94 to 2004-05; there is a shift in the pattern of employment can be observed with the increase in self-employment and rise in casualisation both for rural males and females. Their study also highlights that during this period casual employment has declined whereas self-employment and regular works has gone up which potentially causes formalization of informal activities by employing people more on a regular basis. A working series on Economics by Asian Development Bank (ADB) shows that to generate good employment opportunity in rural areas of developing countries; infrastructure, credit market, human capital and technology are crucial. Dawson et.al(2009), in their study has examined the underlying factors behind individual's choice for self-employment. Their study has shown that there are two forces viz. **Push** and **Pull** behind such employment. They have identified that one sections has willingly chosen to be self-employed being attracted for job satisfactions, independence and also expectations of higher earnings. On the contrary, the other sections are taking up self-employment due to the lack of better opportunities.

### **Rationale of the Study**

According to the NSSO Rounds (50th; 55th; 61st; 66th; 68th) and the recent Annual PLFS report (2018-19, 2019-20), it can be observed that rural labour market of Assam has undergone remarkable changes both qualitatively and quantitatively. An overwhelming share (79.4 percent) of female workers still depend on agriculture as their main source of employment, while only 20.6 percent depend on non-agricultural employment. The unorganized manufacturing sector though has got employment potential; data of recent years does not show an encouraging scenario. The rural male worker in manufacturing activities has risen to 5.94 percent in 2011-12 from 2.2 percent in 1993-94 whereas female workforce participation is 3.4 percent in 2011-12. In rural Assam construction activities has shown rapid increase over the last two decade and engaged 3.1 percent female workforce (NSS 2011-12). Data shows sharp decline of rural workforce in agricultural activities for both male and female over the last two decades i.e. 1991 to 2011. In Assam, rural male workforce in agriculture sector declined from 78.2 percent in 1993-94 to 58.6 percent in 2011-12 and the decline of female workforce in agriculture sector during that period was 83.2 percent to 79.4 percent. Unemployment rate (15-59) in Assam is 7.1 per cent which is higher than national average i.e. 6 per cent. Labour force participation rate in the same category records 49.4 per cent which is again less than all-India average (53.6 per cent).

Given the falling rate of employment opportunities; the state has envisaged self-employment as a better employment opportunities for its workforce and therefore has initiated numerous self-employment policies to promote more independent works among the labour force. In the context of self-employment, two issues have been widely discussed by the researchers and policy makers i.e. pull or choice based and push or compulsion based self-employment. Though, self-employment can be a better choice of employment there is a need to careful observation of the underlying factors of self-employment as it can be outcome of both voluntary and forced employment. In India, recent Annual Periodic Labour Force survey report indicates rise in the percentage of self-employed persons among major Indian states which call for an urgent need to analyses the nature, trend, and emerging issues of self-employment.

Being primarily a rural agrarian state situated in the North-Eastern region of India with 86 per cent of its rural population, Assam has witnessed significant structural changes and sectorial transformation in recent decades. The changing structure of rural employment plays a vital role as the State's Gross Domestic Product depends significantly on this large rural workforce. Such kind of changes in the structure of rural employment needs to be analyzed and understood from a much wider socio-economic perspective incorporating the role of the state. It is also crucial to understand how the state has been utilizing and optimally distributing its growing labour force given such changes among rural workforce.

## Objectives

The paper aims at-

- To examine the status of self-employment
- To understand the phenomenon of Self-employment from choice and compulsion perspective

## Methodology

To examine the overall status of self-employment, the study extensively uses National Sample Survey (NSS) data on Operational Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding Constructions). Moreover, Annual Periodic Labour Force Survey data of Ministry of Statistics and Programme Implementation (MOSPI) would give an understanding on the changed structure of rural self-employment in the state and will also give a comparative examination with All-India average in recent times. Besides, to acquire a more comprehensive scenario of the decadal changes in rural self-employment; the paper uses Census of India data as per its requirement. Apart from these broad database; the study uses secondary data from both central and state govts.' reports, non-government departments data to strengthen the qualitative part of the study as well.

## Status of Self-Employment in Rural Assam- An Overview

Assam, being predominantly a rural agrarian state; a large percentage of rural population is engaged in the agriculture sector. Census 2011 data shows it clearly that about 50 percent of the total workforce (main +marginal) of Assam still depends on agriculture (Tamuli, 2021). The same study also stated that between the period of NSS 50th Round (1993-1994) and 2009-2010, there is an increase in self-employed persons in rural Assam from 53.1 percent to 69.4 percent. During this same period, regular employment has witnessed a significant decline from 16.6 percent to 9.9 percent where casual workers have also declined from 30.3 percent to 20.7 percent by the principal status. As regular employment has shown a declining trend and fall in casual labours mainly in the agriculture sector; there is a scope to assume that workforces in rural areas are being self-employed primarily in non-agricultural activities like manufacturing, trading and services etc. Several studies have also shown that a huge proportion of unorganized workforce have been found in rural areas of the state closely associated with rural non-agricultural economic activities. Rural unorganized manufacturing sector such as OAEs (Own-Account Enterprise) the household-based smallest enterprises has been occupying and contributing a considerable amount of employment and income opportunities to large sections of people in the state(Saikia, et.al, 2018) . The same study also indicates that although the real value added in this sector is found to be positive, the rate of growth decreased throughout the reform periods. Employment elasticity in those activities was also found to be negative

during these times. NSSO's 73rd National Sample Survey based on unincorporated Non-Agricultural Enterprises (excluding Construction) has found that Own Account Enterprises(OAEs) i.e. which don't include any hired workers had highest share in unincorporated non-agricultural enterprises in India which is 84.2 percent of total enterprises. At the all India level, rural areas shared 91.4 percent of total OAEs, whereas urban areas shared 76.6 percent . Rural Assam shared 86.96 percent of OAEs where trading was the major sector. Categorically, in Assam; trading shares 55.13 percent of total enterprises which is more than all-India average (Table 1).

**Table 1: Percentage Distribution of Enterprises by Broad Activity Category (Rural+Urban)**

State	Percentage of Enterprises		
	Manufacturing	Trading	Others
Assam	16.74	55.13	28.13
All-India	31.02	36.34	32.63

*Source: NSSO's 73rd Report on Operational Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding Constructions).*

While examining the pattern of employment, it is important to assess what kind of employment opportunities are being generated in rural sector in the state. Self-employment in rural sector is higher than national average in the state. Among those self-employed in rural Assam; male own account workers comprise 55.1 percent, whereas female workers are only 16.9 percent in that category. Apart from the regular salaried/wage earners, casual labours in self-employed category have shown higher percentage than all-India average for both male and female counterpart (Table 2). Higher percentage of casual labour may be an indication of less scope for gainful employment opportunities among self-employed workforce in rural areas of the state.

**Table 2: Percentage Distribution of Rural Workers in Usual Status (PS+SS) by Broad Status in Employment for Assam and All India Average (Age Group 15-59)**

Category	State	Self-Employed			Regular Wage/ Salary	Casual Labor	All
		Own Account Worker, Employer	Helper in Household Enterprise	All Self Employed			
Male	Assam	55.1	3.0	58.1	19.3	22.6	100.0
	All India	48.0	10.4	58.4	13.8	21.8	100.0
Female	Assam	16.9	12.6	29.5	48.8	21.8	100.0
	All India	34.6	4.1	38.7	47.2	14.1	100.0

*Source: Annual Report 2019-20, PLFS; MOSPI*

The nature of self-employment is considerably different in rural areas due to the existence of high seasonal and part time workers which are often more than regular

and salaried workers in both the agriculture and non-agriculture sectors. Most of the self-employed are found in household based manufacturing activities, small trade, business and services etc. in rural areas. Due to the seasonality of the agriculture sector; workers in rural areas often engaged themselves in household based entrepreneurial activities mostly in the forms of helpers. But, the quality of self-employment can yield more avenues only when they are productive and economically efficient in nature. For quality self-employment or job generation in rural sector, economic infrastructure is a pre-requisite. Otherwise, increasing or high rate of self-employment may also be generated by distress-push economic participation of rural workforce. In the context of rural employment it can be observed that although non-agriculture employment has increased, the sector is unable to absorb the additional workforce that comes from farm sector due to limited opportunities generated in the sector.

Therefore, the rural labour market requires expanding employment elasticity in the sector to absorb or provide employment opportunities to the rural workforce. Employability can be increased only when workforce acquires enough skills and knowledge. It is evident that in Assam, although a large proportion of workforce is self-employed especially in unorganized sector including agriculture; the wage and earnings are not much satisfactory. The proportion of self-employed persons in Assam is 481 persons per thousand persons and earns up to only Rs.5000/- as average monthly income (Economic Survey, 2017-18). Therefore, it is vital to understand whether the workforce is taking up self-employment as a choice or out of compulsion to mitigate income related risk and to ensure some sources of income. Although the proportion of self-employment is large including own-account enterprises; the economic viability and profitability of such activities needs a careful examination. Though, self-employment is a measure to induce employment; in many cases self-employment can be seen as an escape to reduce underemployment or unemployment situation if not led by appropriate policies. In many cases, self-employment reflects underemployment due to non-availability of gainful employment opportunities. So, there is a need to scrutinize the underlying factors of self-employment as it can be a result of both choice - led and distressed employment.

### **Self Employment among Female Workforce: Are there Enough Economic Opportunities**

The economic participation of rural women has seen a decrease over recent years as there has been withdrawal of females from labour force and this poses a serious challenge both at the policy and the ground levels. As a primarily a rural agrarian state, the rural women workforce face difficulties in finding gainful employment due to the prevailing social norms and gender inequality in employment. According to the Time Use Survey Report 2019, in Assam; female in the age group of 15-59 spends 339 minutes on “Unpaid domestic services for household members” and 64 minutes on Unpaid care giving services for household members” which is more than national average i.e. 290 minutes and 45 minutes respectively and highest among all Indian

states (MoSPI,2020). Due to such burden of household and domestic works, women in rural areas often face challenges to engage themselves in full-time economic activities. Most of the women apart from the regular household activities, engage themselves primarily in agricultural activities. According to the Census Data 1991 and 2011, there is decline in both male and female agricultural workforce in Assam; but the decrease in male agricultural workforce is much higher than female counterpart which indicates more female workforce in the agriculture sector to sustain their previous family income. But, their activities often goes unnoticed due to the nature of their work as most of them works casually to supplement their family income. Data reveals that a large section of India's rural women are marginalized who own less capital assets and for many of them owing assets are still a distant dream due to patriarchal nature of society and rigid social norms. Annual PLFS (2019-20) reveals that in Assam, only 16.9 per cent women are self-employed in rural areas which are much lower than all-India average of 34.6 percent. Such a situation reflects women's economic participation in self-employment is not satisfactory which further raises questions on their financial independence and gender equality. Although, a large proportion of male agricultural workforces shift to non-agricultural household manufacturing activities; the absorption is less for women due to limited opportunities in those activities too. Higher share of women as casual labour in agriculture reflects limited work choices for women in non-agricultural and entrepreneurial activities. Household based manufacturing activities like small cottage industry, bamboo and cane work, pottery making, handloom and weaving etc. are prominent sources of rural livelihood in Assam where a considerable number of rural workforces engaged themselves. A large proportion of women workforce is also involved in those activities mostly as helpers and hired workers simply to supplement their family income. But, female owned proprietary enterprises in the state does not reflect a satisfactory position as all kind of enterprises including manufacturing, trading and other services are much lower than all India averages ( Table 3). The situation reflects low female economic participation due to numerous challenges faced by the women and prevailing gender gap in the state.

**Table 3:Share of Female Headed Proprietary Enterprise by Broad Activity Category**

State	Percentage of Female Headed Proprietary Enterprises			
	Manufacturing	Trading	Others	All
Assam	14.9	3.5	3.8	5.5
All India	45.0	8.7	7.4	19.5

*Source: NSSO's 73rd Report on Operational Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding Constructions)*

Although, there is a noticeable difference between male and female proprietors of enterprises at all India level; such variation is comparatively very high in Assam as small percentage of similar enterprises are owned by the female in the state (Table 4). The lopsided scenario reflects disparity of active economic participation between male and female which may be largely driven by lack of asset ownership and control

over resources.

**Table 4: Percentage Distribution of Number of Enterprises by Type of Ownership**

State	Percentage of Enterprises	
	Proprietary	
	Male	Female
Assam	92.9	5.5
All India	76.4	19.5

*Source: NSSO's 73rd Report on Operational Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding Constructions)*

### **Employment Diversification through Self-Employment: Shrinking Space for Productive Employment?**

The nature, composition and the pattern of employment in rural sector are undergoing major structural changes. There are several underlying factors behind such structural transformation which overall impacts the rural lives and livelihood. According to the latest available data in Situation Assessment Survey of Agricultural Households conducted by the National Sample Survey Office (NSSO), nearly half of the farmers' income comes from crop cultivation (Srivastava, 2017). Increasing cost of cultivation due to several underlying factors like rise in input cost, fragmentation of landholding among households, absence of proper market channelization etc. further leads to decline in profitability and making farming unviable in rural Assam. Cost of cultivation is one of the prime determinants of resource allocation which also determines investment and choices of crop production decision. Rural non-farm practices are not completely new in Assam. The rural non-farm activities of Assam are highly heterogeneous in nature comprising a wide range of diverse activities with small-scale household based manufacturing activities to other traditional non-farm practices. The increasing gap between population growth in rural areas and limited opportunities in agriculture sector has failed to generate enough employment in this sector. Moreover, seasonality in traditional agricultural activities bound people to stay idle in major part of the year which can be counted as an important reason for shifting for farm activities to non-farm activities in rural areas of the state. Importantly, space and time flexibility in non-farming practices makes these works comparatively convenient rather than agricultural activities. Especially for the female counterpart, those activities can be considered as time-saving which can provide optimal household management simultaneously with such works. As a result, people choose to diversify their income as well as employment to secure their livelihood. It has been found that due to the lower risks and higher returns, people want to get engaged with those practices rather than bearing risks and uncertainties in farming. Many Non-farm activities have been adopted as a self-employment coping strategy in many rural areas of Assam. Especially, non-farm economic opportunities can slow down or mitigate temporary out-migration in many parts of the state. Moreover, people who have lower or limited access to land and other



capital; are more likely to engage themselves as mostly in the form of hired workers and helpers in non-farm practices. Such employment can be considered as preferable coping strategies especially during the agricultural lean seasons where casual labours of agriculture sector involve themselves in entrepreneurial activities in the forms of helpers and hired workers. Local resource based enterprises and initiatives in small household based manufacturing activities like handloom and weaving, bamboo and cottage industries, clay and pottery making, bell-metal works etc. have been widely practiced and found in rural Assam which plays pivotal role in supplementing income to the rural household. But, these enterprises have not flourished as much in commercial sphere due to low value realization and improper market mechanism. A well- defined price mechanism with a proper market channelization is required in such cases.

### **An Analysis of Assuring Self- Employment and Role of the State**

While in the short run, livelihood vulnerabilities caused due to lack of employment opportunities can be addressed with short-term measures like cash and material assistance under different schemes, the state should specifically focus on generating sustainable economic employment opportunities in the long run to improve a resilient livelihood. Therefore, apart from providing short-term assistance to the unemployed section, it is important to generate quality wage and self- employment to revive and sustain their lives more in a decent way. It is utmost important to analyse sector specific skill demand and skill gaps and more importantly it is vital to understand their potential future prospective as well. The state should put special emphasis on identifying sector specific skill requirements where potential employment is relatively high. As there is limited scope for generating formal sector employment, skill utilization through up gradation of knowledge can results in productive employment especially in self-employment activities.

To face the challenge of the mounting unemployment, in recent decades; both the central and the state government has initiated plethora of rural welfare schemes and targets in various forms as a path to rural development. Apart, from the poverty alleviation schemes and other social assistance programmes; in recent years, the state has initiated several skill development programmes and are putting more emphasis on skill creation among rural workforces. Schemes like National Rural Livelihood Missions, AJEEVIKA, Pradhan Mantri Kaushal Vikas Yojna (PMKVY), etc. have drawn attentions among academicians and researchers. Pradhan Mantri Kaushal Vikas Yojana 2.0 is one of the flagship program initiated by the Ministry of Skill Development & Entrepreneurship which was launched under the scheme of 'Skill India'. In the state of Assam the program is implemented by Assam Skill Development Mission (ASDM). The objective of this program is to enable the youths to take up various industry relevant skills training which will help them secure a sustainable livelihood. Skill creation through vocational trainings is the first step to develop skill among workers (ASDM, Government of Assam). But, to utilize those skills and potentials; specific employment opportunities must be generated to yield income to those workforce.

Possessions of skills without ensuring quality employment are merely a problem of structural unemployment. Moreover, it can be seen that after acquiring skills too; many workers move out from their village to their nearby towns in search of low-paid job. Here, the issue of skill mismatches arises where the aim of sustainable rural development through local self-employment stays no longer fulfilling and relevant. So, while creating skills among the rural workforce; it is inevitable to develop and expand rural employment elasticity by generating labour intensive economic activities to absorb those skilled workforces for better economic well-being.

### **Conclusion**

Productive and quality employment is an important determinant of human development as it improves livelihood by reducing social and economic inequality. Employment generation, promotion and protection are more challenging in rural areas as economic activities in rural areas are heterogeneous in nature and largely come under the unorganized sectors. As a result, rural workforce enjoys less social security benefits in comparison to those organized or formal sectors of the economy. In a predominantly rural state like Assam, besides agricultural practices there are numerous age-old traditional household based activities like Mulberry Rearing, Pottery Making, Bell-Metal works, Handloom and Weaving, Cottage Works etc. may have full potential to create productive self-employment opportunities to a large section of rural households. To facilitate gainful self-employment in such entrepreneurial activities in the state, rural infrastructure is a pre-requisite to provide the necessary support in this regard. Development of rural infrastructure like road, transport and communication, creation of high value market, trade and services etc. can play a pivotal role in generating employment opportunities and hence can reduce economic inequalities. A strong rural infrastructure can improve self-sufficiency of rural workforce by reducing seasonal, temporal and most importantly their occupational migration. Out-migration is a common phenomenon among a large section of male rural workforce in Assam. The magnitude of inter-state out-migration of rural workforce is alarming in Assam (Census, 2011). Many of them migrate to other states of India like Kerala, Tamilnadu, Karnataka etc. in search of informal and low-paid jobs where social security benefits are almost absent or minimal. They are bound to leave their native places due to the lack of decent income and employment. If the rural workforce get their employment locally, there is less pressure on them to go anywhere in search of jobs which are far less decent and secure. Overall, the quality of self-employment in rural sector is crucial to absorb these workforces as they look forward to secure their lives and livelihood by engaging themselves in productive way. Therefore, ensuring productive self-employment opportunities should be prioritized in rural areas in the state which is not only crucial to improve rural livelihood, but also has great significance from overall human development perspective.

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