

***SOME ASPECTS OF EMPLOYMENT AND EARNINGS  
IN NON-AGRICULTURAL ACTIVITIES IN  
KERALA AND ALL-INDIA***

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## INTRODUCTION

In this study, we propose to highlight the importance of the organised and unorganised sectors of Kerala's non-agricultural economy. This is a topic on which systematic work has not been done. Much attention has hitherto been devoted to studying the structure and working of the rural labour market, particularly since the inception of Planning. There have been continuous surveys conducted by the National Sample Survey on the rural labourforce, and periodic surveys of the farm economy in selected districts. Besides, there have been four major national surveys to assess the conditions of wage labourers in rural areas. The vast amount of information provided in these surveys has stimulated a considerable amount of analytical and empirical analyses: on the nature of the growth process and its influence on the structure of the workforce; the impact of technological change on the demand for labour; the extent of unemployment and underemployment; hypothesisation on the process of rural wage determination etc.<sup>1/</sup>

On the other hand, our knowledge about the urban, or more generally, the non-agricultural labour markets remains strikingly thin. Although the National Sample Survey has published several surveys on the urban labour force,<sup>2/</sup> the theoretical and empirical analyses have almost exclusively focussed on the wage structure, trends in real earnings and the nature of the labour markets in the organised sectors of the urban economy. However, a substantial proportion of the urban and non-agricultural economy falls under the unorganised sector and hardly

any attention has been devoted towards studying the structure and growth of employment and earnings therein.<sup>3/</sup> This is indeed, a very serious lacuna in our knowledge of the non-agricultural economy. That a proper understanding of the process of employment generation in non-agricultural activities and the factors determining it cannot be understood without a systematic study of 'unorganised sector' is being increasingly recognised.

This recognition has come mainly from the international agencies like the I.L.O. and the World Bank, and has been largely stimulated by the persistence and in many cases the accentuation of the problems of unemployment in the urban economies of various countries. In general, there has been a growing sense of disillusionment with the notion that a high rate of economic growth will automatically take care of the problems of employment. In this milieu, the I.L.O. has forcefully advocated the necessity of making 'full employment' at reasonable wages, the central focus of planning. Whether or not one agrees with the I.L.O. type of approach, there can be no doubt about the necessity for a more systematic study of the urban or non-agricultural labour market to facilitate our understanding of the processes of employment and income generation. The present essay is an attempt in this direction.

We start in Chapter one with a review of the theoretical literature on the subject of urban labour markets as well as of the findings of the few empirical studies on the subject. Chapter two discusses the distinctive characteristics of Kerala's economy in relation to the rest of India; Chapter three goes on to examine in some detail the composition of employment of the non agricultural activities in terms

the relative importance of the organised and unorganised sector. This chapter also examines very tentatively the extent to which there are any pronounced differences in the age-sex-education composition of employment in the organised and unorganised sector.

Lastly, the available evidence, on the pattern of earnings focussing on the differences between agricultural labourers, workers in the organised sector and in selected segments of the unorganised sector are reviewed in Chapter four.

#### Footnotes

- 1/ For a comprehensive survey of research in these areas, see Kalpana Bardhan, "Rural Employment, Wages and Labour Markets - A Survey of Research," Economic and Political Weekly, June 25th to July 9, 1977.
- 2/ From the 16th round to the 23rd round of the NSS has carried out surveys on the urban labour force with comparable definitions and concepts.
- 3/ An important exception is a very perceptive sociological study on the unorganised sector by Jan Bremen (his papers are footnoted in Chapter one).

## CHAPTER I

### REVIEW OF LITERATURE

#### Definition

Almost all the recent discussions of the urban labour market make a basic distinction between the "organised" or "formal" sectors and the "unorganised" or "informal" sectors. The term "organised sector" is usually used to refer to a work situation which is protected by law and/or by institutions - workers in the organised sector earn relatively high wage rates which are secured through trade unionism or legislative support; moreover, their employment is contractual and regular. The rest of the workforce which does not fit the above characterisation is said to fall under the "unorganised sector". Employment in the unorganised sector is irregular, wage rates are not effectively regulated, contractual relationships are weak and self employment is common.

#### A Review of the Literature

This basic distinction between the organised and unorganised sector appears to be a variant of the concept of "dualism" underlying the seminal contributions of Arthur Lewis,<sup>1/</sup> Fei and Ranis<sup>2/</sup> and others to the theory of economic development. They visualise the developing economy as consisting of two contrasting categories: a modern sector, which provides the lead in the growth process and a pre-capitalist traditional sector which is a reservoir of 'unlimited supplies of labour.' The labour requirements for the growth of the modern sector is sustained by the transfer of surplus labour from the traditional sector. This surplus labour is available to the modern

sector at a constant real wage which is higher than that obtaining in the traditional sector. The capital accumulation necessary for the expansion of the modern sector is financed by a reinvestment of profits accruing to this sector.

Although industrialisation got underway in most of the developing countries, it has not been rapid or sustained so as to absorb the surplus labour from the traditional sectors. On the other hand, despite the limited growth of non-agricultural employment, there has been a general tendency for continued mass migration into the urban areas, resulting in an increase in urban unemployment and consequent accentuation of social tensions. These phenomena led to a search for a reformulation of the traditional concept of a dual economy.

Exploring the mechanisms regulating the flow of labour from the traditional to the modern sector, Harris and Todaro<sup>2/</sup> posited that higher "expected earnings" in the modern sector relative to those obtaining in the traditional sector sustains a continuum of migration to the urban areas in search of employment. Higher expected earnings are however not to be equated to the real wage gap between the rural and urban areas. Wages in the urban modern sector are kept at a higher level than what the free market would allow because of unionism or Government legislation<sup>4/</sup> or because it is in the employer's interest to keep a stable and loyal labour force,<sup>5/</sup> But since the job opportunities in the modern sector are limited, this gap has to be adjusted for the probability of finding a job in the urban areas. They consider the actual ratio of employment in the modern sector to the total urban work force as a measure of the latter.



The new migrants have to undergo a period of waiting in the urban traditional sector engaging themselves in casual odd-jobbing, or some form of self employment or simply being unemployed, before they eventually get employed in the modern sector. Viewed in dynamic terms, as the supply of migrants increases relative to the rate of job creation in the modern sector, the probability of the migrant finding a job in the latter diminishes thereby dampening the flows of migration, which would ultimately cease when the level of expected earnings in the urban areas falls to that obtaining in the rural areas.

Mazumdar,<sup>6/</sup> in a further refinement of Harris and Todaro, shows that migrants respond to higher expected earnings in both the organised and unorganised sectors in the urban areas. They can search for jobs in the organised sector, while participating in the unorganised sector. The labour supply determined by such a migration function, together with the relative rates of growth of incomes in these two sectors, leads inexorably to the worsening of income distribution in the urban economy, on account of the following factors. Firstly, the rate of growth of income and employment in the unorganised sector is dependent on the demand for its output in the urban economy. These demand linkages are likely to become weak as the 'demonstration effects' of greater contact with the organised sector are felt. This leads to a greater possibility of the rate of growth of income in the unorganised sector to fall behind that of the unorganised sector.

Secondly, the historical experience of several countries suggests that the rates of growth of labour productivity and wages are very high and that of employment low in the organised modern sectors. The limited

growth in employment opportunities in the organised sector would result in a larger proportion of the migrants sharing the available employment and income in the urban<sup>un</sup> organised sector. Such a development over time would result in a decline in the level of earnings in the unorganised sector, relative not only to that of the organised sector but also that of alternative earnings in agriculture.

### Limitations

While the above theoretical formulations help clarify some crucial determinants of the phenomenon of migration, there are serious problems when we try to fit empirical facts into this framework. In the first place, in all these models the level of rural wages and incomes is implicitly assumed to be given. In actual fact, there are considerable variations in incomes of the different classes of the rural population. Several studies have shown that the level of incomes of wage labour, which is among the poorest segment of the rural population, is a function of the amount of land available per head, its distribution, its productivity as well as the extent of population which depends wholly on wage labour. A satisfactory explanation of migration must therefore comprehend adequately a theory of wage and income determination in rural areas.

Secondly, it seems erroneous and simplistic to view the rural migrants as belonging to a uniform type all of whom will eventually get employed in the modern sector. Access to the organised modern sector occurs at different levels depending on one's socio-economic position. The 'typical' rural migrant is one whose resource base is very small and his educational attainment is unlikely to be high — consequently, his access to the modern sector is likely to be severely

constrained. He is more likely to experience a continuum in his economic position in the non-agricultural sector too. In a general situation of job scarcity, certain socio-economic groups by virtue of their favourable resource position and higher level of educational attainment, are more likely to have access to the few privileged jobs in the organised sector. <sup>7/</sup> A recent study of the Centre for Development Studies confirms this point. <sup>8/</sup>

Thirdly, the distinction between the organised and unorganised sectors as two clear cut segments in the non-agricultural sector <sup>4</sup> creates numerous problems when we try to identify the empirical correlates of such a distinction. The view which equates the unorganised sector with the self-employed is clearly erroneous. In our view, the inclusion under the category of self-employed every one from a big wholesale trader or a proprietor of an unregistered workshop to a barber has very little significance.

Fourthly, if we accept the definition of the organised sector as one where employment and working conditions are protected by legislation, unionisation or security of employment, it is ~~again~~ impossible to define a precise cut off point: while the large scale factory type establishment or public sector employees are the archetypes of organised sector workers, a significant proportion of wage labour is employed in small and medium establishments which are subject to legislative control or unionisation, but of <sup>a</sup>greatly varied range and effects. The organised - unorganised dichotomy cuts across all such activities; within each activity there <sup>4</sup> exist work-situations which are protected in varying degrees.

Fifthly, the extremes of the organised and unorganised sectors are easy to identify — the available data enables us to identify workers in the organised sectors who are protected effectively and in the unorganised sectors we can single out the unskilled casual labourers who fit the criteria outlined earlier. Between these two extremes however, the differences gradually begin to wear thin and eventually shade off into one another, thereby making it difficult for the available data to capture. The basic point that is being made is that empirically it is very difficult to stratify the workforce into neat segments -- organised and unorganised sectors, without giving rise to fundamental problems.

Lastly, it will be an over simplification to assume that the traditional sector is coterminous<sup>u</sup> with the rural economy and that the organised and unorganised non-agricultural activities are exclusively urban. As a matter of fact, there is a considerable amount of both organised and, even more of unorganised non-agricultural pursuits in rural areas, although on a smaller scale than in urban areas. As we shall see later, this phenomenon is particularly important in a state like Kerala.

These factors must be kept in view in any attempt to grapple empirically with the organised and unorganised sectors. The validity of the above limitations are brought out forcefully by the few attempts at empirical investigation into the characteristics of the two sectors, and at analysing the nature and extent of differences in incomes between them. Some of the more important empirical studies

on the subject are: Merrick's study on Belo Horizonte in Brazil; Webb's study on Peru; Sethuraman's study on Jakarta; Sabot's study on Tanzania etc. There is also a study on Bombay by Heather and Vijay Joshi.<sup>9/</sup> Unfortunately, most of these studies are not available with us, so that we have to rely on Mazumdar's summary <sup>10/</sup> of the empirical evidence presented in the above mentioned studies.

Whatever may have been the statistical criterion adopted by the various authors to find out the size of the unorganised sector (it ranges from cut-offs by size of establishment to coverage under social security systems), the studies generally show that well over half the income opportunities in the urban areas studied come under the ambit of the unorganised sector. Secondly, the studies by Webb on Peru and Merrick on Belo Horizonte (Brazil) show that a pronounced selectivity of workers exists in the unorganised sector. More specifically, workers in the unorganised sector are preponderantly females, those outside the prime age groups and those with relatively less education. ~~And~~ According to Webb, this pronounced selectivity amongst the unorganised sector workforce is an important factor for the lower earnings in the unorganised sector. However, Merrick's study establishes that even after allowing for sex-age-educational selectivity, a significant differential exists between the level of earnings in the organised and unorganised sectors. This leads to a tentative hypothesis that such a selectivity does affect earnings in the unorganised sector.

However, within the unorganised sector itself, there exists a wide diversity of earnings amongst the group of self-employed. Webb's and Sabot's study on Tanzania establishes this point. The former~~s~~ shows that 37 per cent of the self-employed in the unorganised sector earn as much or more than the modal earnings in the organised sector; whereas 40 per cent of the same are in the bottom income groups. The reasons for such a diversity in earnings can be clearly understood in the light of the crude nature of the "organised" "unorganised" sector distinction underlying these studies. Self-employment seems to be a catch-word for all persons who do not get employed in the largely wage-paid jobs in the organised sector. Such a characterisation includes in the unorganised sector all activities ranging from wholesale trade to shoe-shining — and it is not surprising that there are large differences in earnings within the unorganised sector defined in the above manner.

#### Footnotes and References

1. W.Arthur Lewis, "Economic Development with Unlimited Supplies of Labour", Manchester School of Economics and Social Studies, May 1954.
2. See also, his "Unlimited Labour - Further notes" in the same Journal in January 1958.
2. Fei and Ranis "Development of a Labour Surplus Economy", Illinois, 1964.
3. M.P.Todaro "A model of labour, migration and urban unemployment", American Economic Review, March 1969, J.R.Harris and M.P.Todaro, "Migration, Unemployment and Development - A Two Sector Analysis", American Economic Review, March 1970.
4. J.R.Harris and M.P.Todari, op.cit.

See also, L.G.Reynolds "Wage and Employment in a Labour Surplus Economy", American Economic Review, March 1965, he states that a high level of minimum wages is an explanatory factor in explaining

the inadequate growth in employment in Puerto Rico.

5. This factor has been mentioned by Amartya Sen "Employment, Technology and Development," I.L.O., 1975, p.55.
6. Dipak Mazumdar "The Theory of Urban Unemployment in Less Developed Countries," IBRD Working Paper 198. See Also his "The Urban Informal Sector", World Bank Staff Paper, July 19 75.
7. This point has been forcefully made in
  - i) Jan Bremen - "Labour Relations in the formal and informal Sectors - A Report of a case study in South Gujarat", Journal of Peasant Studies, April and July 1977.
  - ii) Jan Bremen "A Dualistic Labour System - A Critique of the Informal Sector", Economic and Political Weekly, November 27, to December 14, 1976.

I have been considerably influenced by Jan Bremen's papers.
8. i) "Poverty, Unemployment and Development Policy - A Case Study of Selected Issues with Reference to Kerala, March 1975, Centre for Development Studies, Trivandrum, Chapter X.
- ii) Chandan Mukherji, "Market for the Educated in Kerala, Working Paper 31, Centre for Development Studies, Trivandrum.
9. Heather and Vijay Joshi "Surplus Labour and the city - A Study of Bombay", OUP, 1976.
10. Dipak Mazumdar - "The Urban Informal Sector, World Bank Staff Paper, July 1975.

## CHAPTER II

### CHARACTERISTICS OF KERALA'S ECONOMY

The relative roles of "organised" and "unorganised" activities, as well as the characteristics of these activities in Kerala have to be viewed in relation to the overall structure of the State's economy. In this chapter we will review that salient features of Kerala's economy and the features which distinguish it from the rest of India.

#### Agriculture

Kerala, already one of the most densely populated areas of the country at the turn of the century, has experienced a very high rate of population growth during the last several decades. In 1971, the overall density of population in the State was 550 persons per square kilometre compared to the national average of 167 persons per square kilometre. Kerala's agriculture is highly commercialised; a combination of factors (historical, ecological and demographic) have been responsible for the predominance of tree crops (mostly coconut, cashew and rubber), spices (cardamom and pepper) and tea. These crops, which are widely dispersed in the State, account for roughly half the gross cropped area and a sizeable proportion of crop output. This predominance of commercial crops and the very limited supply of land suitable for rice cultivation has been responsible for Kerala being a food deficit State. Rapid expansion of tapioca in recent years has helped significantly to mitigate the food deficit.



### Non-Agricultural Activities

Industrial activity centres mostly around the processing of commercial crops (especially coconut and cashew). These processing activities are carried out typically in small scale units using simple labour-intensive techniques. They are fairly widespread in the State. The predominance of commercial crops also sustains a high level of commercial activity. These circumstances together with the fact that Kerala's fishing and forestry resources are sizeable account for a rather high proportion of the non-agricultural population.<sup>1/</sup>

### Urbanisation

Partly because of these characteristics of non-agricultural activity and also partly due to the unique pattern of human settlement, Kerala is less urbanised than other parts of India. The share of the urban population is 16.3 per cent in Kerala as against 19.1 per cent in the rest of India. In the absence of any major formation of large scale industries, the pace of urban expansion has been relatively slower than in other parts of the country. One distinguishing feature of Kerala's urban scene is the predominance of small and medium towns, depending mainly on agro-processing and commerce. The urban settlements are also more evenly dispersed in the State.<sup>2/</sup>

### Rural-Urban Differences

The cumulative effect of all these factors is that the differences in the structure of economic activity as between rural and urban areas of Kerala are much less sharp than in the rest of India. In Table 1

we observe that agriculture and allied activities engage a much lesser percentage of the rural workforce than in other parts of India; contrariwise, secondary and tertiary activities are more significant in rural Kerala. On the other hand, Kerala has a larger proportion of in agriculture and allied activities in the urban areas when compared to All-India. Altogether the distance between town and country, judged by the differences in the structure of activity, is markedly less in Kerala than in most other parts of India. This feature, as we shall see later, make it particularly difficult to speak of the distinction between organised and unorganised sectors in non-agricultural activities as if they were primarily an urban phenomenon.

Table II.1

INDUSTRIAL DISTRIBUTION OF THE WORK FORCE: 1971

(Number in Lakhs)

Sector	Kerala			All-India		
	Rural	Urban	Total	Rural	Urban	Total
Primary	34.00 (64.4)	1.80 (19.3)	35.80 (57.6)	1263.3 (85.6)	44.6 (14.0)	1307.9 (73.0)
Secondary	8.53 (16.2)	2.33 (24.9)	10.86 (17.5)	91.7 (6.2)	99.1 (31.1)	190.8 (10.6)
Tertiary	10.28 (19.4)	5.22 (55.8)	15.50 (24.9)	120.0 (8.2)	174.6 (54.9)	294.6 (16.4)
Total	52.81	9.35	62.16	1475.0	318.3	1793.3
Percentage	(100)	(100)	(100)	(100)	(100)	(100)

Source: Registrar General, Census Commissioner, Census of India, 1971, Series I, Part II, Special, All-India Census Tables, New Delhi, 1972.

### Sectoral Product Differences

As a result of the predominance of a highly commercialised agriculture, and the small-scale labour intensive nature of industrial and commercial activity in the State, the differences in the sectoral product per worker in Kerala are considerably narrower than in the rest of the country. In Table II.2, we observe that the product per worker in agriculture in Kerala is much higher than the national average. This is largely a reflection of the relatively high value of crop output per unit of cultivated land; in fact, Kerala ranks highest among the States in terms of productivity of land. The value added per worker in manufacture in Kerala is much lower than in agriculture; in this respect again Kerala presents a marked contrast to the All-India pattern. The average product per worker in manufacturing is also barely half the national average. This is primarily due to the differences in the nature and composition of Kerala's manufacturing sector compared to the rest of India, — differences which we have already referred to. The average product per worker in the tertiary sector in Kerala is also significantly below the national average. Overall the range of inter-sectoral differences in the product per worker are much narrower in Kerala than in the case of All-India (See Table II.2).

Table II.2

RELATIVE DIFFERENCES IN PRODUCT PER WORKER IN MAJOR SECTORS  
IN THE ECONOMY (AT 1960-61 PRICES)

1961 (in Rs.)

	Kerala		All-India	
	Product per worker	As a ratio of Total product per worker	Product per worker	As a ratio of Total product per worker
Primary	916.52	1.19	510.78	0.72
Secondary	604.13	0.79	1154.96	1.63
Tertiary	654.79	0.85	1263.56	1.79
Total	767.71	1.00	706.79	1.00

Sources: 1. National Account Statistics, 1960-61 to 1972-73,  
Central Statistical Organisation, Government of India, p.6

2. Statistics for Planning, Bureau of Economics and  
Statistics, (Kerala, 1977) pp.6 and 73.

Employment Trends

We had earlier on mentioned that Kerala is among the most densely populated areas of the country and has experienced a much higher rate of population growth during this century. While Kerala's ecological conditions favour the intensive use of land for producing high value cash crops, and the area under such crops has grown steadily, the expansion of area has been well below the rate of population growth. Moreover, the labour input requirements in the cultivation of these crops are relatively low. The progressive worsening of the man-land ratio has

affected the distribution of land essentially by an increase in the partitioning of land at the lower end. This process has given rise to a growing number of agricultural labourers dependent on wage employment.<sup>3/</sup> This, along with the emergence of a sizeable plantation sector, has resulted in an exceptionally high proportion of the agricultural workers being in the category of landless labour, primarily dependent on wage employment. In fact Kerala has one of the highest proportions of wage labour to total agricultural workers in India.<sup>4/</sup>

The problem of absorbing the growing numbers has become acute in view of the fact that other employment generating activities have not been expanding rapidly enough. The development of large scale industries has been very limited. The expansion of agro-processing activities and of the tertiary sector has apparently been inadequate to absorb the increases in the labour force. There is evidence to suggest that over the last 5 decades there has been a distinct decline in the rate of participation in economic activity,<sup>5/</sup> particularly of females. It has been suggested that this reflects the voluntary withdrawal from certain activities like cultivation owing to social change on the part of females and decay of traditional industries. While these may have been important contributory factors, it is arguable that at least part of the explanation lies in the failure of jobs to increase in step with the growing population in the working age groups. The relevance of the latter is corroborated by the fact that the rate of overt unemployment in Kerala is currently one of the highest in India (Table II.3).<sup>6/</sup>

Table II.3

RATES OF UNEMPLOYMENT\* IN KERALA AND ALL-INDIA, 1972-73

	Rural Areas		Urban Areas		
	3rd sub-round All Persons	4th sub-round All Persons	3rd sub-round All Persons	4th sub-round All Persons	
Andhra Pradesh	10.2	9.6	Maharashtra	8.46	7.4
Bihar	6.7	4.17	West Bengal	7.2	7.7
Orissa	10.08	3.50	Tamil Nadu	8.0	7.6
Punjab	1.40	2.40	Gujarat	6.4	5.3
Kerala	13.53	9.43	Kerala	14.6	15.38

\*The percentage of person-weeks unemployed to total persons' weeks

Source:- The Survey on Employment and Unemployment (Nss 27th Round, October 1972 to February 1973).

Educational Levels

These facts regarding the overall labour supply and employment situation have to be viewed among with the rapid spread of education and the rather high degree of unionisation that is characteristic of Kerala. Kerala's population and labour force is one of the most literate in the country (See Table II.4). The tremendous strides that education has made in Kerala is largely attributable to the policies followed by the erstwhile rulers of the princely States of Travancore-Cochin and that of the Government afterwards. This has undoubtedly increased both the spatial and vertical mobility of the labour force. The desirable effects of such mobility however, get vitiated considerably when the growth of employment opportunities is less than the growth of the labour force. In such a situation, there is a tendency for particular socio-economic groups with a favourable resource position to have better access to the scarce job opportunities.<sup>7/</sup>

Table II.4

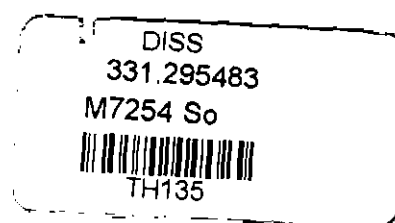
EDUCATIONAL COMPOSITION OF THE WORKING POPULATION: 1971  
(Percentages)

	Kerala (all workers)			All-India (all workers)		
	Rural	Urban	Total	Rural	Urban	Total
1. Illiterate	32.3	21.44	30.63	70.11	35.47	64.00
2. Literate*	16.7	12.10	16.01	10.08	10.87	10.71
3. Primary	34.2	31.30	33.85	11.00	17.17	12.10
4. Middle	9.6	15.61	10.48	5.10	14.19	6.72
5. Matriculation and above	7.2	19.55	9.03	3.11	22.30	6.47

\*Without educational qualification

Sources: 1. Census of India, 1971, Series -9, Kerala, Part II B(i) Economic Tables (Table B III, Part A and Part B).

2. Census of India, 1971, Series 1, India Paper 3 of 1972, Economic Characteristics of Population (Selected Tables) (Tables BIII, Part A and Part B)



The spread of literacy is among the factors which have contributed towards increasing the political consciousness amongst the people. This seems to have resulted in a significantly greater organised trade union activity both in the agricultural and non-agricultural sectors. The plantation labourers are highly unionised, as also the agricultural labourers ~~was~~ in the rice bowl of Kuttanad and Palghat, whose history of unionism extends to over 30 years. The only evidence we have of the high level of unionism is indirect: judging by the number of industrial disputes, workers involved and mandays lost, Kerala ranks next only to Maharashtra and West Bengal.<sup>8/</sup> The pressure of trade union activity and legislative protection of workers should have helped strengthen the bargaining power of labour in the organised sector; but it is not obvious how these forces affect employment and incomes in sectors which are not covered by them.

#### Footnotes and References

- 1/ "This comparative preponderance of industrial population in these two States (Travancore and Cochin) is due not to the infertility of the soil or its unsuitability to agriculture but to certain natural advantages possessed by them which have directed a large proportion of people than in most other parts of India to industrial occupations. Among these may be mentioned the existence of a large extent of backwaters and canals teeming with fish life and providing occupation to a large number of fishermen, fish cures and dealers, and boat and boatmen; of valuable forests covering nearly one half of the States' and providing employment to numbers of woodcutters, sawers, carpenters, and collectors of forest produce; and of the facilities for the cultivation of coconut palm, the raw produce of which affords scope for important and extensive industries, such as toddy drawing, jaggery making, arrack distilling, oil pressing, coir making etc...."

Census of Cochin, 1911, Vol. XVIII, Part I, Report, p. 83

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- 2/ V.Sankaranarayanan, Urbanisation in Kerala and Tamil Nadu - Some Contrasts, Working Paper No.57, Centre for Development Studies, Trivandrum, 1977.
- 3/ P.G.K.Panikar, T.N.Krishnan and N.Krishnaji, Population Growth and Agricultural Development - A Case Study of Kerala, Centre for Development Studies, Trivandrum, August 1977, Chapter IV, "Changes in Distribution of Land-Demographic and non-Demographic factors."
- 4/ According to the Census 1971, agricultural labourers constitute roughly 67 per cent of the total agricultural workers in Kerala as against 37 per cent in the rest of India.
- 5/ United Nations, Poverty, Unemployment and Development Policy -- A Case Study of Selected Issues with Reference to Kerala, prepared by the Centre for Development Studies (May 1975), See Chapter VII, "Population Growth and Unemployment."
- 6/ This point has also been made in Poverty, Unemployment and Development Policy .... op.cit, Chapter VII.
- 7/ Poverty, Unemployment and Development Policy ... op.cit, Chapter X, "Structure of education and the Market for the Educated."
- 8/ State Planning Board and the Bureau of Economics and Statistics, (Government of Kerala, 1975), See Section 2, "Industrial Labour", Industries, Industrial Labour and Infrastructure.

## CHAPTER III

### COMPOSITION OF EMPLOYMENT IN THE ORGANISED AND UNORGANISED SECTORS IN KERALA

We had noted in the previous Chapter that the problems of absorbing the growing numbers in the economy is particularly acute in Kerala, and that the current open unemployment rate is among the highest in the country. We also noted that compared to the rest of India, large-scale manufacturing industries are much less developed in the State. Non-agricultural activity comprises largely of agro-processing and commerce, both of which are typically carried out in small-scale dispersed units. While in some of these activities wages and working conditions are protected by law and trade union organisations, a large segment of non-agricultural employment is not effectively protected by these means. In a situation of high unemployment, and in so far as opportunities for employment in the "protected" or "organised" sector are severely limited, it is inevitable that a large segment of the labour force seeks to earn a livelihood by engaging in low paying jobs, either as own account workers, or as wage-earners, in unregistered workshops, retail trade or in casual and irregular work as manual labourers in the tertiary sector. The wages and conditions of work in these activities are relatively unprotected being outside the pale of any legislation and being less likely to be unionised. One would expect under these circumstances the unorganised sector to be relatively larger in Kerala. This expectation is corroborated by the facts shown in Table III.1, later in the text.

### Basis of Estimates

Before discussing these estimates, it would be useful to spell out the basis on which they have been made. First, there is the question of definitions. As indicated in Chapter 1, the distinction between the organised and the unorganised sectors is based mainly on the degree of legal and institutional protection of wages and working conditions. In reality, it is extremely difficult to define a clear line of demarcation on this criterion, for what we face typically is a situation in which different sized establishments are subject to varying degrees of "effective" protection. So to specify a cut-off point across different industries definitely does pose problems. For the purpose of this study we have assumed the organised sector to comprise all establishments employing more than 10 workers. While there is an element of arbitrariness in this definition, it seems reasonable to suppose that units above this size are more likely to be under the purview of legislation intended to fix minimum wages, workman's compensation or otherwise protect workers' interests. Thus, the Factories Act and the Payment of Wages Act applies to units employing 10 or more workers using power (or 20 or more without power). Moreover, the Directorate of Employment and Training which publishes a time series of employment in the organised sector covers (at any rate since 1966) all establishments with 10 or more workers. The cut off point assumed by us is both meaningful and convenient.

Besides the EMI, the census of establishments carried out as part of the decennial population Census of 1971, gives data on the size distribution of the number of establishments employing one or

more workers by detailed industrial categories. This provides an independent basis for estimating the size of organised sector employment, but only for 1971. However, unlike the EMI, it has the merit of providing a rural-urban breakdown.

The total employment in different categories of non-agricultural activity, with distribution by age, sex and education, for rural and urban areas are taken from the 1971 Census.<sup>1/</sup> The differences between the total employment in an industry and the establishment employing more than 10 workers is taken as a rough measure of employment in the unorganised sector. It is possible to get a further breakdown of the latter on the basis of data from the Census of Establishments which covers all establishments employing at least one hired worker. This permits us to get a rough idea of the number of workers who are in effect not working in any fixed premises with "four walls and a roof".<sup>1/</sup>

#### The size of the Unorganised Sector

It is clear from Table III.1 that, whether one uses the EMI or the Census of Establishment estimates of organised sector employment, Kerala has a relatively larger proportion of its non-agricultural workforce in the unorganised sector. On the basis of the EMI data, about 73% of non-agricultural employment in Kerala is in the unorganised sector compared to 67 per cent in All-India. The estimate based on the census data though smaller, still shows the unorganised sector to be relatively more prominent in Kerala. Moreover, the incidence of workers in itinerant and open air establishments (which are not covered by the Census of Establishments data), and which

constitute the most unorganised segment of the economy, is considerably higher in Kerala than in All-India.

Table III.1

PERCENTAGE OF NON-AGRICULTURAL WORKFORCE IN THE UNORGANISED  
SECTOR:1971

	EMI Estimate	Census of Establish- ment estimate	Non-Establish- ment workers
	I	II	III
Kerala	77.7	79.1	45
All-India	66.8	75.0	38

Note: III refers to the non-establishment workers as a percentage of the total non-agricultural workforce.

Source: Derived from Table 1 in the Annex to this Chapter.

Within the organised sector, manufacture and services absorb <sup>in</sup> the major proportion of the non-agricultural workforce both Kerala and All-India (See Table III.2). In Kerala both these activities absorb roughly equal proportions of the workforce, while in All-India, services engage a smaller proportion of the non-agricultural workforce, and a correspondingly larger proportion in trade and commerce. Within the unorganised sector (defined in the broader sense as comprising all ~~workers~~ establishments employing less than 10 workers and non-establishment workers) manufacture, trade and services account for the bulk of employment both in Kerala and in the rest of India. The relative importance of these is not significantly different in the two cases.

Table III.2

DISTRIBUTION OF NON-AGRICULTURAL EMPLOYMENT IN THE ORGANISED AND UNORGANISED SECTORS: 1971  
( Percentages )

NIC	All India				Kerala			
	Organised sector	Unorganised sector			Organised sector	Unorganised sector		
	I	II (a+b)	II(a)	II(b)	I	II(a+b)	II(a)	II(b)
2&3 Manufacture	45	31	40	22	43	33	28	36
6&8 Trade and Commerce	11	23	39	9	7	24	50	5
9 Services	34	24	18	29	44	26	20	30
Total	100	100	100	100	100	100	100	100

Note: II(a) refers to Unorganised (establishments).  
II(b) refers to Unorganised (non-establishments)

Source: Derived from Table 2 in the Annexe.

However, the industrial distribution of employment as between establishments and non-establishment workers within the <sup>un</sup>organised sector is markedly different from the All-India pattern. From Table III.2 we observe that in Kerala, manufacture and services account for a smaller proportion of workers in establishments employing 1 to 10 workers compared to All-India the difference being more marked in the case of manufacture. On the other hand, the share of trade and commerce in Kerala is much higher than the national average. In the non-establishment sector, by contrast, the share of trade and commerce is substantially less than the national average, while the share of manufacture and to a lesser extent of services is larger than in All-India.

Viewed in terms of the intensity of unorganised sector activities in particular sectors (measured by the ratio of employment in this segment to total employment in each industrial category), unorganised sector activity in Kerala is more prominent in manufacture and trade, while there is hardly any difference in the case of services, while compared to All-India. The higher proportion of non-establishment workers in Kerala seems to be almost exclusively due to the high incidence of these workers in the manufacturing sectors and, to a much smaller extent, in services. (See Table III.3).

Table III.3

INTENSITY OF UNORGANISED SECTOR ACTIVITIES IN  
THE MAJOR SECTORS OF THE NON-AGRICULTURAL ECONOMY

1971

( Percentages )

	All India				Kerala			
	Unorga- nised sector	Unorga- nised sector (esta- blish- ment)	Unorga- nised sector (non-esta- blishment)	Total employ- ment	Unorga- nised sector	Unorga- nised sector (esta- blish- ment)	Unorga- nised sector (non- establi- ment)	Total employ- ment
2&3. Manufactu- ring	66	42	24	100	72	26	46	100
6&8. Trade and Commerce	86	69	17	100	91	80	11	100
9. Services	66	24	42	100	66	22	44	100
Total	75	36	39	100	78	33	45	100

Source: Derived from Table II in the Annexes.

Rural-Urban Composition of Employment in the Organised and Unorganised Sectors:

Given the fact that the rural-urban distinctions in Kerala are far less pronounced and that manufacturing and commerce are widely dispersed, a higher proportion of total non-agricultural activity is found in the rural areas. When we examine the composition of employment in the organised and unorganised sectors as a whole, we find that the patterns in rural areas of both Kerala and All-India are remarkably similar. In urban areas, the similarity in the pattern of employment holds good for only the



unorganised sector. In the case of the organised sector, services are more important and manufactures less prominent in Kerala than in All-India. The intensity of unorganised sector activities (defined in the broader sense) is more or less similar in the case of manufactures and trade in the rural and urban areas of both Kerala and All-India. However, the intensity of unorganised activity in services is much less in Kerala than in All-India in both the rural and urban areas.

Table III.4

INTENSITY OF UNORGANISED SECTOR ACTIVITY IN PARTICULAR  
SECTORS OF NON-AGRICULTURAL ECONOMY  
1971

All-India (Percentages)

	Rural				Urban			
	Unorga- nised sector	Unorga- nised sector (esta- blishment)	Unorga- nised (non- establi- ment)	Total employ- ment	Unorga- nised sector	Unorga- nised (esta- blish- ment)	Unorga- nised (non- establi- ment)	Total employ- ment
	II(a+b)	II(a)	II(b)		II(a+b)	II(a)	II(b)	
2&3. Manufacture	78	51	27	100	57	34	23	100
6&8. Trade & Commerce	95	87	8	100	82	59	23	100
9. Services	82	35	47	100	54	15	39	100
Total	84	45	39	100	68	29	39	100
<u>Kerala</u>								
2&3. Manufacture	76	23	53	100	59	37	22	100
6&8. Trade & Commerce	95	81	14	100	80	76	4	100
9. Services	75	24	51	100	45	16	29	100
Total	84	33	51	100	64	34	30	100

(Derived from Tables 3 and 4 on the annexe)

Although the intensity of unorganised sector activity as a whole is more or less similar in manufacture and trade, the proportions of non-establishment workers vary markedly in these activities, as well as in the case of services. We observe a considerably larger incidence of non-establishment workers in these activities in rural Kerala, when compared to All-India. In urban areas, there is hardly any difference in the intensity of non-establishment workers in manufacture; but, they are much less prominent in trade, <sup>and</sup> commerce and services of urban Kerala compared to the national averages (See Table III.4).

#### Sex, Age, Education Selectivity in the Workforce

In our review of the literature, we referred to some studies relating to other countries which showed a preponderance of females, persons outside the prime age group, and workers with a relatively lower educational attainment among the workforce of the unorganised sector. We have used the Census data for this purpose (See Appendix to this Chapter). Such a selectivity by sex and age does not seem to be significant phenomenon in the manufacturing and services sector of Kerala but there seems to be a high degree of selectivity in terms of education both in manufacture and services. In the case of trade, we do not observe any pronounced differences between the organised and unorganised sectors on any of these criteria: female workers form a relatively insignificant proportion of the total; there are no pronounced differences in the levels of education among the organised and unorganised sector workforce; and lastly, the age structure of the workforce in both the sectors does not present a sharp contrast <sup>a</sup> or bias towards either too young or too old workers.

Table III.5SEX, AGE AND EDUCATIONAL SELECTIVITY AMONG THE NON-AGRICULTURAL  
WORKFORCE IN THE ORGANISED AND UNORGANISED SECTORS IN KERALA 1971

(Percentages)

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		Female workers (0-14 & 60+)	Workers either too young or old	Illiterate workers	Educated workers (matriculates and above)
<u>Manufacture</u>					
Organised Sector	2511	6.0	19.9	15.1	
Unorganised Sector	44.5	10.5	35.0	7.9	
<u>Trade and Commerce</u>					
Organised Sector	7.7	5.0	19.4	8.2	
Unorganised Sector	4.0	8.0	15.5	7.1	
<u>Services Sector</u>					
Organised Sector	33.7	4.61	1.4	47.3	
Unorganised Sector	30.4	12.60	27.2	3.9	

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Source: Derived from Tables 5-7 in the  
Annexure.

APPENDIX TO CHAPTER IIISELECTIVITY CHARACTERISTICS OF THE WORKFORCE; 1971

The major sources of information on the sex, age and educational characteristics of the workforce are the various rounds of the N.S.S. on employment and unemployment and the decennial population Census. Both these sources do not provide a direct break-up between the organised and unorganised sector workforce. As the latter source is more detailed, we have decided to use it. We have made the following assumptions.

In the case of manufacturing, the information relates to household industry and non-household industry. In the absence of a further breakup of the latter, we have taken non-household industry to be representative of the organised sector and household industry as representative of the unorganised sector.

In the case of trade and commerce, the information provides no break-up at all. Keeping in mind, the defining characteristics of the organised sector we have used occupational groups 22 and 43 to be representative of the organised sector. These groups include "working proprietors, directors and managers, wholesale and retail trade" and "salesman, Shop Assistants and related workers". These groups are more likely to be employed in registered trading establishments, and whose employment and working conditions are likely to be protected under legislation like the Shops and Establishment Act. We have included occupational groups 40 "Merchants and Shop keepers, wholesale and retail trade" in the unorganised sector.

Lastly, in the case of the services sector, the organised sector would broadly comprise employees in educational, medical and health, business, legal and recreation services. The occupational division 0-1 "Professional, technical and related workers" covers most of the above mentioned. The unorganised sector, would broadly comprise domestic and other personal services. Occupational division 5 "service workers" includes all such services (ranging from housekeepers cooks, sweepers to barbers).

These assumptions, are necessarily tentative and open to question, but this is the best that can be done under the circumstances.

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ANNEXE TABLES

Table 1

Relative Importance of the Organised and Unorganised Sectors of the Non-Agricultural Workforce  
1971

	Total non-agricultural workforce (Census data)  (Lakhs)	I	II	III	Percentage of Workforce in Unorganised Sector		
		Organised Sector Workforce (EMI) (Lakhs)	Organised sector Workforce (Establishment) (Lakhs)	Non-Establishment workers (Lakhs)	I	II	III
Kerala	27.67	6.16	6.06	12.53	77.7	79.1	45
All India	494.00	164.20	123.30	192.53	66.8	75.0	38

Notes: 1. The figures for the percentage of workers in the unorganised sector have been derived by first estimating the percentage of worker in the organised sector. The figure for III refers to the percentage of non-establishment workers in the total non-agricultural workforce.

Sources of data:

1. a) The EMI data have been taken from "The Basic Statistics Relating to the Indian Economy, Vol. I: All India, Centre for Monitoring Indian Economy, Bombay, October 1976.
- b) For Kerala, the EMI data are published on Statistics for Planning, Issued by the Bureau of Economic and Statistics, Kerala, 1977.
2. The Sources of the Census and Establishment data are cited in Table 2.

Table 2

Relative Importance of the Organised and Unorganised Sectors: 1971 (Non-Agricultural Workforce)  
(in lakhs)

N.I.C.	All India					Kerala				
	Organised sector	Unorganised sector			Total Employment	Organised sector	Unorganised sector			Total Employment
	I	II(a+b)	II(a)	II(b)	I+II	I	II(a+b)	II(a)	II(b)	I+II
1. Mining and Quarrying	0.75	7.82	0.53	7.29	8.57	-	0.30	-	0.30	0.30
2&3. Manufacture	56.04	113.19	71.17	42.02	169.12	2.66	7.12	2.56	4.56	9.78
4. Electricity, Gas and water	1.70	3.50	0.42	3.08	5.20	0.01	0.21	0.01	0.20	0.22
5. Construction	0.62	20.89	0.08	20.81	21.69	0.01	1.07	-	1.07	1.08
6&8. Trade and Commerce	13.64	86.99	69.45	17.54	100.63	0.47	5.19	4.53	0.66	5.66
7. Transport, Storage & Communications	7.76	48.94	3.69	45.25	56.70	0.22	2.20	0.16	2.04	2.42
9. Services	42.76	89.34	32.98	56.36	132.1	2.69	5.52	1.82	3.70	8.27
Total	132.27	370.74	178.31	192.43	494.01	6.06	21.61	9.08	12.53	27.67

Notes: 1. The organised sector refers to workers employed in establishment employing more than 10 workers.  
2. The unorganised sector is composed of II (a) workers in establishments employing less than 10 workers  
II (b) workers not employed in establishments

Sources: 1. Census of India, 1971, Series 1 - India Part II B(i) ESTABLISHMENT TABLES.  
2. Registrar General, Census Commissioner, Census of India 1971, Series I, Part II, Special, All India Census Tables, 1972.

Table 3: Relative Importance of the Organised and Unorganised Sector All India - Rural and Urban (in Lakhs)  
(Non-Agricultural Workforce) 1971

NIC	Rural					Urban				
	Organised Sector	Unorganised Sector		Total Employment I+II	Organised sector	Unorganised sector		Total employment I+II		
	I	II(a+b)	II(a)		II(b)	I	II(a+b)		II(a)	II(b)
1. Mining and Quarrying	0.64	4.86	0.03	4.83	5.5	0.11	2.99	0.50	2.49	3.1
2& 3. Manufacture	17.75	62.95	41.47	21.48	80.7	38.29	50.11	29.70	20.41	88.4
4. Electricity, Gas and Water Supply	0.32	1.68	0.26	1.42	2.0	1.37	1.83	0.16	1.67	3.2
5. Construction	0.18	10.82	0.03	10.79	11.0	0.43	10.25	0.05	10.22	10.70
6& 8. Trade and Commerce	1.85	34.65	31.89	2.76	36.5	11.79	52.31	37.55	14.76	64.1
7. Transport, Storage and Communication	0.83	16.07	1.90	14.17	16.9	6.93	32.87	1.79	31.08	39.8
9. Services	11.84	52.76	22.72	30.04	64.6	30.92	36.58	10.26	26.32	67.5
Total	33.41	183.79	98.30	85.49	217.2	89.84	186.96	80.01	106.95	276.80

The sources of data are the same in Table 2.

Note: 1. II(a) refers to unorganised (establishments)  
2. II(b) refers to unorganised (non-establishments)



Table 4: Relative Importance of the Organised and Unorganised Sector 1971: Kerala - Rural and Urban  
(Non-Agricultural Workforce) (in lakhs)

NIC	Rural					Urban				
	Organised sector	Unorganised sector	Total Employment			Organised sector	Unorganised sector	Total employment		
	I	II(a+b)	II(a)	II(b)	I+II	I	II(a+b)	II(a)	II(b)	I+II
1. Mining and Quarrying	-	0.27	-	0.27	0.27	-	0.03	-	0.03	0.03
2& 3. Manufacture	1.82	5.86	1.77	4.09	7.68	0.84	1.26	0.79	0.47	2.10
4. Electricity, Gas and Water supply	-	0.15	-	0.15	0.15	0.01	0.07	-	0.07	0.08
5. Construction	0.01	0.84	-	0.84	0.85	-	0.23	-	0.23	0.23
6&8. Trade and Commerce	0.14	3.73	3.20	0.58	3.92	0.33	1.41	1.33	0.08	1.74
7. Transport, Storage and communications	0.02	1.48	0.11	1.37	1.50	0.20	0.72	0.05	0.67	0.92
9. Services	1.36	4.37	1.42	2.95	5.73	1.33	1.14	0.40	0.74	2.47
Total	3.35	16.75	6.60	10.25	20.10	2.71	4.86	2.57	2.29	7.57

Source of the data are the same as in Table 2.

Note: 1. II(a) refers to unorganised (establishments).  
II(b) refers to unorganised (non-establishments).

Table 5

Sex, Age and Educational Selectivity Amongst the Non-Agriculture Workforce  
in Kerala 1971

(Manufacturing Sector)

SEX AND AGE

	Organised Sector			Unorganised Sector		
	Persons	Males	Females	Persons	Males	Females
Total	711,962	533,353	178,609	265,892	147,625	118,267
Percentage	100	100	100	100	100	100
0-14	3	2	5	3.6	2.1	5.5
15-29	43	40	51	38.7	35.3	43.0
30-59	51	53	41	50.8	53.9	47.0
60 and above	3	5	3	6.9	8.7	4.5

EDUCATION (in Percentage)

	Organised Sector			Unorganised Sector		
	Persons	Males	Females	Persons	Males	Females
Illiterates	19.9	12.2	43.2	35.0	22.7	50.5
Literate*	16.7	16.4	17.5	19.2	19.8	18.4
Primary	43.2	47.0	31.8	37.0	45.6	26.2
Matriculates	13.6	16.2	5.9	7.8	10.5	4.5
Graduates and above	1.5	2.0	0.3	0.1	0.1	-

The data sources are: Census of India, 1971, Series 9, Kerala, Part II - B(ii), Economic Tables.

Note:- The organised sector data refer to 'non household industry,' whereas the unorganised sector refer to 'household industry.'

Table 6

Sex, Age and Educational Selectivity Among the Work Non-Agricultural  
Workforce in Kerala: 1971

TRADE SECTOR

	Organised Sector			Unorganised Sector		
	Persons	Males	Females	Persons	Males	Females
Total	112,650	103,956	8,694	239,166	229,632	9,534
Percentage	100	100	100	100	100	100
0-14	1	1	1	-	-	-
15-29	43	44	27	26	27	16
30-59	52	50	65	66	66	73
60 and above	4	5	7	8	7	10

EDUCATION

	Organised Sector			Unorganised Sector		
	Persons	Males	Females	Persons	Males	Females
Illiterate	19.4	15.7	64.2	15.5	13.7	60.1
Literates*	14.7	14.8	14.4	15.9	15.9	15.6
Primary	39.4	41.2	17.2	43.7	44.6	20.7
Middle	18.2	19.6	2.0	17.8	18.4	2.8
Matriculates	7.6	8.1	2.1	6.6	6.9	0.8
Graduates and above	0.6	0.6	0.1	0.5	0.5	-

The Organised sector refer to the Occupational Groups 22 and 43 -

"Working proprietors, directors and managers, wholesale and retail trade",  
and "Salesman, Shop Assistants and related worker."

The unorganised sector refers to Occupational Group 40- "Merchants and  
shop keepers, wholesale and Retail Trade."

Source: Census of India, 1971, Series 9, Kerala, Part II-Biii, Economic  
Tables, (Tables B-VI, Part A, (1) and B-VI Part B-(i))

Table 7

Sex, Age and Educational Selectivity Among the Non-Agricultural Workforce  
in Kerala 1971 (SERVICES SECTOR)

AGE AND SEX

	Organised Sector			Unorganised Sector		
	Persons	Male	Female	Persons	Male	Female
Total	323,829	214,596	109,233	361,700	251,814	109,886
Percentage	100	100	100	100	100	100
0-14	0.01	0.01	0.01	8.1	4.5	16.4
15-29	29.9	24.8	40.0	36.2	37.0	34.4
30-59	65.4	68.5	59.2	51.2	54.4	43.7
60 and above	4.6	6.6	0.7	4.5	4.1	5.1

EDUCATION

	Organised Sector			Unorganised Sector		
	Persons	Males	Females	Persons	Males	Females
Illiterates	1.4	1.7	0.9	27.2	16.6	51.6
Literates*	23.8	24.9	36.4	18.6	18.5	18.7
Primary	11.0	15.0	3.2	38.7	44.6	25.2
Middle	11.5	12.8	9.0	11.6	15.2	3.6
Matriculates	25.4	24.3	27.7	3.7	4.9	0.9
Graduates and above	21.9	21.4	22.8	0.2	0.2	-

Notes: The organised sector refers to occupation division C-1, 'Professional, Technical and Related workers.'

The Unorganised sector refers to Occupational division 5, 'Service workers.'

Source: Census of India (1971), Series 9, Kerala Part II-B (iii) Economic Tables, Table B-VI, Part - A (i) and Table B-VI Part - B (i).

## PATTERN OF EARNINGS IN KERALA

### CHAPTER IV

Given the characteristics of the labour market in Kerala and All-India outlined in the previous Chapter, we shall now examine the comparative pattern of earnings of wage labour in different sectors.

#### Hypotheses

Firstly, given the high degree of political consciousness amongst the workforce in Kerala, one would expect the wage rates of activities demanding comparable skills to be high and close to one another. The unions would not brook any pronounced differentials in such activities. Furthermore, the State Government in response to union pressures has, now and then, statutorily fixed high minimum wage rates in various activities of the economy. In this situation, one would expect the worker in Kerala to be better off than his counterparts in the rest of India.

Secondly, in the context of a very high rate of open unemployment, there would be forces which would work in the opposite direction. While wage rates may be kept high because of the former set of factors, the pressure of excess labour supply might result in lower intensities of employment because the limited available employment opportunities would tend to be spread more thinly amongst the excess labour force, implying a relatively higher degree of underemployment. To this extent, there could be a downward pressure on the level of total earnings even in the organised sector.

Thirdly, this latter factor is specially important in the case of the workforce in the unorganised sector whose employment by definition is unprotected and irregular. And within the unorganised sector, the non-establishment workers, whose incidence in the rural areas of Kerala as noted in the previous Chapter, is relatively high, are likely to be particularly vulnerable in the context of a high rate of unemployment.

One might in general expect the level of earnings in the unorganised sector to be very low and close to that obtaining in agriculture.

Lastly, given the fact that the intersectoral differences in the product per worker are relatively smaller, it would point towards a narrower spread in the inter-sectoral level of earnings as well. Furthermore, the same can be expected to hold in the case of the rural-urban differences in the level of earnings in view of the closer economic distance observed between the rural and urban areas of Kerala.

#### Data and their limitations

A definitive evaluation of the above mentioned hypotheses is rendered difficult because the available data is unsatisfactory. The available information is drawn from diverse sources, and is subject to a number of limitations as a basis for analysis of the inter-sectoral differences in the earnings and their trends over time.

In the first place, we do not have data on earnings for even a single point of time which are strictly comparable, in terms of concepts, coverage or methods of estimation. Secondly, the extent of detailed breakdown by sex, industry and employment is far too limited. Thirdly, there are only a few instances where data are available separately for rural and urban areas. Fourthly, the data on the intensities of employment in various activities are available for too few points of time. Finally, comparable data on wage rates and earnings by sectors over time are extremely limited. In this situation, an analysis of wage rates and total earnings in different sectors and of their behaviour over time is open to a lot of questions; nevertheless, it seems possible to draw some, though only suggestive and tentative, inferences from the available data.

Wage Rates and Earnings of Agricultural Labour

Since agricultural labour is an important source of labour supply for non-agricultural activities, it is appropriate to start with an analysis of the factors determining the incomes of the former. Agricultural labourers are better organised in Kerala than in most parts of the country. Moreover, the State government has fixed statutory minimum wages at a relatively high level. This would lead one to expect the conditions of agricultural labour relative to other rural classes; to be relatively better in Kerala. On the other hand, the existence of a high level of open unemployment, and the fact that the labour input requirements in the cultivation of commercial crops is relatively less, would tend to have a depressing effect on employment and total earnings.

Data from the Third Rural Labour Enquiry relating to 1963-65 suggest that while the average wage rates in Kerala are much higher than the national average - in fact they are among the highest in the country - the total annual earnings are only marginally higher than the national average. The difference is explained by the fact that the intensity of employment in Kerala is much lower: on the average, in 1964-65, an agricultural male wage labourer was employed for only 173 days in Kerala when compared to 217 days in the rest of India. More significantly, the high wage rates notwithstanding, the average income per agricultural labourer (male as well as total) and the average per capita consumption of agricultural labour families relative, respectively, to the average product per worker in agriculture taken as a whole, and the average per capita consumption expenditure of the total rural population, is much lower in Kerala than in All-India (See Table IV.1).

Table IV:1

PERCAPITA MONTHLY CONSUMER EXPENDITURE, ANNUAL INCOME AND PRODUCT PER WORKER (VALUE ADDED) IN AGRICULTURE, KERALA, ALL-INDIA 1961\* AND 1963-64 (In Rupees)

	Percapita monthly consumer expenditure of all rural households	Per capita consumer expenditure of all agricultural labour households	Ratio of (1) and (2)	Annual Income per agricultural labourer	Product* per worker in agri-culture	Ratio of (3) and (4)
	(1)	(2)		(3)	(4)	
Kerala	20.36	15.9	0.78	352.44	1069.03	0.33
All-India	22.31	18.5	0.83	319.03	501.75	0.64

Note: 1. The product per worker has been calculated at 1960-61 prices.

- Sources: 1. G.S.Bhattacharjee and N. Bhattacharya, "On disparities in Per capita household consumption in India," in Poverty and Income Distribution in India, ed. by T.N.Srinivasan and P.K.Bardhan, (ISI, 1974).
2. Rural Labour Enquiry, 1963-65, Final Report, Labour Bureau, Government of India, Simla, p.9 and 51.
3. National Account Statistics, 1960-61 to 1972-73, Central Statistical Organisation, Government of India, p.6.
4. Statistics for Planning, Bureau of Economics and Statistics (Kerala, 1977) pp.6 and 73.



Wage Rates and Earnings in Organised Manufacture and Agriculture:

In Table IV: 2, we observe that the wage rates in the organised manufacturing sector of Kerala, as in the rest of India, are higher than in Agriculture.<sup>1</sup> However, the range between agricultural<sup>and</sup> manufacturing wage rates is much narrower in Kerala than in All-India. Wage rates in agriculture are roughly 62 per cent of those in manufacture as against 36 per cent in the case of All-India. We also find that the average wage rates of manufacturing workers are less in Kerala than the national average. As a result, though the intensities of employment are roughly the same in both the cases, the average factory worker in Kerala earns less than his counterpart in the rest of India. Equally important is the fact that the spread in earnings between agricultural and factory labour is narrower in Kerala.

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Table IV:2

WAGE RATES, EMPLOYMENT AND EARNINGS OF MALE AGRICULTURAL  
AND FACTORY WORKERS, KERALA AND ALL-INDIA, 1964-65

	Average daily wage rate (Rs.)	Intensity of employment (no. of days per annum)	Approximate monthly earnings (Rs.)
<u>Kerala</u>			
1. Agricultural Labour	2.11	173	30.42
2. Registered factory workers (Sample sector)	3.41	266	75.59
<u>All India</u>			
3. Agricultural Labour	1.43	217	25.86
4. Registered factory workers (Sample sector)	3.97	261	86.28

Notes: 1. The intensity of employment in the case of manufacture refers to the annual number of mandays per worker (8 man hours = 1 man day); as there is no breakup between males and females it is assumed to be representative of both.

Sources of data

1. Rural Labour Enquiry, 1963-65, Final Report, Labour Bureau, Government of India, Simla, p147, Tables 8.12.
2. Tables with Notes on the Annual Survey of Industries, 1964, Sample Sector, Detailed Results, NSS Report 188, p.7 and 13.

### Unorganised Manufacture

The data on earnings and intensities of employment in unregistered workshops are available for only 1958-59, from the survey of small scale manufacturing establishments, conducted by the N.S.S.<sup>2/</sup> The survey covered all household establishments not registered under the Factory Act and therefore cover both household industries and unregistered workshops. We also have included the estimated monthly earnings of agricultural labourers as shown by the Second Agricultural Labour Enquiry.<sup>3/</sup> However, since the latter relate to 1956-57, the comparisons of earnings should be treated with caution. Subject to this reservation, the data broadly corroborate our hypotheses outlined earlier in the Chapter.

In Table IV.3 we observe that workers in unregistered workshops (both hired and own account) earn considerably less than their counterparts in the organised manufacturing sector in both Kerala and All-India. However, the spread between the two is much larger in Kerala. More significantly, the level of earnings in unorganised manufacture falls below that of agriculture in Kerala, whereas in All-India, it falls between that of agriculture and organised manufacture.

Table IV.3

MONTHLY EARNINGS OF AGRICULTURAL LABOUR, WORKERS IN  
ORGANISED AND UNORGANISED SECTORS OF MANUFACTURE,  
KERALA, ALL INDIA 1958/59 (In Rupees)

	Kerala			All-India		
	Rural	Urban	Total	Rural	Urban	Total
<u>Agricultural Labourers</u> (without land (All workers)			17.92			16.50
<u>Unregistered workshops</u>						
i) hired workers	13.22	24.31	15.75	18.07	34.85	25.73
ii) own account workers	11.70	30.69	13.62	13.23	93.00	27.00
Registered Factory Workers (Sample Sector)			61.80			64.3

Note: The total figure in the case of unregistered workshops are weighted averages.

- Sources: 1. Rural Labour Enquiry - Final Report, 1963-65, Labour Bureau, Government of India, Simla, p.9 and 51.
2. Tables with Notes on Small Scale Manufacture, Rural and Urban, 14th round NSS, Report 94, derived from tables 1 and 2, 20 and 35 (rural and urban).
3. Tables with Notes on Annual Survey of Industry, 1959 Sample Sector, Detailed Results, NSS Report, Number 122, p.7 and 18.

Low earnings in unregistered workshops is partly due to the lower intensity of employment. Although the data regarding the intensities of employment are not strictly comparable, the available data (summarised in Table IV.4) suggest that both in Kerala and All-India, the intensities of employment are roughly the same in unregistered workshops, but considerably less when compared to the intensity of employment in organised manufacturing establishments. The differential is far more striking in the rural areas than in the urban areas.

Table IV.4

INTENSITY OF EMPLOYMENT IN THE ORGANISED AND UNORGANISED SECTORS OF MANUFACTURE, KERALA, ALL INDIA 1958-59/1959

	Number of days worked in a month per small-scale manufacturing households (1958-59)			Number of mandays per worker in Registered factories in the sample Sector (1959)		
	Rural	Urban	Total	Rural	Urban	Total
Kerala	12.37	19.74	<u>13.12</u>			22.82
All-India	11.20	20.91	<u>12.88</u>			22.72

Sources: 1. Tables with notes on Small Scale Manufactures, Rural and Urban, NSS Report, 94, Tables 3 and 35 (Rural and Urban)

2. Tables with Notes on Annual Survey of Industry 1959, Sample Sector: Detailed Results, NSS Report, 122, pp.7 and 18.

This would suggest that while lower intensities of employment can partly account for the differential in earnings (especially in the rural areas), it is also likely that the wage rates are also lower in the unorganised sector of manufacture.

The implied overall average daily wage rate in the unorganised sector, on the basis of the NSS data cited above, works out to roughly Rs.1.20 in Kerala and approximately Rs.2/- in All-India. The wage rates are much less when compared to Rs.2.71 per day in the organised sector of Kerala and Rs.2.83 per day in All-India the difference being markedly greater in Kerala. It is important to note that these figures cover both unregistered workshops and household industry, and as no breakup between the two is provided, it is possible that the conditions of the non-establishment workers are worse. It was noted in the previous chapter that a larger incidence of such workers was found mainly in the manufacture and services in rural Kerala.

#### Organised and Unorganised Sectors of Trade and Services

The organised sector in trade would broadly comprise the employers and employees in trading establishments registered under the Shops and Establishments Act and the Sales Tax Act. While no data are available for the earnings of the employers and own account workers in such registered establishments, data are available for the monthly earnings of shop assistants from 1963-64 onwards but only for urban areas of Kerala. The data on the unorganised segment in trade are available only for a point of time from the survey conducted by the NSS on unregistered trading establishments. 5/

In the case of the services sector, the data on earnings are available from the survey of professions and liberal arts conducted

Table IV.5

MONTHLY EARNINGS OF AGRICULTURAL LABOURERS, FACTORY WORKERS AND WORKERS IN THE ORGANISED AND UNORGANISED SECTORS IN TRADE AND SERVICES, KERALA AND ALL-INDIA: (in Rupees)

	1963-64		1969-70	
	Kerala	All-India	Kerala	All-India
1. <u>Agricultural Labour without land (all workers)</u>	29.37	26.59	-	-
2. <u>Unregistered retail Trading Establishments</u>				
a) Own account workers	-	-	43.76	70.11
3. <u>Unorganised Services Sector (employees only)</u>	34.34	42.59	-	-
4. <u>Shop Assistants (urban only) Retail Trade</u>	66.67	-	120.87	-
5. <u>Organised Services (employees only)</u>	109.79	118.00	-	-
6. <u>Unregistered factory workers (Sample Sector)</u>	62.74	77.43	99.40	117.05

Note: 1. The figures for monthly earnings are weighted averages of the earnings in the rural and urban areas in Kerala and all-India.

- Sources: 1. Tables with Notes on Profession and Liberal Arts, NSS Report 130 Tables 1 and 5 (rural and urban).
2. Report on the Professions and Liberal Arts in Kerala, NSS Report No.13, Bureau of Economics and Statistics, (Trivandrum, 1970) Tables 1 and 3.
3. Report on the Wage Structure Survey in Kerala, Bureau of Economics and Statistics, (Trivandrum 1972) (Appendix Tables 2-1 and 2-13).
4. Tables with Notes on household non-registered trade, NSS Report No.207 (24th round) Tables 2.7 and 2.2 (rural and urban).
5. Rural Labour Enquiry, 1963-65, Final Reports, Labour Bureau Government of India, p.51.
6. Tables with Notes on Annual Survey of Industries, 1964 and 1970 Sample Sector, Detailed and Summary results, NSS Reports 188 and 224 (p.25).

by the N.S.S. in 1963-64. The organised sector is assumed to comprise those employed in medical and health, education, legal, business and recreation services.<sup>6/</sup> These workers, as we have seen earlier, are better educated and more likely to have regular employment. The unorganised segment in the services sectors would broadly cover the workers in personal services (primarily domestic). While the organised/unorganised dichotomy would cut across all such services, this is the best that can be done under the circumstances. (The data are summarised in Table IV.5).

As one would expect, the differential in the level of earnings between the organised and unorganised services sector is substantial. However, as in the case of manufacture, the differential is larger in Kerala. More significantly, the level of earnings in the unorganised services sector falls much closer to that obtaining in agriculture than is the case in All-India. On the other hand, the spread in earnings between that obtaining in agriculture and the organised service sector is narrower than observed in the case of All-India. Lastly, it also evident that level of earnings in all activities in Kerala, with the exception of agricultural labourers, is much below that obtaining in All-India.

In the case of the organised sector in trade, the shop assistants earn more than the factory workers perhaps, because their employment is more regular. However, in comparison with the employees in the organised services sectors, the latter can earn roughly 60 per cent more than the former. This could be largely a reflection to the fact that the workers in the organised services sector are more highly educated than the shop assistants.



More importantly, workers in the unorganised sector in trade earn less than half of what the shop assistants earn. Even in the case of the unorganised sector in trade, the level of earnings in Kerala is much less than obtaining in All-India.

#### Rural-Urban Differences

From the available information on the rural-urban differences in the level of earnings (see Table IV.6), it appears that the differences are much less in Kerala than observed in All-India. For reasons mentioned, earlier, the rural-urban differences are likely to be much less in Kerala in view of the fact that there exists a closer economic distance <sup>observed</sup> between the rural and urban areas. It will be seen that this expectation holds good in respect of all the activities included in the Table. The fact that the rural-urban differences in the level of earnings are much less in Kerala is also reflected in the fact that the rural-urban differences in per capita consumption are much less in Kerala when compared to the national average. //

In summing, it would appear that most of the hypotheses advanced earlier in the Chapter are by and large corroborated by the available information; the inter-sectoral differences in the level of earnings have a much narrower spread in Kerala; the rural-urban differences are much less in Kerala; the level of earnings in the unorganised sector are one of the lowest and close to that obtaining in agriculture in the economy; and lastly the intensities of employment seem to be quite important in explaining the relative level of earnings in agriculture and unorganised manufacture.

Table IV.6RURAL-URBAN DIFFERENCES IN MONTHLY EARNINGS IN MANUFACTURE,  
TRADE AND SERVICES (In Rs.)

	Rural	Urban
<u>Unregistered workshops (1958-59)</u>		
a) <u>Hired workers</u>		
Kerala	13.22	24.31
All-India	18.07	34.85
b) <u>Own account workers</u>		
Kerala	11.70	30.69
All-India	13.23	93.00
<u>Unregistered retail trade (1969-70)</u>		
a) <u>Own account workers</u>		
Kerala	41.58	56.77
All-India	44.74	121.01
<u>Unorganised services Sector (1963-64)</u>		
Kerala	33.26	36.77
All-India	27.19	46.09
<u>Organised services Sector (1963-64)</u>		
Kerala	102.49	139.17
All-India	82.04	129.34

Note; The sources of data have been mentioned already in Tables IV.2-5.

In this dissertation, we have gone as far as is possible with the available published information. The insights we have got from this information, while interesting, need to be placed on firmer empirical footing. We have made quite a few assumptions to enable us to proceed with the data, which we realise are open to question. A more intensive analysis of the primary data on employment and unemployment from various rounds of the NSS, should be rewarding.

The scope of the analysis also needs to be extended and deepened: differences in the age-sex-educational composition of workers in different activities and their impact on earnings differentials; the nature of the relationship between the organised and unorganised sectors, the extent of mobility between the two, and their relative behaviour over time are all questions to be studied. The insights provided by Mazumdar's study regarding the demand linkages between the organised and unorganised sectors also needs to be closely examined. In the absence of such analysis, it is extremely difficult to understand the dynamics of employment, earnings and income distribution over time.

#### Footnotes

- 1/ It should be noted that this comparison is based on the average rates for factories covered by the sample sector of the Annual Survey of Industries. The structure of factory industry taken as a whole in Kerala differs greatly from that of All-India (where a large proportion of output and employment are contributed by large-scale capital-and skill-intensive industries). Consequently, comparisons of average annual or daily earnings for all factories is likely to be misleading. In the absence of data on earnings for comparable skill categories at the national and state levels, we have limited the comparisons to the sample sector in order to minimise the biases. This is not wholly satisfactory, but the best that can be done.

- 2/ The NSS conducted a more comprehensive survey during the 23rd (1968-69), on small scale manufacture. However, the data at the State level are not available. During the 29th round, yet another survey of self employed households was conducted by the NSS, however, the detailed tabulations have not yet been published so far. We have derived the approximate monthly earnings of hired worker and own account workers in the following manner. We have multiplied the monthly hired labour charges per manufacturing households to the total number of manufacturing households and divided it by the total number of hired workers to get the approximate monthly earnings per hired worker. We have deducted from the monthly value added per manufacturing household, the hired labour charges per manufacturing household to get the approximate monthly earnings of the own account worker. (It should be noted that the data covers both the unregistered workshops as well as household industry, that's why we deducted the hired labour charges.)
- 3/ The figures on average annual income per agricultural households without land have been divided by the average number of wage earners in such households to get the approximate earnings per worker.
- 4/ The weighted averages have been derived in the following manner: we have multiplied the rural urban figures with the corresponding figures for the estimated number of workers and divided through by the total estimated number of workers. The same procedure has been used for estimating the total figures for unregistered retail trading establishments as well as for the employees in the organised and unorganised services sector in the Table IV.5.
- 5/ The N.S.S. during the 15th round conducted a similar survey of unregistered trade establishments. However, the data provided therein is not satisfactory, and we are forced to make do without it. The figures of monthly earnings given in the tables, refer to the monthly value added (gross earnings minus total trading cost) in retail trade establishments.
- 6/ The monthly earnings in each of these services have been multiplied by the estimated number of persons employed in the respective services and thus a weighted average was arrived at. The same method has been used in the case of the unorganised sector in services, which includes domestic services, laundry services, barber and beauty shops, other personal services and services not else where classified.

7/ Rural-Urban Differences in Per Capita Consumer Expenditure  
(in Rs.)

1963-64

	Per capita consumer expenditure of all rural households	Per capita consumer expenditure of all urban households	Ratio of (1) & (2)
	(1)	(2)	
Kerala	20.36	37.29	.75
All-India	22.31	32.96	.68

Sources: G.S.Chatterjee and N.Ehattacharya, "On disparities in Per Capita household consumption in India," in Poverty and Income Distribution in India, ed. by T.N.Srinivasan and P.K.Bardhan, ISI, 1974.