



## **RURAL HOUSEHOLD LABOUR : WAGE STRUCTURE AND INCOME CONSUMPTION PATTERN IN INDIA**

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*Wages and employment are two interrelated economic terms. Wages generally depend upon the demand for labour, but it is also determined by the cost of living in different regions. The composition of agricultural labour force is changing over time. Agricultural labourers are increasingly made up of those with no education and low social status. This finding is consistent with the notion that agricultural labourers remain the last resort option for the rural population. The policy makers aiming to alleviate poverty should continue to explore options or promoting the non-arm sector.*

**Keywords:** Poverty, Wage and Income.

### **INTRODUCTION**

Wages and employment are two interrelated economic terms. Wages generally depend upon the demand for labour, but it is also determined by the cost of living in different regions. Bihar is an agriculturally undeveloped state and cost of living is low. Therefore, the wages here are higher as compared to other states. The earning strength of a household has been taken as the total number of persons reporting agricultural, non-agricultural, and other occupation as their usual occupation. A wage earner was taken to be one who reported agricultural labour or non-agricultural labour as his usual occupation in return for wages/salary either in cash or in kind (excluding exchange labour) or partly in cash and partly in kind. Wages in kind has been converted into cash by taking into account the current price level.

The earning strength is a wider concept. Besides wage earners, it includes other earners and self-employed also. The earning strength reveals the economic status of the household. Larger the earning strength better the economic position of the household and conversely smaller the earning strength weaker the economic position of the household. The engagement of 36.2 per cent of rural workers in various non-farm activities has placed the state of Bihar in the category of states of India having a relatively high share of rural non-farm employment.

The composition of agricultural labour force is changing over time. Agricultural labourers are increasingly made up of those with no education and low social status. This finding is consistent with the notion that agricultural labourers remain the last resort option for the rural population. The policy makers aiming to alleviate poverty should continue to explore options or promoting the non- arm sector (Kijima & Lanjouw, 2008). Wage gap between the statutory minimum and actual wages received by both the male and female workers was found. Besides, the female workers were also discriminated on the basis of gender both by

their employees and government as well. Given their low level of education, their awareness of the acts and trade unions was observed to be very low (Nirmala et. al, 1998). Casualisation of workforce, as phenomena is also operating at the level of national economy as well. Over the period of time this phenomenon is becoming more and more prominent in agriculture too (Gill and Ghuman, 2001). Agriculture is increasingly unable to productively absorb the growing labour force. At the same time there has also been a growth of non-agricultural activities in rural areas in construction, trade and services which offer better earning than agriculture. Increasing casualization is a matter of concern as workers in this category may not get regular work and more likely to get low paid work resulting higher incidence of poverty. Uncertainty of work, low earnings, unfair treatment by employer and lack of social protection measures are the social characters of casual workforce (Papola and Sharma, 2005).

## **RURAL LABOUR**

### **Working Population**

Working population or Employment-to-population ratio is a statistical ratio that measures the proportion of the country's working-age population Between the age of 15 to 64 that is employed. International Labour Organization (ILO) states that a person is considered employed if they have worked at least 1 hour in "gainful" employment in the most recent week. This represents the proportion of the population that is in the labor force. The ratio is used to evaluate the ability of the economy to create jobs and therefore is used in conjunction with the unemployment rate for a general evaluation of the labour market stance. Having a high ratio means that an important proportion of the population in working age is employed, which in general will have positive effects on the GDP per capita. Employment-to-population ratios are typically higher for men than for women.

### **Employment Pattern Among Selected Rural Labour Households**

Employment pattern among rural labour households can be derived as the respective proportion of labourers engaged in different economic activities. Due to development of agriculture, diversification of rural economy toward non-farm activities has started. This was essential for expansion of employment opportunities in rural areas. Employment in non-agricultural activities has been growing rapidly. The overall non-agricultural employment has grown at an average rate of about 5 per cent during the 10 years. The labourers have shifted from agriculture. This shift was due to the inability of agriculture to hold more workers. The earnings of the workers were significantly higher in non-agricultural sector than in agricultural sector. In 1977-78, the earnings of non-agricultural sector workers were around 2.7 times higher than the agricultural sector workers (Papaola, 1992).

### **Wage Earners: Per Household**

The earning strength reveals the economic status of the household. Larger the earning strength better the economic position of the household and conversely smaller the earning strength weaker the economic position of the household. Average number of wage earners of

all classes of Rural Labour Households was 1.73 (comprising 1.15 males and 0.58 females) in 2004-05 as against 1.74 wage earners per households in 1999-2000. At all-India level the decrease in the number of wage earners per household was about 0.57 per cent. Marginal rise in the case of male earners (0.88 per cent) and fall in case of female earners (3.33 per cent) per household was observed in 2004-05 over 1999-2000 (Rural labour enquiry report, 2004-05).

#### **Average Income per day per Household in Different Occupations**

Average income per day per households is estimated by dividing the per household income of selected households from different sources with the average number of working days in different occupations among selected households. The market was segmented in terms of sex and caste, and most of the agricultural labourers were males and belonging to scheduled caste households. Most of the labourers work in their own villages, though they were free to work in other villages. Among the two categories of labourers, the permanent labour is better off as compared to casual labour in terms of per day wage earnings.

The permanent labour received a significant proportion of their wage earnings in kind, the proportion of kind wage varied from 10.84 per cent to as high as 34.97 per cent. The contract with the employer is oral but two-thirds of the permanent labourers enjoyed no freedom in terms of working for others. As compared to casual labour, a significant proportion of permanent labourers belong to non-scheduled caste households. The permanent labourers are being primarily employed to perform non-monitorable jobs like ploughing, tending animals, driving tractor, etc.

#### **Average number of working days in different occupations Among Selected Households**

Average number of working days in different occupations among different households is calculated by dividing the total number of working days in an occur action by the total number of selected households.

#### **INCOME AND CONSUMPTION PATTERN**

Income and consumption pattern of the rural households depend on many factors like assets, level of education, occupation and demographic characteristics. Saving in any community, thus, depends on these factors. Employment, income and food intake among agricultural labour households in Kuttanad region 'the rice bowl' of Kerala reveals that agriculture remains the principal source of livelihood (Panikar, 1979). The cultivators and agricultural labourer together accounts for more than 66 per cent of the total number of workers, the rest of the workers being engaged in fishing, household industry, commerce, etc. The study highlights that the region has a high rate of unemployment and underemployment, due to the single crop pattern and lack of non-agricultural avenues of employment. Further, level of earnings among these households has been low, in spite of the fact that the wage rates in this region were comparatively high. Due to low level of income there is incidence of under nutrition and malnutrition among the households. Despite of the fact that green revolution

has improved productivity, availability and access of food grains in the State, but there has not been a commensurate decrease in the levels of hunger and under nutrition. Hidden hunger in the form of deficiency of micronutrients among women, adolescents and children is quite widespread. The state figured disappointingly on hunger index, one fourth of children were under weight and one-eighth of adults had Body Mass Index (BMI) below the normal levels. As many as 80 per cent of children, 33 per cent of women and 40 per cent of pregnant women still suffer from anemia. The average calorie consumption in India is already low by international standards and at the same time, it is much lower in case of weaker sections in rural areas (Sharma and Bhatia, 2012).

### **Pattern and Magnitude of Family Income**

Family income refers to the total family income which includes primary income from all sources received by all family members during the calendar year as participants in any economic activity or as recipients of transfers, pensions, grants, etc. The wages are by and large the only source of income of casual labourers in rural India. As such the only determinant of their family earnings is the wage rate and the extent of availability of work in a month/ year. It poses a serious question about the status of local agricultural labour in India. As far as non-farm employment is concerned, the average share of households in non-farm activities come out to be 24.36 per cent. The wage rate in non-rural and non-agriculture sector is comparatively more. All the attached labourers are under debt. Their single source of loan was zamindars and a high proportion of it is for meeting basic household consumption needs (Ghuman, et.al. 2007).

### **Concentration of Household Income**

The concentration of family income among rural labour families was calculated in terms of Gini ratio through decile group method. Gini ratio is defined as the ratio of the area that lies between the equi-distribution line and Lorenz Curve to the area that lies under the equi-distribution line. If these areas are equal to each other, the Gini ratio would be equal to unity. On the other hand, if the Lorenz Curve coincides with the equi-distribution line, the Gini ratio would be zero. Thus, concentration ratio may vary from zero to unity. The coefficient of concentration is used to estimate the degree of inequality. The degree of inequality increases with the value of coefficient of concentration.

The bottom ten per cent households shared only 6.18 per cent of the total income earned by all the rural labour families. On the other hand, the top 10 per cent of the labour households took 28.09 per cent of the income of all the households. This is 4.55 times higher the income shared by bottom households. The analysis further revealed that the inequalities are obvious from the fact that the bottom 50 per cent households accounted for 27.13 per cent of the total income, whereas only 20 per cent top households accounted for about 38.33 per cent of the total income earned by all the rural labour families. The Gini coefficient came to be 0.3268 which also pointed towards inequalities.

### **Per capita Income Distribution**

Income distribution is extremely important for development, since it influences the cohesion of society, determines the extent of poverty for any given average per capita income and the poverty reducing effects of growth.

### **Pattern and Level of Consumption Expenditure**

The consumption items include non-durable food items, non-durable non-food items, durable items, services, and ceremonies. Non-durable food items are cereals, pulses, condiments and spices, fruits, vegetables, milk and milk products, edible oils, sugarcane products, meat and poultry, tea leaves, refreshments, pickles and jams and juices and intoxicants. Non-durable non-food items are fuel and light, clothing and beddings, toiletries, footwear, washing articles and such miscellaneous items. Durable items include housing, Television and radio and VCR, watches and clocks, electric fans and coolers, sewing machine, furniture, utensils, scooter and motorcycle, bicycle, LPG connection and other such items. The services purchased are education, health care, conveyance and entertainment while ceremonies include social and religious functions.

On the whole, total consumption expenditure made on different items was estimated to be Rs. 47346.67 per family. Out of this 48.32 per cent was incurred on food item and 9.50 per cent was incurred on non-durable non-food items. An amount equal 10.70 per cent was expended on durables while 13.58 per cent on services. The remaining 17.89 per cent was incurred on social and religious ceremonies. The highest expenditure, i.e. 17.54 per cent was made on cereals, followed by 11.31 per cent milk and milk products and 10.99 per cent on social ceremonies. The lowest amount equals 0.02 per cent was incurred on watches and clocks, followed by 0.04 per cent on telephone. The other items with less than one per cent of the total expenditure were refreshments, pickle/jams/juices, footwear, washing articles, Television/Radio/Video cassette recorder, electric fans and coolers, sewing machine, furniture, utensils, scooter/motor cycle, bicycle, LPG, refrigerator, conveyance and entertainment.

The relationship between income and expenditure is the consumption schedule or consumption function. When disposable income rises, consumption increases. Consumption may exceed disposable income for low-income individuals.

The ratio of income with respect to the consumption was worked out in order to see whether rural labour families are able to meet their consumption expenditure out of their income. It was done by dividing the income with consumption expenditure. At all India level, the average annual expenditure of Rural Labour Households at Rs. 25,032 was higher by 8.12 per cent in 2004-05 over 1999-2000. In 11 States/Union Territories (Andhra Pradesh, Bihar, Karnataka, Madhya Pradesh, Maharashtra, Tamil Nadu, West Bengal, Chhattisgarh, Jharkhand, Tripura and Orissa), which accounted for 70.10 per cent of total Rural Labour Households in the country.

## **CONCLUSION**

From the discussion and analysis of pattern of income and consumption and incidence of poverty among the rural labour in India, it emerged and can be said that the income, consumption and poverty are interrelated phenomena among rural labour families. Hiring out labour in agriculture emerged as the most contributing factor of income of rural labour families. This revealed that rural labour still largely depend upon agricultural sector for its livelihood.

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