

# CHARACTERISTICS OF RURAL LABOUR MARKET IN KERALA—STUDY OF A VILLAGE

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**CERTIFICATE**

I certify that the work entitled "Characteristics of Rural Labour Market in Kerala - Study of a Village" is the record of bonafide research carried out by Shri K.K. Eswaran Namboodiri in the Department of Applied Economics under my supervision and guidance. The thesis is worth submitting for the degree of Doctor of Philosophy in Economics under the Faculty of Social Sciences.

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## Chapter I

### INTRODUCTION

The rural labour market in Kerala is characterised by diverse features posing problems for a comprehensive analysis. The region's peculiarities combined with land reform measures and strong trade unionism are some of the factors that influence the rural labour market in the State. Added to these are demographic features, especially that of the agricultural labour population, and the nature of development that is obtaining in the state or what is generally called the Kerala model of development. These seem to have contributed significantly to the shaping of the labour market in the rural areas.

The variations in wage rates between the regions in the state, lack of labour supply in certain regions even for unskilled jobs in the face of acute rural unemployment, prevalence of high wage rates in several regions despite an over supply of labour are a few observations one can make at a quick glance over the rural labour scene in the state. It may also be observed that while mobility of workers (or migration for job) out of the agricultural sector is practically absent or restricted to closely neighbouring areas, there is a trend of out-migration of workers to distant places for unskilled and semi-skilled non-farm jobs. The migration to distant regions for jobs of comparably very low wages seems to be strange, particularly when there exist, although to a limited extent, possibilities of migration within the state and also for inter-occupational migration within the villages. This kind of spatial or inter-occupational migration within the state is almost absent in Kerala. This is to say that the labour market is considerably segmented in the state.

It is also interesting to note that in some of the regions of the State there occurs shortage of workers for certain agricultural operations, say, like harvesting of paddy or plucking of coconuts. Similarly, in the non-farm sector the supply of labour is very limited for certain unskilled jobs, like domestic servants, quarry workers, construction workers etc., despite a good demand for such work. There is a sizeable migration into the state from the neighbouring states for such unskilled jobs in the face of acute unemployment and poverty among the local population.

Hence in Kerala, we see a very complex system of rural labour market characterised chiefly by high wage rates and the paradox of labour scarcity amidst labour surplus. This situation cannot be analysed fully with the help of the conventional demand-supply framework. The trade unions have nevertheless a role in the shaping of the labour market. But obviously we will not be in a position to analyse the whole gamut of the labour market with these factors alone.

### **An Overview of Literature**

Before entering into a discussion on the specific research issues in the context of the present study we shall now attempt to review a few studies on rural labour scene undertaken by various researchers. These studies can be broadly categorised into three groups. One set of studies is related to the supply side of rural labour. These studies mainly concentrated on the issues such as size of rural working force, its composition, the distribution of the work force among various occupations and the factors that operate in the adjustment of labour supply. The second group is broadly related to the

demand side of rural labour which includes studies on labour absorption in agriculture, the effects of new agricultural technology and mechanisation on agricultural labour demand, the influence of institutional factors on labour demand and on the changing status of non-farm employment sector in the rural areas. The third set of studies is mainly on the agricultural wage determination process. Let us discuss briefly each of these three groups in the following pages.

### **Supply Side**

The studies on size and composition of rural labour force based on the enormous body of census data on working force in rural areas are a major set of studies on rural labour scenario. The successive decennial censuses, although not easily comparable, give much information on the rural work force and its division by age, sex and occupational categories and the migration (mobility) aspects. The studies in this category have mainly focused on aspects such as the size of the rural work force and its variations overtime, distribution of the working population among various rural occupations, i.e., mainly between agricultural and non-agricultural occupations, labour participation rates by sex, changes in the proportion of self-employed and wage labour components in the rural working force and the role of migration in labour supply adjustments.

Comparing the census data of 1961 and 1971 Kalpana Bardhan (1977) suggests that the labour participation rates in rural India declined over the decade and the decline was sharper in the case of women than men. This decline was also unequally distributed between regions with relatively less in the states of Kerala, West Bengal, Punjab and



U.P. and more in the Western States and Eastern States of Orissa, Bihar and Assam. Based on the NSS data for the years 1972-73, 1977-78 and 1983 it is argued that (Vaidyanathan, 1986) labour force participation was more or less stable during the period and perhaps a marginal improvement was there in 1983 compared to 1977-78. Even while there was a decline in the male participation rate during the period 1972-78 the female participation rate was almost stable. Again, based on NSS data for the year 1987-88 it is shown that (Vaidyanathan, 1994) there was no deceleration of employment growth in rural areas, rather there was increase in employment compared to 1983 although the rate of growth in rural areas was less than that in urban areas. During the period between 1972 and 1987 the total rural work force rose by 31 percent. While the growth of those employed in agriculture was 20 per cent the non-agricultural employment nearly doubled. The proportion of family labour (or self-employment) and wage labour components in the rural labour force during the period 1972-73 and 1983 indicate that (Vaidyanathan, 1986 and 1994) there has been a consistent decline in the proportion of the self-employed category and a significant rise in the proportion of the wage-employed. However, the proportion of self-employment and wage-employment varies regionally. Wage employment as a proportion of total rural employment is less than 10 per cent in Rajasthan, while it is more than 40 per cent in Kerala, Tamil Nadu, West Bengal and Orissa. The wage employment is largely in the form of casual labour in most of the States.

The reasons for such an increase in wage labour have been analysed by many. (Among others, Kalpana Bardhan, 1977, 1989; P.K. Bardhan, 1978, 1984' Rudra, 1979). The reasons generally given are the decline of tenancy owing to land reforms in several

The per capita rural demand for non-agricultural products and the demand from outside for rural manufactures are also cited as factors that influence rural non-agricultural sector. The pattern of rural migration also is speculated as an important factor in this context. The inability of the agricultural sector to provide sufficient employment results in the casual agricultural workers shifting back and forth between agricultural and non-agricultural work. The findings (Basant and Kumar, 1989) that the casual agricultural workers report a much higher incidence of non-agricultural work in a secondary or subsidiary capacity and the participation in non-agricultural work varies inversely with the size of land owned by the households are significant. However, it is difficult to draw any firm conclusion about the dynamics of the rural non-agricultural sector on the basis of the all India estimates provided by the census and NSS. There are considerable regional variations which could be captured only by regional and micro studies.

Another aspect which is important in the context of labour supply in rural areas is migration. Although there are no comprehensive studies on this issue there have been attempts to analyse this aspect in various studies in the context of labour supply. Based on the NSS data for the 1970s Bardhan (1977) traces the nature and impact of the rural migration on the rural labour market. It is observed that seasonal migration of labour into and out of the village is an important mechanism of adjustment of labour supply to seasonal changes in labour demand for agricultural operations. Such rural-to-rural migration for agricultural work is the single major type of migration in the rural context of India. The proportion of agricultural labourers is generally high among the migrant women workers. The practice of tribal and scheduled caste population migrating in the busy season to take up agricultural work in the nearby villages or districts is not an

isolated one. Much of this rural-to-rural migration is in search of agricultural wage employment. While the rural-to-rural migration is by far the largest component rural-to-urban migration is also not insignificant. It is speculated that the latter kind of migration is largely undertaken by better-off people having less economic compulsions. However, with the census or NSS data the complex micro situations of the rural India cannot be meaningfully analysed. So there have been attempts by researchers to analyse this aspect on the support of primary data collected at village level (e.g., Parthasarathy and Rao, 1973).

In the context of rural labour market in Kerala, the seasonal rural-to-rural migration within the state (i.e. inter-village or inter-district) for agricultural labour is widely believed to be insignificant. The immigration of casual unskilled labourers for both agricultural and non-agricultural activities to Kerala from the border districts of the neighbouring states is, however, significant (Prakash,1989). The tendency should be having its impact on the rural labour market in Kerala. The studies on such migration and its impact in the specific context of Kerala's rural labour market is almost absent.

### **Demand Side**

Another set of studies related to rural labour markets is with regard to the demand side of rural labour. Since agriculture is the largest rural employment source most of these studies are on the agricultural labour scene of the rural areas. The studies which cover the non-agricultural rural occupations are relatively an emerging field and numerically very few. (Basant and Kumar, 1989; and Vaidyanathan 1986 are two examples).

The studies which concentrated on the changing nature of the demand side have attempted to analyse the demand implications of agricultural growth, the nature of labour absorption in Indian agriculture and the effects of new agricultural technology and mechanisation on agricultural labour demand. Some of these studies have focused on issues like wage rates and agrarian institutions like tenancy.

Agricultural growth in India, particularly in the post-Green Revolution period, has been significant. With regard to the question whether this growth resulted in more labour absorption in agriculture the answer given by almost all observers is that it has not been substantial. (E.g. K. Bardhan, 1989; Thamarajakshi, 1989). The labour absorption per unit of land and yield rates in India even after two decades of new technology led growth is still much lower than that in many other Asian countries. These studies indicate that the labour absorptive capacity of agriculture was rising from the mid-sixties to the mid-seventies, but that it declined rapidly thereafter. Analysing the NSS data for the 1970s Vaidyanathan (1986) suggests that for rural India as a whole labour use in 1977-78 was only some four per cent higher than in 1972-73, while crop production was at least 20 per cent higher during the period.

There are numerous studies on the effects of different types of technology, such as irrigation, HYV and mechanisation, on labour intensity in agriculture (Bardhan, 1978; Hanumantha Rao, 1975; Rudra, 1971; Vaidyanathan, 1978, 1986 etc.). There is general agreement that the irrigation-seed-fertilizer technology is land augmenting and therefore conducive to absorption of more labour. But there is difference of opinion on whether mechanisation of agricultural activities is labour absorbing or labour saving.

Although not conclusively proved, a large number of studies points out that mechanisation is labour saving. In the context of Punjab, Hanumantha Rao (1975) pointed out that the technological displacement of labour consequent on the use of tractor is roughly compensated by the positive employment effects of the change in cropping pattern and intensity associated with tractor use. Vaidyanathan's analysis (1986) show that labour intensity has been less in areas of tractor use at a macro level. However, this relation was not significant in his inter-district comparisons. These studies also point out that higher rainfall and better irrigation have always been associated with labour intensity. The labour demand implications of technological changes in the context of various size-classes of farms have also been analysed in some of these studies. Here again the findings have been different and no consensus of opinion has been reached. It should be emphasised in this context that even those opinions on which there is a fair degree of agreement are not uniformly valid in all the regions of the country. The labour demand implications of technology and growth have manifested in different ways in different regions of the country.

The institutional factors like tenancy and share cropping have their impact on labour absorption in agriculture. There have been efforts to analyse this aspect. (Eg., Bardhan, 1978, 1984; Bardhan and Rudra, 1978). These studies point out that tenancy and share cropping have not been conducive to more labour absorption. But this does not mean, at least in the context of their studies, that labour absorption would necessarily increase in the context of growing owner cultivation. It is argued that a shift to owner cultivation as a result of tenant evictions resulted in a change in the composition of labour force (i.e., hired labour-family labour ratio) and that has been

restrictive to labour absorption. The reason cited for this is that a section of the erstwhile tenants cannot join the wage labour market and they will not be absorbed in agriculture. An additional factor that will restrict the labour absorption rate is that increased use of wage labour also involves increased supervision costs which were unnecessary in the earlier family based tenant farms.

The impact of agricultural wage rates on the demand for agricultural labour is an area which received very little attention in all India studies, but it has received more attention in the context of Kerala. The reason for this may be that while real wages of agricultural workers have gone up considerably in Kerala with its attendant impact on labour use in most other parts of India the real wages have either gone down or increased only at a very slow pace leaving not much impact on labour use. The studies on Kerala situation (Natarajan, 1982; Mencher, 1980; Namboodiri, 1986) indicate that farmers resort to less intensive cultivation and lesser use of labour as a strategy to face the increasing cost of labour. As a result of this, there is a considerable decline in the availability of employment resulting in a decline in the total income of agricultural labourers even while there are wage rises.

To conclude, it can be safely pointed out, despite all differences in finding, that the labour absorption rate in agriculture in general, although in varying degrees, is determined by factors such as a) irrigation, fertilizer and other inputs, b) mechanisation, c) crop-composition, d) farm size and e) agrarian institutions.

## **Wage Determination**

The third strand of literature is related to the process of rural wage determination. The conventional neo-classical theory of wage as determined at the equilibrium achieved by the free play of market forces of demand and supply failed to explain the existence of substantial unemployment and under-employment along with stable or rising wages. It also fails to take into account the bargaining power of the landed employers and their ability to influence the labour market by keeping the labour tied through credit or land lease oligopoly. This situation prompted economists to find ways to offer an explanation to rural wage determination in the context of market imperfections. Several hypotheses have been formulated, essentially in the usual supply and demand premises, and subjected to varying degrees of empirical research.

The hypotheses on which empirical studies in India have been conducted are: a) the hypothesis of a constant level of real wage rate institutionally fixed for minimum subsistence in a labour surplus rural economy with perfectly elastic labour supply at that rate, b) the institutionally fixed nutritionally-based efficiency wages assuming that the wages take into account the nutrition-productivity relationship, c) the hypothesis of labour market imperfections due to dualism in the agrarian economy with the existence of a lower inputted value of family labour and a higher valued hired labour and d) the seasonality of labour requirements in agriculture and the role of seasonal peaks in determining wage rates that would not impede the required availability of labour in the busy seasons. (A detailed analysis of these hypotheses and their validity is given in K. Bardhan, 1977 and 1989).

The theory of minimum subsistence or nutrition-based wage determination is inconsistent with the general evidence of money wages in agriculture being sluggishly responsive to increase in food grain prices, high incidence of poverty and with the fact that the average as well as seasonal minimum wages vary widely across regions and by age and sex within a region. The studies of market imperfections within the usual demand-supply framework also have not been able to capture the complex dynamics of rural labour market and the determination of wages in the set-up. For a better understanding of the wage determination process in the rural sector one has to look at the whole gamut of rural labour process and relative strengths and weaknesses of both workers and employers that include the bargaining power of the rural labour and the ability of the land owners to evolve various inter-locking and tying-up mechanisms to offset the former (Bharadwaj, 1989).

In the specific context of Kerala, T.N. Krishnan (1991) made a major attempt to explain the high wage rates prevailing in the state along with a very high rate of rural unemployment. According to him, the different rural labour markets are "interrelated". There is certain relationship among the wage rates in the different markets. The wage relatives for these markets are relatively stable and hence a change in one wage rate leads to a series of changes in other wage rates till the initial equilibrium is restored. He argues that the increased demand for labour in the construction sector leads to wage increase in that sector. Wages in other sectors follow suit and the pre-existing parity between wage ratios get re-established. This behaviour is ensured by two conditions. One is that the labour market is segmented geographically and there is no inter-village mobility of labour. Secondly, trade union movement does not permit workers to offer



themselves at lower wages, even when unemployed. Krishnan offers a number of economic and sociological arguments to support his hypothesis. Although his analysis sheds considerable light on the issue there are certain areas which need more clarity.

It is not clear in his argument that why should the wage relative remain stable in the context of high unemployment in the rural sector and varying wage rates in different markets. In his framework, the wage rates for the skilled workers in the construction sector are autonomously determined and the wage changes in other factors are the result of the former. This seems to be a questionable assumption. Similarly, his argument that market wage rates are accepted by employers on the ground of efficiency of work lacks conviction. Another question could be that, given the high unemployment rate, how trade unions can keep wages high on a continuous basis? These issues need further investigation at micro level.

Another study in the context of Kerala (M.K. Sukumaran Nair, 1995) tries to explain the higher wages in terms of transaction cost analysis and fragmented labour markets. He argues that the existence of a high transaction cost for obtaining labour services is indicative of a labour shortage in the rural labour market. The labour shortage associated with market imperfection and segmentation of labour market creates a situation in favour of higher wages. He also acknowledges the role of the workers' unions in fixing and keeping the wages high.

## Research Issues

There have been several studies on the trends in money and real wages of agricultural labourers in Kerala (E.g., Krishnaji, 1971; Jose, 1974 and 1988; Krishnan, 1991; Pushpangadan, 1991). All of those suggest that the real wage rates for agricultural labour has fared better in Kerala over the last three decades than in most other states.

These have been better when compared even with the states having high growth rates in agriculture like Punjab, Haryana or Tamil Nadu. The larger rise in real agricultural wage rates is particularly significant in the context of higher incidence of unemployment and under-employment among agricultural labourers along with a declining trend in labour employment in the sector.

Another feature of agriculture in Kerala is that the labour employment rate per hectare is almost consistently declining and the level of under-employment and unemployment is increasing (Panikar, 1978; Mencher, 1980; Kannan and Pushangadan, 1988). In Kerala, unlike in other parts of India, we cannot see any interlocking of market by land owners and debt bondage of labour. In the absence of any such mechanism to control the labour the landowners resort to techniques like less intensive cultivation to limit the labour use and keep the absolute wage bill down (Namboodiri, 1986). As a result it is possible that a lesser total income cancels out whatever gains the labourers have achieved in terms of higher wage rates. However, these techniques have not been successful in bringing down the wage rates or stopping the upward trend.

Kerala has been witnessing a near stagnation in agriculture since the middle of the 1970s (Kannan and Pushpangadhan, 1988). The stagnation is seen not only in aggregate area and production but also in productivity. Higher wages are observed in Kerala almost uniformly even in areas where agricultural productivity is relatively low. This seems to contradict the general trend of low wages in low productivity regions.

Thus the phenomenon of rising real wages of agricultural labour in Kerala is remarkable in the context of acute and increasing unemployment and under-employment, stagnating agriculture, declining farm employment and the slow growth of alternative non-farm rural employment sector. It is generally agreed that this is happening in the background of strong trade unionism in the state. It is true that trade unions of agricultural labourers in Kerala play a very important role for getting a better bargain for workers. But how trade unions sustain in a situation of abject poverty and very high incidence of unemployment is a question that deserves serious attention. There is a general notion that agricultural labour unions can be successful only in areas where alternative job opportunities exist (Dasgupta, 1978). However, the Kerala situation looks like an exception to this general finding. There are also regions and occupations in the State with relatively high wage rates even as trade unions are absent or weak.

Attempts have been made to study the variations in agricultural wage rates across the districts within the State. An inter-district comparison of wages indicate that it is the northern parts of the state that witnessed higher increases in real wage rates than the south or central Kerala (Baby, 1986). The district-wise differences in wages and their

reasons need further analysis. The relatively lower wages of Palghat and Wynad may be explained in terms of the availability of cheap labour from the neighbouring states of Tamil nadu and Karnataka or the presence of tribal population willing to work for lower wages. But why the presence of unemployed population in other districts does not have an influence on the labour market is not clear. This could be analysed only by undertaking studies at the micro level.

Another interesting area is the labour supply aspect. The supply of labour is very limited even for some unskilled non-farm jobs like domestic servants, hotel workers, quarry workers etc., despite a good demand for such labour. In some of the southern districts of the State, such as Quilon and Pathanamthitta, it is reported that there occurs shortage of workers in certain agricultural operations like harvesting of paddy at the going wage rates. If higher wages are offered, the workers make themselves available, indicating that they prefer to stay without work in the absence of additional benefits. It has to be noted in this context that the productivity of paddy land in those areas is relatively low. The hypothesis of trade union strength in bargaining alone will not explain this situation sufficiently.

As pointed out earlier, the migration for farm labour or unskilled non-farm labour within the state is almost insignificant or restricted to closely neighbouring villages. The role of such migration of the local population in labour market adjustments seems to be limited. Similarly, inter-occupational migration (or job shifting) is also not substantially taking place. It is observed that the local demand for several unskilled jobs as mentioned above and skilled workers for construction activities like masons is

to some extent met by the immigration of workers from Tamil Nadu (Prakash, 1989). The shortage of workers in the field of carpentry, coconut plucking etc. are well known. In spite of the fact that wage rates for these activities are generally high, the unemployed people are not coming forward to take up these jobs. It may be explained that the job aspirations of the literate people of the state are high and they are likely to decline to take up manual jobs. But, given the level of employment and poverty of the state, the compulsions on the working population to resort to any type of available employment must be expected to be quite high. Hence a satisfactory explanation cannot be given with the help of a subjective factor of higher job aspiration alone. The objective reasons have to be probed in the specific context of rural living.

In short, the state is witnessing a curious labour market situation in which acute unemployment co-exists with high wage rates on the one hand and labour shortage on the other hand. The phenomenon of rising real wages of agricultural and other rural labour in Kerala is remarkable in the context of acute and increasing unemployment, stagnating agriculture, declining farm employment and the slow growth of alternative non-farm rural employment sector. It is also important to note that even in the background of unemployment no significant migration, either inter-village or inter-occupational, in search of work is taking place in the rural area. Hence in Kerala, we see a very complex system of rural labour market characterised chiefly by the paradox of labour scarcity in an admittedly labour surplus rural economy. The available studies on labour in Kerala do not offer a comprehensive analysis of the rural labour market situation, rather they have been attempts to explain some aspects of the

problem. The present study is an attempt to offer a more comprehensive explanation to the rural labour market behaviour in Kerala.

### **Objectives of the Study**

The objective of this study in broad terms is to offer an explanation to the complex behaviour of the rural labour market in Kerala. The specific objectives of the study are the following:

- 1) To trace the historical, sociological and demographic factors that influence the rural labour market;
- 2) To analyse the factors that influence the demand for labour;
- 3) To analyse the factors that determine the supply of labour;
- 4) To analyse labour mobility, both spatial and inter-occupational, in the labour market and to identify the reasons and constraints to mobility (or migration);
- 5) To identify the reasons for shortages in the supply of labour for certain occupations in spite of the fact that there is surplus labour in the economy and;
- 6) To analyse the labour market adjustment process.

## **Hypotheses**

Keeping the above objectives in mind it is hypothesised that there is a situation of relative labour shortage in rural Kerala as a result of a number of factors like high literacy and high job aspiration, segmentation of labour market and lack of inter-village mobility of labour. The possession of home stead land by rural labour households as a result of land reforms is acting as a deterrent factor for migration. It is also possible that the right on the homestead land enhanced their ability to withstand the adverse economic conditions and thereby keeping the reservation price of labour high. The social security and welfare measures of the state like public distribution, unemployment dole, various pensions and free educational and medical facilities provide a cushion to the labour household against the low levels of income and employment. Such measures keep the real incomes high and add to the enhanced reservation price of labour.

## **Methodology**

The rural labour market characteristics are evolved and determined by the interaction of a multiplicity of factors that have got relation with the existing socio-economic situation in which the rural households live. The socio-economic situation of a rural region is conditioned not only by the internal dynamics of the region but also by its interaction with the world outside the region. This is more so in the context of increasing commercialisation and growing communication networks etc. In the context of growing commercialisation, the rural economy is not isolated from the urban influences and from the rest of the national economy. Even within the rural economy

the labour market cannot be analysed in isolation. The demand for and supply of labour of a household can then be analysed only in the context of the totality of activities that the household undertakes to earn a living. Similarly, the state intervention and policies like the Land Reforms, Green Revolution Strategy etc., have got their influence in the shaping of the rural economic scene. For example, the land reforms have brought about a significant increase in the number of small and marginal cultivators which in turn has its influence on the demand and supply of labour. The rural employment and poverty questions also cannot be addressed in isolation of the state policies and the development perspective. It is with this perspective that we propose to proceed with the study.

### **Available Data**

The major available data sources on the rural work force are the decennial censuses, National Sample Surveys and Farm Management Surveys. There are a number of studies based on the massive data provided by these sources on various aspects of rural labour situation. There is another set of studies based on village surveys conducted by individual researchers.

The decennial population census provide data on the activity status of the population and pattern of employment in rural India. Every census gives some information on the proportion of employed and unemployed rural population. These data give details like composition of rural work force by activity, working force participation rate and some information on the migration aspect. Detailed sectoral break-up of the working



population is generally available up to the district level. However, these data do not sufficiently indicate the details like intensity of employment and incidence of unemployment and under-employment. The usefulness of data from the above said sources is very limited for the studies at micro level.

The present study will make use of all the relevant studies on agricultural and other rural occupations in the state. There has not been any comprehensive study so far in the characteristics of rural labour market in Kerala. The governmental data available on rural labour in the state are in no way give us a comprehensive picture of the rural labour market. To capture the complex dynamics of the rural labour market it is proposed to take up an indepth case study of a village.

### **The Study Village and Sampling**

The study is mainly based on the primary data collected from the village as the focus of our study is the dynamics of rural labour market at the micro level. Therefore, we have adopted the case study method, as that would enable us to go into the finer details of the labour market functioning. For this we purposively selected one panchayat, Vazhapally, in Kottayam District. This panchayat is comprised of Chethipuzha village and part of Vazhappally west village. We have chosen the panchayat instead of the village for convenience, as the panchayat being a self-governing unit it has an administrative set-up and in every ward there is a ward member who represents the people of that ward in the panchayat. So we could take the help of those ward members and the panchayat office for the purposes of identification of sample

households, collection of various information on the area and also to hold discussions with the people.

A total of 200 households (100 labour and 100 cultivating households) were randomly selected for data collection. The sample selection was done from a list of labour households and cultivating households prepared separately with the help of the local agricultural office and panchayat members. For getting a complete list of households the voters list from the panchayat was used. The sample households were selected in such a way that all the locations in the panchayat are sufficiently represented. The necessary data were collected through a structured questionnaire by visiting the field on two rounds, one during the peak labour season of paddy and the other during the lean season. The peak season data collection was conducted during October-November 1992 and the lean season survey was during January-February 1993. These two periods represent the peak and lean season of the first crop of paddy. These periods, being after the monsoons, fairly represent the demand for labour scene of rubber and coconut as well.

The village (for convenience we refer village instead of panchayat) is a multi-crop region with predominantly paddy and coconut and to a lesser extent rubber, vegetables and banana. We thought it fit to take such a village with various crops as that would help in capturing the labour demand dimensions in a better way than studying a village with a single crop or two crops. There are nearly 6000 households in the village with a population of a little above 32000. About 55 percent of the households have paddy cultivation and almost every household has coconut cultivation. Nearly 10 percent of

the households have rubber cultivation. As per the census, among the working population (main workers) in the village 10 percent are cultivators and nearly 37 percent are agricultural labourers. Nearly 50 percent of the total female workers are agricultural labourers.

### **Organisation of the Study**

In addition to the present chapter, there are four chapters in this study. Chapter II is an analysis of the factors influencing the demand for labour. The pattern and features of labour supply and the factors affecting the supply are discussed in Chapter III. The labour market adjustment process is the theme of Chapter IV. The last chapter gives the conclusions emerging from the study.

## **Chapter II**

### **DEMAND FOR LABOUR**

The demand for labour in a rural setting, particularly in the context of an underdeveloped economy and civil society, is generally determined by the complex interaction of a number of factors. These factors could be economic as well as non-economic. In the context of the present study the following factors seem to be the relevant determinants of labour demand. They are: farm size, pattern of land ownership and land distribution, cropping pattern and cropping intensity, labour use pattern and the rate of family labour participation in own farms, mechanisation and other labour saving devices, household size of the cultivators, age and gender structure of the household members of the cultivators, occupational characteristics and educational levels of the members of the cultivating households, caste composition of the cultivators, the income position of the employer households and the prevailing wage rates. Some of these factors augment the demand for labour and some others have potential to depress the demand. A discussion on the role of the above mentioned factors in determining the demand for labour is given below.

#### **1) Farm Size and Pattern of Land Distribution**

It is generally believed that larger the size of land holdings, larger will be the demand for hired labour. The inequalities in the distribution of land is supposed to have a positive impact on the demand for labour. Thus large holdings and inequalities in their distribution are expected to generate greater demand for hired workers. This is

presumed on the possibility that small cultivators can carry out their farm operations with their family labour.

The land distribution pattern in our sample shows that the overall average size of holding is 3.13 acres (See Table 2.1). As can be seen from the table, 39 percent of the holdings falling in the category of below 2 acres account for nearly 13 percent of the area. The single largest group of holdings, 46 percent, belong to the middle of the distribution, representing the holding size 2-5 acres. Nearly 48 percent of the area is held by this class. Thus 85 percent of the holdings fall below five acres. At the top end of the distribution there are 15 percent of the households account for nearly 40 percent of the area. This pattern of distribution cannot be characterised as highly unequal. Only 2 percent of the holdings are above 10 acres and the area in this category is only a little above 10 percent of the total. This shows that the holdings in the sample village tend to be medium sized. This, however, is in line with the general land holding pattern (except in the plantation areas) obtaining in the state after the land reforms of 1969.<sup>1</sup>

Thus the predominance of small holdings in our study area, as in other parts of the state, is not very encouraging for labour absorption. However, the land holding pattern is only one of the several factors that influence the demand for labour. The cropping pattern and cropping intensity are the two factors closely related to the land distribution.

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1. Various studies (e.g., Raj and Tharakan, 1981) and official data confirm that after the land reforms of 1969 there has been considerable reduction in concentration of land ownership in the state. The post-land reform period witnessed a significant increase in small holdings and a sharp decline in both number of holdings and area in larger size groups above five acres.

An analysis of the cropping pattern and cropping intensity in the village is attempted below.

**Table 2.1**  
**Landholding by Size-class**

Size-Class (Acres)	Percentage of holdings	Percentage of Area	Average size of holdings (Acres)
0.00 - 1.00	23.00	4.86	0.66
1.01 - 2.00	16.00	7.62	1.49
2.01 - 5.00	46.00	47.90	3.25
5.01 - 10.00	13.00	29.14	7.01
Above 10.00	2.00	10.48	16.38
Total	100.00	100.00	3.13

## 2) Cropping Pattern and Intensity

The cropping pattern in Kerala, in general, is such that only a few crops are significant in the state, unlike a majority of other states which are predominantly multi crop regions where a range of crops are cultivated by inter cropping and mixed cropping methods. A single farmer cultivating several crops is a rare practice in Kerala. Normally a farmer has one or two crops in the main and other crops would be either insignificant or absent. The monocrop areas are also common in the state. The kinds of mixed cropping and intercropping practiced in other parts of India are not in vogue in Kerala.

In our study area paddy is the predominant crop occupying 77 percent of the gross cultivated area (See Table 2.2). The next major crop is rubber which occupies nearly 17 percent of the area followed by coconut with an area of nearly five percent of the total cultivated area. Other crops are insignificant. Thus, the above three crops, paddy, coconut and rubber, occupy a little more than 98 percent of the gross cultivated area. Also, these crops are exclusive crops, no intercropping is practiced in these areas.

The above cropping pattern observed in our study has important implications for demand for labour. Paddy which occupies 77 percent of the cropped area is a labour intensive crop and generates demand for labour at various stages in the growth of the crop. The annual demand for labour for paddy crop is roughly twice that of rubber and nearly ten fold that of coconut.<sup>2</sup> Although there are variations in estimates it can be safely concluded that the demand for labour in paddy cultivation is considerably higher compared to rubber or coconut. The tree crops like rubber and coconut are not by nature labour absorbing. These crops have significant demand for labour during the initial three to four years only and later the demand considerably declines.

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<sup>2</sup> Various estimates of labour requirement for paddy cultivation in this region are available. One estimate (S. Natarajan 1982) shows a requirement of 107 mandays per acre for paddy. Another study (K.K. Eswaran Namboodiri 1986) estimates it to be 84 mandays. The present survey estimates it around 90 mandays per acre per crop, that is 180 mandays per year (two crops) while it was found that the annual labour requirement for rubber was around 90 mandays and for coconut it was just 20 mandays.

Table 2.2

## Cropping Pattern by Size of Holding

Size-Class (Acres)	Percentage of Area under				Total
	Paddy	Coconut	Rubber	Other crops	
0-1.00	10.00	14.6	72.1	3.3	100.00
1.01-2.00	77.2	6.6	15.5	0.7	100.00
2.01-5.00	74.3	3.3	21.4	1.0	100.00
5.01-10.00	86.2	6.6	4.3	2.9	100.00
Above 10	89.0	6.5	2.9	1.6	100.00
Total	77.0	4.9	16.6	1.5	100.00

The preparation of land, weeding and harvesting are the major sources of demand for labour in paddy. The labour requirement for the operations like land preparation and weeding is insignificant in the case of rubber and coconut. The major source of demand for labour in these two crops is plucking of coconuts and tapping for rubber. As a strategy to limit the wage bill there is a tendency among the paddy farmers to reduce the use of labour for operations like weeding. This issue will be discussed later in this chapter. However, the farmers cannot reduce the labour use below certain minimum quantum. The plucking of coconuts and tapping of rubber are highly skilled and specialized and hence the labour market is segmented in the case of these crops unlike that of paddy.

In the case of paddy the cropping season is only a little less than four months. Even during this short period, the demand for labour varies depending on the peak and lean periods. The first 30 days of the crop period is considered the peak season for paddy when it is having the highest demand for labour. The period after this and before



harvesting is the lean season when the labour requirement is the least. Such a significant variation in labour demand is not observed in the case of coconut and rubber. Except for the four monsoon months the demand for labour is almost uniformly distributed through out the year in the case of coconut and rubber. During the monsoon period, tapping of rubber is not done and the plucking of coconut is minimal. Our survey data show that the labour hired during the preceding week (See Table 2.3) of the survey was more for paddy than for other crops. The labour hired for paddy during the peak season was 7.3 mandays per acre in the concerned week while for coconut it was just 1.4 mandays and for rubber 2.4 mandays. The lean season data for hired labour show that in paddy the labour hired during the season was less than one manday per acre while it was 1.28 manday for coconut and 1.30 manday per acre for rubber. This indicates that there is considerable seasonal variations in labour demand for paddy while such a variation is insignificant in the case of tree crops, i.e. coconut and rubber. However, the other crops, which are very minor in terms of area coverage recorded significant variation in labour demand across the seasons. Thus, the cropping pattern along with the seasonal nature of the crops is a significant factor in determining the demand for labour.

A related factor that could influence the labour demand is the size of the farm. Labour hired by size of holding in the peak and lean seasons is given in Table 2.4. It is interesting to note that in both peak season and lean season the demand for hired labour per acre was the highest in the smallest size holding. The farms in the 0-1 acre class employed an average of 8 mandays per acre in the preceding week of the survey during the peak season and 4 mandays per acre in the lean season. The farmers in the size-

class of 5-10 acres also hired almost the same number of mandays in the peak season while their demand for lean season was considerably less than that of the smallest class. The medium sized farms had hired less mandays during the week in both peak season and lean season. The farmers belonging to the top size holding category, that is above 10 acres, hired 6.5 mandays per acre in the week which again is slightly less than that of the smallest class, but significantly higher than that of the medium sized farms. Thus, this kind of a demand pattern suggests that the farm size per se is not very decisive in generating the demand for hired labour. The other factors like availability of family members for farm work, occupational pattern of family members and the income status of families also seem to influence the demand for hired labour. Before entering into a discussion of these issues, it is proposed to discuss cropping intensity, a factor closely related to cropping pattern.

**Table 2.3**

**Crop-wise Distribution of Hired Labour Employed During the Preceding Week of the Survey**

Crop	Peak season Mandays per Acre	Lean Season Mandays per Acre
Paddy	7.3	0.3
Coconut	1.4	1.3
Rubber	2.4	1.3
Other Crops	0.6	4.7
All	5.8	0.6

Table 2.4

**Distribution of Hired Labour Employed During the Preceding Week of the Survey by Size of Holding**

Size Class (Acres)	Mandays per Acre	
	Peak Season	Lean Season
0.00-1.00	8.0	4.0
1.01-2.00	5.0	0.4
2.01-5.00	4.3	0.5
5.01-10.00	7.9	0.6
Above 10.00	6.5	0.3
All	5.8	0.6

The intensity of cropping also influences labour demand. The question of cropping intensity, however, does not arise in the case of tree crops. But the story is different for paddy. Paddy being a short-term crop with a duration of less than four months can be cultivated at least two times an year. In our survey nearly 58 percent of the paddy holdings reported double cropping and the rest single cropping. The cropping intensity (gross area as a percentage of the net area) in paddy is 161 percent. This intensity is certainly conducive to generate additional demand for labour. Given the fact that the small holdings hire more labour than the large holdings, as was seen above, a higher intensity would naturally result in a higher demand for hired labour as the chances of it being substituted by family labour is less, as we shall see later. However, it may be noted that the cropping intensity of 161 percent is, in fact, less than what is possible as all the paddy lands in the village are suitable for a second crop. This implies that a part of the paddy land is kept fallow during the second crop season. Such less

intensive cropping practices have a bearing on the labour demand. This issue will be further probed later in this chapter. Now, let us see the role of family labour in determining the demand for hired labour.

### 3) Family Labour and Demand for Hired Labour

It is generally believed that the labour use pattern in small holdings is characterised by the predominance of family labour. The data from our survey, however, presents a different picture. Table 2.5 presents data on the labour use pattern. It is seen that only seven percent of the total demand for labour is met through family labour. In the lower size classes the use of family labour is found to be even less. It is significant to note that there was no family labour contribution in the lowest size holding in the concerned week.<sup>3</sup> The highest percent of family labour was reported in the medium sized holding of 2-5 acre size, where too it is only 13 percent of the total labour requirement. Thus it is clear that family labour meets only an insignificant fraction of the total labour demand. A look at the number of members per household (see last column of Table 2.5) participating in farm work in different size categories also show that the lowest two size-classes have less family members contributing to their farm work than the medium and large size classes with the exception of the largest size class with more than 10 acres of land, which has no family labour contribution in farm works. Thus,

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<sup>3</sup>. It needs to be noted that the accounting of family labour is not an easy task. The family members in most of the cases may not be working strictly in a time schedule as is done by the hired workers. Here only the labour that can be accounted is considered. Small-time labour contributions of family members are beyond this estimate. However, these data sufficiently indicate the feature.

the trend, in general, suggests that the farm size is not very important in determining the participation of family labour. As is seen, even in small holdings family labour is not adequately forthcoming. This means that the family members in the working age are either employed in other sectors of the economy or remain unemployed. Here it may be asked: why despite small holding size, there is relatively less family labour absorption in agriculture? An answer to this question depends on a number of factors such as the occupational pattern and educational status of the members of the household and the income status of the families. Before embarking on an analysis of these factors, it would be worth while noting some of the other features of family labour participation.

**Table 2.5**

**Percentage Distribution of Family Labour and Hired Labour by Size of Holding During the Preceding Week of the Survey in Peak Season**

Size Class (Acres)	Percentage of			Average number of Members per Household participating in Family Labour
	Family Labour	Hired Labour	Total	
0.00-1.00	0.0	100.0	100.0	0.5
1.01-2.00	6.3	93.7	100.0	0.4
2.01-5.00	13.2	86.8	100.0	0.7
5.00-10.00	4.0	96.0	100.0	0.8
Above 10.00	0.0	100.0	100.0	0.0
Total	7.0	93.00	100.0	0.6

A caste and religion wise analysis shows that 58 percent of the Nair families in the survey have on an average one member participating in farm work. The corresponding percentages are 50 for Ezhavas, and almost the same for Christians. This pattern has

certain sociological implications. The Nairs, an upper caste Hindu community, in earlier times were not physically involved in farm work. Now they are coming forward to do farm work is an indication of the fact that caste barriers in employment are slowly breaking down and the forward caste people are also being pushed into the unskilled manual labour category. This is essentially a feature of the post land reform period which witnessed the pauperisation of the earlier land owning communities. On the other hand, only 50 percent of the Ezhava families, a traditionally agricultural labour community, particularly in this region, contribute to the family labour. A few of the working members of those Ezhava families which have no family labour contribution have employment in the service sector. This is an indication of the upward mobility of this relatively backward caste. However, all the female members who contribute to the family labour in our data belong to the Ezhava community indicating that the women of the forward caste Nair community or the Christian families are not coming forward to do farm work even now. This shows that while the caste barriers in employment are slowly weakening, it as such is not completely eroded. The christian families which have a significant contribution to family labour were earlier also involved in farm and non-farm manual work. Leaving this issue here, now let us revert to the factors which are related to the demand for labour. As pointed out earlier, the demand for hired labour and the participation of family labour seem to have a clear relationship with the occupational pattern and educational status of the family members and the income status of the employer families. These factors are discussed below.

#### 4) Occupational Pattern, Income and Education

The occupational distribution of the working members of the cultivating households is given in Table 2.6. As can be seen in the table, only 42 percent of the working members is involved in farming activity. Agricultural labour constitutes only 1.4 percent of the total working members. Thus nearly 57 percent of the working members is engaged in non-agricultural activities. It is significant to note that a majority of those engaged in non-agricultural activities falls in the category of salaried employees who form a little more than 35 percent of the total working members. The persons who are engaged in farming activity are by and large doing the work of a supervisory nature. That is why the family labour contribution in the form of actual manual work is insignificant as is seen in Table 2.5.

The size class-wise analysis of occupational distribution (Table 2.6) shows that except in one size-class, i.e. 5-10 acre, in all the classes a majority of the working population is engaged in activities outside agriculture. A substantial percentage of working members in all the classes ranging from nearly 29 percent to 78 percent belong to the category of salaried employees. It is significant to note that in the lowest size-class, i.e. below 1.00 acre category only 28.6 percent of the working people is engaged in farming, while the same percentage of people are employed in the regular salaried jobs. A little above 22 percent in the same size-class is working as non-agricultural casual workers. In the next higher size-class (1-2 acre) while 42 percent are engaged in farming, nearly 54 percent are working in non-agricultural sector in which

Table 2.6

**Occupational Distribution of Working Members of Cultivating Households by Size of Holding**

(Percent)

Size Class (Acres)	Farming	Farm Labour	Non-Farm Labour	Salaried Employees	Others	Total
0.00-1.00	28.6	-	22.4	28.6	20.4	100.0
1.01-2.00	41.7	4.2	8.3	37.5	8.3	100.0
2.01-5.00	47.6	1.9	1.9	34.3	14.3	100.0
5.01-10.00	55.0	-	-	35.0	10.0	100.0
Above 10.00	22.2	-	-	77.8	-	100.0
Total	42.0	1.4	7.2	35.3	14.0	100.0

Note: 'Others' also include Self-Employment like trade and business and activities like tailoring, electrical works etc. done on their own

nearly 38 percent are salaried employees. Thus, these data seem to suggest that the dependence on farming becomes lesser as the holding size gets smaller. This could be because the small holders cannot make a living exclusively depending on agriculture. It is also interesting to note in the top size class, that is above 10 acre, only 22 percent of the working members are engaged in farming while the remaining 78 percent are salaried employees. There is almost none in this class engaged in casual manual work or self-employed categories. In any case, the regular salaried job is a significant source of employment in all the size-classes, ranging from nearly 29 percent of the working people in the lowest size-class to 78 percent in the top size class. It is important to



note that only 1.4 percent of the total working people of the cultivating households are agricultural labourers. Incidentally, they belong to the Ezhava community which is a traditional agricultural labour community. This implies that the participation of members of the land owning households as agricultural wage labour is insignificant. In short, the farm operations are carried out predominantly with hired labour which would naturally contribute positively to the demand for labour.

The pattern of income of the household is another factor which seems to have a bearing on the demand for labour. The income pattern of the cultivating households is given in Table 2.7. As can be seen, the single largest source of income is salaries which contributes nearly 46 percent of the annual household income. Agriculture constitutes only 38.5 percent of the total income. This implies that the land owners in general are not 'pure' category of farmers depending exclusively or predominantly on agriculture for their living. Farming in this context is only an additional source of income and the major sources of income are outside agriculture. This explains the reason for a lower family labour participation, as we have seen in Table 2.5. This is a situation favourable for higher demand for hired labour.

The class-wise disaggregation of the data given in the table shows that as the size of holding goes up the share of agriculture in the total income also goes up. Conversely, the salary incomes are inversely related to holding size. The only class that has predominantly agricultural income is the above 10 acre category. However, the two classes below this also have substantial income from agriculture. All the other category of households have only lower income share coming from agriculture.

Table 2.7

## Income Pattern of Cultivating Households by Size of Holding (percentage)

Size Class (Acres)	Source of Income				Total
	Agriculture	Salaries	Wages	Others	
0.00-1.00	20.9	59.7	6.3	13.1	100.0
1.01-2.00	24.5	54.7	14.4	6.4	100.0
2.01-5.00	40.0	45.8	0.8	13.4	100.0
5.01-10.00	46.0	29.1	-	24.9	100.0
Above 10.00	71.2	28.8	-	-	100.0
All	38.5	45.7	2.9	12.9	100.0

Salaries form the major source of income of the medium and lower classes, the lowest size-class earning nearly 60 percent of its income from salaries. This trend indicates that agriculture becomes less important as the size of holding goes down and the households with more land have greater stake in agriculture. Such a situation seems to have a bearing on the labour demand.

Earlier in Table 2.4, we have seen that the use of hired labour per acre was slightly less in bigger sized holdings than in the small holdings of below one acre. When we try to relate this with the income pattern seen in Table 2.7, it is possible to infer that the large farmers with significant agricultural income tend to use less labour per acre than the small farmers do. The reason for this could be that the land owners who have larger holding try to maximise the income from agriculture or are keen to make a higher return per unit of capital and labour, whereas such considerations are not

important for small holders for whom agriculture is only an insignificant or subsidiary source of income.<sup>4</sup>

Thus it is clear from this analysis that while there is a tendency among large land owners with significant agricultural income to economise the use of labour, those who have predominantly non-agricultural income, particularly regular salaried income, do not show any such tendency. This is a factor working in favour of a higher demand for labour.

Along with the occupational character and income pattern, another factor that has a role in determining the demand for labour could be the educational status of the members of the cultivating households. It is generally found that the educated are not available for farm work despite being unemployed. Education generates a higher job aspiration among the people and that results in keeping them away from manual jobs, particularly farm work. This aspect of job aspiration and preference will be discussed more closely in the following chapter on labour supply. In this context it is intended to probe only how the educational levels of the members of the employer families influence the family labour behaviour and consequently the demand for hired labour.

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<sup>4</sup>. This can be corroborated with the findings of some other studies also. For example, a study (K.K. Eswaran Namboodiri 1986) conducted in a nearby area in the same region show that the farmers with tiny holdings use more labour than the farmers having large holdings. In that context the return per unit of land was higher for the small holdings while the cost per unit of output was also higher indicating that the small farmers are more interested in absolute income and not the return per unit of labour or capital unlike the large land owners.

In our survey it was found that the village achieved full literacy. The distribution of literate population of the cultivating households is given in Table 2.8. The data show that nearly 40 percent of the population are having educational qualification of the level of SSLC and above and the same number of people have secondary school background. The class-wise data suggest that the differences across the classes in terms of educational status are not very significant except that the large land owners of above five acres have a slightly bigger share in higher education, that is, graduation and above. Thus, all the classes of people have almost equal advantage of education. This seems to be a factor that limits the family labour participation in almost all the households as we have seen earlier. The consequence of such a situation would naturally be a higher demand for hired labour.

**Table 2.8**

**Distribution of Members of Cultivating Households by Educational Status and Size of Holding**

(Percentage)

Size-Class (Acres)	Below Standard V	Below SSLC	SSLC & Above	Graduation and above	Total
0.00-1.00	21.1	37.7	38.6	2.6	100
1.01-2.00	21.8	46.2	29.4	2.6	100
2.01-5.00	20.0	45.4	30.0	4.6	100
5.01-10.00	19.2	23.3	50.7	6.8	100
Above 10.00	22.2	22.2	38.9	16.7	100
All	20.5	40.0	35.0	4.5	100

So far we have been analysing the role of factors such as farm size and land distribution, cropping pattern, availability of family labour, occupational pattern, income and education of the employer household population in determining the demand

for labour. The analysis suggests that with respect to these factors, the village is witnessing a situation that generates considerable demand for hired labour and limits the participation of family labour. However, such a situation need not result in a large scale demand for hired labour in actual practice. It is possible that if the prevailing wage rates are perceived as higher or uneconomic by the employers they may resort to strategies that limit the actual hiring of workers. Thus the strategies of employers to reduce the use of labour also can play an important role in determining the actual demand for labour. An analysis in this direction is attempted below.

#### 5) Wage Rates and Employers' Strategies

It is an established fact that both the money and real wages of agricultural labourers in Kerala are one of the highest in the country.<sup>5</sup> Such a situation has given rise to various tendencies among cultivators to reduce the labour use. Such tendencies take the form of less intensive cultivation with reduced labour, fallowing of lands, shifting from labour-intensive paddy cultivation to other crops that require less labour and use

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<sup>5</sup>. As pointed out elsewhere there have been several studies comparing the agricultural wage rates in Kerala with other states in the country. (E.g., Krishnaji, 1971; Jose 1974, 1988). All those studies suggest that the real wage rates for agricultural labour has fared better in Kerala over the last three decades than in most other states. In a recent study T.N. Krishnan (1991) comments that Kerala has the third highest wage rate for agricultural labourers in the country, after Punjab and Haryana. The male wage rate is 90 percent higher and the female wage rate is two and a half times higher than the respective rates in the neighbouring state of Tamil Nadu, according to him, as per the wage data for the 1980's.

of technologies that limit the need of human labour.<sup>6</sup> The tendencies like a steady decline in labour use in paddy cultivation and fallowing or conversion of paddy lands into garden lands and the consequent decline in paddy area have been observed in several studies.<sup>7</sup> These trends have been noticed almost through out the state in varying degrees. The primary data collected for this study also confirms that such tendencies are in operation in the study village. It appears that the labour saving strategies employed by the land owners in the village are mainly of three forms. They are (i) use of technology to save the labour requirement, (ii) less intensive cultivation, and (iii) conversion of paddy land. These three tendencies are discussed below with the help of the data collected from the village.

#### **i) Labour Saving Technology**

A major labour saving technology employed by the cultivators in the village is the use of weedicides which significantly reduces the requirement of human labour in weeding operation. It is estimated that a minimum of 40 mandays are required per acre for weeding and replantation. It was reported that nearly 10 mandays of labour can be saved in weeding operation by applying weedicides

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<sup>6</sup>. For a detailed analysis of such practices that reduce the use of human labour see K.K. Eswaran Namboodiri, 1986. This study was in the context of Kuttanadu region and part of the present study village falls in that region.

<sup>7</sup>. See S. Natarajan, 1982. In this study the labour use was estimated for different time periods, using the cost of cultivation data collected by the university of Kerala, and concludes that there was considerable decline in absorption of labour input per acre. Also see Kannan K.P. and Pushpangadan (1988) in which the authors have analysed the declining trend of area under paddy cultivation.

in the farm.<sup>8</sup> This results in a considerable saving in the wage bill.<sup>9</sup> The fact that out of 76 paddy farmers in the survey, 72 are applying weedicides suggests that the practice is wide spread. It should be noted that certain varieties of weeds cannot be destroyed by the weedicides presently used and some amount of human labour is still required even in farms where weedicides are used. This means that only a partial substitution of labour is possible by the use of weedicide and still the farmers go for it. The reason for this could very well be the saving in the wage bill. The use of tractor for tilling the land is another way of saving human labour. But saving in human labour is only marginal in this case and the displacement of animal labour is more significant. The relatively smaller size of holdings puts a constraint on the large scale use of tractors in agriculture. This may be the reason why only 78 percent of paddy farmers have used tractors in the village.

## ii) **Less Intensive Cultivation**

Earlier we have analysed the cropping intensity in terms of area utilisation. It was found that only 58 percent of the paddy holdings raise a second crop and the cropping intensity of paddy was only 161 percent. This intensity is less

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<sup>8</sup>. When the weedicides are not used normally weeding is done manually twice during the crop season. Now with the use of weedicides manual weeding is done only once and thereby there is a saving of nearly 10 mandays.

<sup>9</sup>. Generally women are employed in the weeding operation. Thus, ten days' saving of women labour means a saving of Rs.300 at the rate of Rs.30 per day prevailing at the time of our field survey. The cost of weedicide and application charges together for one acre of paddy land was Rs.80, giving a net saving of Rs.220 per acre.

when there is the possibility of achieving 200 percent intensity in paddy land with a second crop. Thus, there is considerable fallowing of land taking place during the second crop period. Such a tendency has a negative impact on the demand for labour. This seems to be the consequence of the fact that paddy cultivation is not a very profitable enterprise as opined by nearly 70 percent of the surveyed farmers. A majority of farmers suggested that the higher wage rates prevailing in Kerala is a major reason affecting the profitability of paddy cultivation. Thus profitability and wage rates are two important factors affecting the demand for labour.

Another expression of less intensive cultivation is a tendency to minimise investment. This is done through a lesser use of labour. This tendency is observed in both the garden lands and paddy lands in the village. It has been a practice earlier to spade the garden land once an year, mostly during the month of September or October. This practice is no more in existence. This is now done only when there is a special need for it like planting some seasonal crops like vegetables or tapioca. Coconut, a perennial crop, cultivated in all the garden lands, is not given any such care and attention. A regular spading of land and careful nursing of coconut trees would certainly increase productivity. But this is not done as, according to the farmers, the possible incremental yield would not compensate for the additional cost involved. It was also observed that the garden lands are not utilised to the extent possible. There is a lot of scope for cultivating more seasonal crops in between the coconut trees as these



are planted at a distance of about eight to ten feet. The reason cited by the land owners for not utilising land to the full extent is the existing high wage rates.

In paddy cultivation also the tendency is to restrict the use of labour to the minimum. This is done in a number of ways. A major area of labour saving is the weeding activity. We have earlier discussed the strategy of using weedicides as a substitute for manual weeding. It was also found that even then there is a need for manual labour to remove certain types of weeds. In this context it was found that a majority of farmers are reluctant to use the required quantity of labour. They try to restrict the labour use to the minimum. This minimum is determined by the extent of weeds. If the affliction is not of a serious nature, farmers may even try to avoid manual weeding. In any case, not all cultivators are keen to have a thorough weeding. A majority of them always compare the return with the wage bill. Another activity where the cultivators try to save labour is the land preparation before sowing. During the survey a good number of cultivators indicated that they minimise the use of labour for activity like clod crushing in the preparation of land. Here again, the consideration is the return per unit of investment in which the cost of labour is an important component. Thus it appears that the strategy to limit the labour use has a relationship with the wage rates.

### iii) Conversion of Paddy Lands

As noted earlier, conversion of paddy lands into coconut gardens and other uses has been widely taking place in Kerala resulting in a steady decline in area under paddy. Our study village is also not an exception to this trend. The data collected from the village confirms this. Three land owners in our sample converted an area of 1.10 acres of paddy land into coconut garden in the village during the last two years.<sup>10</sup> The motive behind this conversion is higher profitability. Cost of cultivation and labour requirements are much less for coconut than paddy. Another reason could be that the garden lands in Kerala fetch attractive prices and have high stakes in speculation. There are arguments that the conversion of paddy land and consequent decline in area under paddy is the result of high wage rates existing in the state.<sup>11</sup> Another line of argument suggests that the decline in paddy area is the result of the fact that the growth in paddy productivity was far less than the growth in the wage rate of agricultural labour.<sup>12</sup> In all these arguments the high wage rate prevailing in

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<sup>10</sup>. Although this number and area appear small the number constitutes three percent of the sample land owners. There are reasons to believe that this practice is significant and taking place slowly but in a steady and continuous manner.

<sup>11</sup>. T.N. Krishnan (1991) for example, strongly argued that the level of agricultural wages has been a major factor in the reduction of area under paddy cultivation in Kerala.

<sup>12</sup>. Kannan and Pushpangadan (1988) analyse that the growth in the real wage rate of agricultural labour during the period 1975-76 to 1985-86 was about six times that of the growth in the productivity of paddy and suggested that the decline in paddy area is a consequence of this.

the state is acknowledged as an important factor in the farmers' choice of crop or the tendency to shift away from paddy. Thus it is possible to infer that this along with other tendencies like less intensive cultivation and use of labour saving technology like weedicides are part of a strategy adopted by the land owners to limit the use of labour. Hence, these strategies can be considered as demand depressing factors.

#### **6) Labour Demand and Workers' Strategies**

Just as the employers resort to mechanisms that limit the use of labour, workers also employ such methods that can help them in maintaining their employment and income. Generally workers' actions are engineered collectively through their trade unions. The struggles and actions of trade unions not only influence the labour supply but also generate situations which have a bearing on labour demand. In the context of demand, a critical factor that needs consideration is the fragmentation and the consequent multiplication of tasks. In the past many tasks such as cutting the harvest, carrying the load to the threshing yard, winnowing, drying the hay etc. were part of harvesting for which a single wage rate existed. Now many of these tasks are segregated from harvesting and each task carries a separate time or piece wage rate. Similarly the task of cutting the harvest itself is bifurcated now. Unlike in the past the labourers cut only the grain-stalks at a minimum length and leaves a major part of the hay in the field. This necessitates employment of additional labour for cutting the remaining hay. So is the case with after harvesting operations. Making the hay into bundles, carrying the bundles and paddy to the homes of cultivators etc. which were part of a single task are

independent tasks now. Thus we see that new jobs are additionally created out of the existing ones. These are the results of trade union struggles. These new developments have enhanced the demand for farm labour.

Another factor needs to be noted in this context is the workers' tendency to retain monopoly of labour supply in the local labour market by preventing outside workers from taking part in the local labour market. This tendency was seen in our study village. A majority of the cultivators indicated that in certain jobs like loading and unloading workers from outside the village or locality are prevented and only the local workers are allowed to do. The labourers in our survey also have confirmed this. This may not enhance the labour demand but certainly segment the labour market and demand for labour is protected for the local workers.

Thus our analysis so far clearly shows that there is considerable demand for hired labour for farm operations in the village. The factors like cropping pattern, employment and educational status of the population of the land owning households etc. have created a situation in which family labour availability is minimal and agricultural work is carried out predominantly by hired labour even in small farms. The high demand for hired labour is checked to a certain extent by various labour saving strategies employed by the land owners in the context of a steady rise in both nominal and real wages. But at the same time such strategies are countered to certain extent by workers by their collective action.

## **Chapter III**

### **SUPPLY OF LABOUR**

The analytical framework of a traditional agrarian society with unlimited supply of labour seems to be of limited use in analysing the labour supply function in the context of Kerala. As pointed out earlier, Kerala has a large reserve of the unemployed population and at the same time it faces labour shortages in various occupations and locations. It is also a society considerably influenced by modern values. The traditional nature of the economy and society has been significantly undermined in the state in a much larger extent than in any other state in the country. It is also true that while the society is accepting modernising influences in a significant way, the economic underdevelopment still remains a major problem of the state. Labour supply in such a less developed economy is determined by a number of factors such as land holdings, caste composition, household size and demographic factors, educational status, other sources of income, governmental intervention and social security systems, unionisation and wage rates. We shall analyse below how these factors work in the context of the study village based on the primary data collected from the village.

#### **1) Landholding of Labour Households**

It is generally argued that the labour supply in a rural economy, to a large extent, is influenced by land holding of labour households. The status with regard to other income yielding assets, such as livestock etc. also is important along with land holding. We have earlier seen that the size of holdings of even cultivating households is relatively small in the village as in the rest of Kerala. Naturally the size of holdings

of labour household are still smaller. The percentage of land holding households and the average size of holdings of various communities are given in Table 3.1. As can be seen, the average land holding size of a household is just 0.07 acre (i.e., 7 cents). But as high as 88 percent of all the labour households own at least a small homestead with a garden plot. It is also significant to note that 80 percent of the schedule caste (SC) households and 88 percent of the other Backward Community households have land holdings. In the typical Kerala situation even a small holding of garden land produces some output, mainly coconut, which brings some income, however small it may be. In our survey also it was observed that a majority of the land holding households have at least one or two coconut trees in their lands. The income from these trees may support them for a few days in an year. This can increase the retention price of the labour.

**Table 3.1**

**Distribution of Labour Households by Landholding and Caste**

	SC	OBC	Others	Total
No. of Landholding Households	24 (80.0)	35 (88.0)	29 (97.0)	88 (88.0)
No. of Landless Households	6 (20.0)	5 (12.0)	1 (3.0)	12 (12.0)
Total Households	30 (100.0)	40 (100.0)	30 (100.0)	100 (100.0)
Average holding Size in Acre	0.07	0.06	0.07	0.07

Note: Figures in brackets are percentages to the total of respective communities.

In addition to the increased retention price, the possession of land has other implications also. The possession of land provides opportunity to have a permanent residence also. The labourers who have a permanent residence and land are unlikely to go to distant places or migrate for work. This appears to be reason for lack of mobility of rural workers in Kerala unlike in many other parts of India where seasonal migration for long periods in search of work is widely prevalent.

In our sample, all farm workers are found working only within the village. A few workers who go out for non-farm work also go only to such distances from where they can easily return home in the evening. The landless households (12 out of 100 labour households) also are found having such stakes in the living locality. All the landless are having homes in the railway land and government land and they have been living there for decades. The only difference they have with land owning labour families is that they do not have title to land in their name. They have houses, ration cards in those addresses and their children are studying in the local schools. These are reasons which create a permanent stake in the locality for even those landless households. So the possession of such assets and facilities also is a factor inhibiting the mobility of workers. It is generally argued that the labour supply has a negative asset effect. The possession of assets particularly land enhances the retention price of labour and acts as a hindrance to mobility. This seems to be true in the case of our study area as we shall see later.

The sources by which the labour households have got lands also have some significance in our analysis. The implementation of land reforms in Kerala has bestowed on the

backward communities and other labouring households a homestead and a few cents of garden land.<sup>13</sup> Apart from this, the government has been distributing the surplus land to the landless. There is yet another system in which the hutment dwellers of public lands are given ownership rights to their dwelling piece of land. As can be seen in Table 3.2, a majority of labour households got their lands as a result of the land reforms or from the government.<sup>14</sup> People belonging to the scheduled caste and other backward communities have been traditionally the rural labouring class. A majority of those households in our sample have got their lands under the land reforms or governmental distribution schemes. Out of the total 24 land owning SC households, 17 (i.e., 71 percent) have got land under such schemes, while 17 out of 35 (49 percent) OBC households also got their lands from those sources. It is also significant that two SC households and three OBC households in the sample got their houses under the governmental housing schemes for the poor.<sup>15</sup> Thus it is clear that the public policies

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<sup>13</sup>. The Kerala Land Reforms Act 1969 had, in addition to the abolition of tenancy and conferment of ownership to tenants, provided for the landless hutment dwellers ("Kudikidappukar") fixity of tenure and right to keep ten cents of land. This provision made the landless hutment dwellers, who included both farm and non-farm workers, owners of their dwelling place.

<sup>14</sup>. Kudikidappu right means landless hutment dwellers who stayed in the private lands were given ownership right for 10 cents of land under the Land Reforms Act 1969. Government distributed land shown in the table indicates the land distributed by the government to the landless for residential purpose. Purampokku lands are government lands on which titles are given to those households who resided there for a long time. In our table all those shown in "Purampokku" have legal title on the land cleared by the government.

<sup>15</sup>. The two SC households got their houses under the government's housing scheme meant for the Harijans. The three OBC households got the houses under the one lakh housing scheme for the poor implemented during 1970's. In all these schemes the beneficiaries had to share only a nominal cost of the houses.



have been a major reason behind the improved asset position and entitlement of the labour households and consequently such policies have a role in determining labour

**Table 3.2**

**Source of Land Ownership of Labour Households**

	No. of Landholding Households	Sources				
		Ancestral	Kudi-kidappu	Distributed by Government	Puram-pokku	Purchased
SC	24	5	8	3	6	2
OBC	35	10	6	10	1	8
Others	29	11	4	6	2	6
<b>Total</b>	<b>88</b>	<b>26</b>	<b>18</b>	<b>19</b>	<b>9</b>	<b>16</b>

supply. This issue will be discussed in detail later in this chapter. Now let us look into the behaviour of demographic factors, educational status and the caste composition of labour households in determining the labour supply.

**2) Demography, Educational Status and Caste Composition**

A major demographic factor that can have decisive influence on labour supply is the size of labour households. The average size of labour households in the village is 4.98 (Table 3.3) which is marginally lower than the figure of 5.38 of the cultivating households. The variations across the communities in the household size has some significance in the context. There is a marginally higher family size for the SC households while OBC have a family size smaller than the overall average. The combined average household size of these two communities which constitute 70 percent

of the labour household is 4.87 which is lower than that of the labour households of other communities. We have earlier seen that the overall average family size of labour households is lower than that of the cultivating households. Thus our village data confirm the general trend, observed in many studies, that the size of agricultural labour families is shrinking faster than that of others. Again, the data show that three percent of the households have only two members per household, seven percent of the households have only three members per household and 28 percent of the households have only four persons per household. Thus a total of 38 percent of the labour households have four or less than four members per household. So it is clear that the household size of labour families is not large by any standard. The small size of the labour families naturally have a negative effect on labour supply. This is evident from the data given in Table 3.3 also where the smallest sized families belong to the OBC Communities have the lowest number of working persons (2.43) per household and the largest families belong to the SC households have the largest number of working members (2.80) per household.

**Table 3.3**

**Household Size and Dependency Ratio for Labour Households**

	No. of Persons per Household	No. of Working Persons Per Household	Dependency Ratio
SC	5.33	2.80	0.90
OBC	4.53	2.43	0.87
Others	5.23	2.57	1.04
All Labour Households	4.98	2.60	0.93

A related factor is the dependency ratio, that is the ratio of non-working members to the working members. The dependency ratio at the overall level is 0.93. This ratio is 0.90 among the SC households and 0.87 among the OBC households while the highest, 1.04, is reported for the forward communities. The higher dependency ratio among the forward community households supports the negative asset effect hypothesis mentioned above. As we have seen earlier (Table 3.1), the percentage of land holding households is significantly higher for the forward communities than for the SC and OBC households. The dependency ratio in the village in any case is not very high which indicates a reasonable labour participation rate.

Another demographic feature that influences the work participation and labour supply is the age composition of the population. As can be seen in Table 3.4 there is considerable difference in work participation rates across different age groups. While only 43 percent of the population in the age group of 15-25 years are available for work as high as 86 percent of the people in the age group of 26-40 years are taking part in work. The work participation rate of the people

**Table 3.4**

**Working People as Percentage of Total Population in Different Age Groups**

Age Group	Male	Female	All
Upto 14	3.6	-	2.1
15-25	58.9	25.4	43.0
26-40	94.4	79.0	86.2
Above 40	82.2	48.5	66.2
Total	60.9	41.8	51.8

above 40 years of age (66 percent) is also significantly higher than the overall average work participation rate of 51.8 percent. This indicates that the young people below the age of 26 are less in the manual labour market. The sex-wise data on labour participation show that nearly 59 percent of the males in the age group of 15-25 years are taking part in work, while it is substantially higher among the male population above the age of 25. A similar trend can be seen among the female population also. Only 25 percent of the females below the age of 25 years are taking part in work while in the succeeding two groups the participation rates are 79 percent and 48.5 percent respectively. Such a low rate of female work participation in the age group of 15-25 appears to be a relatively recent development. This indicates that young women are not coming forward to do agricultural and other manual work as before.<sup>16</sup> Such a trend is observed in the case of young male population also. The reasons for this could be their improved educational status, higher job aspiration or status consciousness. These issues are discussed below.

Education is a major factor that influences the job preferences of people and the labour supply. As is widely known, Kerala has a high literacy level and a high level of educated unemployment. The educational status of the population of the labour households in the village is shown in Table 3.5. The data show that only 2.4 percent of the population in the sample are illiterates. That is, nearly 98 percent of the people

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<sup>16</sup>. Such a trend is visible in the village. Traditionally the young girls and women have been a major group of workers in agricultural activities. The fact that even today the majority of paddy field workers come from the female population and the relative share of young women among them is less can lead only to such a conclusion. The discussions with the people in the village also confirm this trend.

above the age of five are literates. Needless to say that this is a very high rate of literacy by any standard and at this rate the gender and caste differences in the rate of literacy would be insignificant. However, the educational level varies considerably among the population and a substantial majority of them are below tenth standard (SSLC). Only a little above 6 percent of the population have achieved SSLC and above qualification and just only one person (0.2 percent) has a graduate degree. Although the educational levels of the people in general are low the high rate of literacy

**Table 3.5**

**Educational Status of the Population of Labour Households**

(Percent)

<b>Educational Level</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Children below 5 years	5.4	5.5	5.4
Illiterates	1.5	3.4	2.4
Below Standard V	42.9	40.9	42.0
Between Standard V and SSLC	44.4	43.0	43.8
SSLC and Above	5.4	7.2	6.2
Graduation and Above	0.4	-	0.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

and a few years of schooling can have impact on the job choices and preferences. Education provides them better exposure and is a modernising influence that alters the job expectations and weakens the foundations of the traditional value system. The work choice and preferences of the population in our sample confirm this hypothesis. The participation in work of people in different educational levels is given in Table 3.6. It shows that 34 percent of the total people having education of below SSLC level are working as agricultural labourers and 23 percent in non-agricultural labour and among

those who have SSLC and above qualifications only 16 percent are engaged in agricultural labour and 6.5 percent in non-agricultural labour. A little above three percent in this group work are working in regular salaried service. This indicates that

**Table 3.6**  
**Occupational Distribution by Educational Level**

(Percent)

Educational Level	Agri. Labour	Non-Agri. Labour	Regular Service	Others	Not working	Total
Below SSLC	34.2	23.0	-	1.1	41.7	100
SSLC and above	16.1	6.5	3.2	-	74.2	100
Graduation and above	-	100	-	-	-	100
All	30.3	20.3	0.2	1.0	48.2	100

Note: It may be noted that the figures show the percentages in the total population and not division of the total working people

the participation of the relatively more educated people in manual work is less compared to that of the less educated people. Similarly, people remaining unemployed is 74 percent among the SSLC and above group, while it is only a little less than 42 percent among the below SSLC group. This seems to suggest that as the educational level goes up, the people are less inclined to do manual work and aspire for jobs of higher status. When the job preference of those having SSLC and above qualifications was probed during the survey, all of them invariably preferred some kind of white collar jobs of a regular nature or jobs in the service

sector.<sup>17</sup> Their parents also have expressed the same desire. Some of those educated who are already in the manual jobs have accepted them as a last resort and some of them are doing the manual work as an interim arrangement while waiting for other avenues.

A similar trend has been observed among the young people when the working population data have been tabulated age-wise. Earlier we have seen that the rate of participation in work of the young people in the age group of 15-25 years is lower than that of others. The age-wise data of the working people in different occupations show that (Table 3.7) 20 percent of all people in the age group of 15-25 years are engaged as agricultural labour and 22 percent are engaged in non-agricultural activities. However, in other age groups, agricultural labour is the predominant occupation. Here it may be inferred that among the youngsters the preference is more for non-agricultural activities, even though agriculture still remains the major source of employment in the village. That is, nearly 59 per cent of the total workers in the sample are agricultural labourers. The major non-agricultural activities reported in the survey are construction work, shop assistance, head load work, automobile workshop attendants, auto rickshaw driving, casual domestic services, vending and quarrying. It was found that among these various activities a majority of the youth are engaged in the jobs like autorickshaw

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<sup>17</sup>. Several other studies on the job preferences of the educated people in Kerala (E.g., Chandan Mukherjee and T.M. Thomas Isaac, 1994 and E.T. Mathew, 1995) also have shown that the educated people prefer white collar jobs.

Table 3.7

## Occupational Distribution by Age-Group

(Percent)

Age-Group in Years	Agri. Labour	Non-Agri. Labour	Regular Service	Others	Not Working	Total
Upto 14	1.1	1.1	-	-	97.8	100
15-25	20.1	22.1	-	0.7	57.1	100
26-40	53.4	31.0	0.9	0.9	13.8	100
Above 40	41.0	23.0	-	2.2	34.8	100
Total	30.3	20.3	0.2	1.00	48.2	100

driving, shop assistance, workshop attendant and construction help. The agricultural operations like ploughing, spading, and coconut plucking are not preferred by the young people and actually there is a shortage of workers for these and similar activities. This choice is determined mainly by factors such as less physical exertion, possibility of better earning in a piece rate wage system or regularity of job. So the analysis given above shows that the relatively better educated and the young people in the village are more interested in less hazardous and more dignified non-farm work. They have higher job aspirations and preferences.

The caste composition of labour households has important implications for labour supply. Traditionally, in the study village a substantial proportion of rural labour, more particularly agricultural labour, has been coming forth from the three backward communities of Ezhava, Pulaya and Paraya. In our sample, 64 percent of the labour households belong to these three communities and the remaining 36 percent to other communities. There are reasons to believe that there has been a decline in the proportion of the said backward communities in the labour force and an increase in the



proportion of other communities.<sup>18</sup> The major share in agricultural labour still goes to the said communities. But other communities including the forward Nair community are also taking a share in the available farm employment. As mentioned elsewhere, this is the result of land reforms which has brought about a radical structural change in the economy and society of the state. As a result, a good number of backward community households have become owners of small plots of land which enhanced their entitlement. It is possible to infer that such a decline in the proportion of backward communities in the manual labour force can result in a major supply constraint. Although the members from other communities are coming forward to share the employment it is unlikely that the decline is adequately compensated as they also harbour higher job aspiration.

### **3) Income and Economic Status**

The labour households, naturally depend mainly on wage income. The level of income of the household from wages has an important role in determining labour supply. Similarly, the possibility of incomes from sources other than wage labour also is a decisive factor in labour supply. If there is significant income coming from other sources, the labour households are likely to limit the labour supply and in the absence

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<sup>18</sup>. Although we do not have historical data on the caste composition of the work force in the village there is justification for this inference. It is understood that in earlier times, particularly before the land reforms, only the above mentioned three backward communities and christians were working in paddy fields in the village. The slow but steady upward mobility of these communities is visible now. The educational achievements and job preferences of the younger generation of these communities indicate such a possibility.

of any such income they are compelled to depend on wage labour that in turn will augment the labour supply. The income data of the labour households in our sample (Table 3.8) show that a little less than 90 percent of the annual household income comes from wages. The incomes from land and other sources constitute a little more than 10 percent of the annual household income. The income from land is mainly the earnings from coconuts; nearly 45 percent of the households have one or two coconut trees in their tiny holdings. This income pattern is very significant. The income from land and other sources together is Rs.1157 per household per annum.<sup>19</sup> This, in our estimate, is sufficient to buy cereals and sugar from the public distribution system for about three months in an year. Thus, the income from sources other than wages provides considerable support to the labour families. This seems to be a factor that enhances the freedom of labourers in their labour market transactions.

The classification of households according to income groups indicate that there is considerable variation and inequality in income distribution across the households. As can be seen in the table, 20 percent of the households at the bottom have an average annual income of Rs.4269 and 43 percent who belong to the next higher group have Rs.9200 per annum. The overall average income of a household works out to Rs.11350 per annum. This income level, by any standard, is low and the above mentioned two bottom groups who form 63 percent of the total households fall well below the poverty

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<sup>19</sup>. The income from land could be higher than what is reported here. The coconuts and small quantities of vegetables used for home consumption could not be properly accounted in our estimates.

line.<sup>20</sup> However, it is important to note that the rest 37 percent households have significantly higher income. This implies that a sizeable section of the labour households have reasonable staying power that enhances their bargaining ability.

**Table 3.8**

**Average Annual Income per Household Source-wise**

(Rupees)

Income Group (Rupees)	Percentage of Households	Source			Total
		Wages	Land	Others	
1-6000	20	3654	480	135	4269
6001-12000	43	8739	419	42	9200
12001-24000	35	14685	600	1056	16341
Above 24000	2	28200	-	12840	41040
All	100	10192 (89.8)	486 (4.3)	671 (5.9)	11350 (100.0)

- Note: 1. The figures in brackets in the last column indicate percentages in the total income.
2. The source 'others' include regular salary income, income from dairying, petty trade and small time traditional activities like making of mats etc.

A related factor is the level of indebtedness of the labour households. It is possible that heavily indebted labour households enjoy less freedom in the labour market as they are

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<sup>20</sup>. As per the Planning Commission estimates, for a family of five the poverty line cut off point is Rs.13680 an year in rural area at 1992-93 prices. In our data 63 percent of the households have income below this level.

vulnerable and dependent on land owners and employers. On the contrary, less or lack of indebtedness enhances their freedom and bargaining ability. As discussed elsewhere in this study, there exists no interlocking of markets and debt bondage in Kerala, unlike in many other parts of the country. Our village data on indebtedness also confirm this feature of the state. The outstanding average debt of a household according to the source of borrowing is shown in Table 3.9. As can be seen, the average debt of a household is Rs.2192 only. This is certainly a small liability considering that this sum constitutes only a little less than 20 percent of the average annual household income. The data on the sources of borrowings show that nearly 65 percent of the total borrowing is from sources like co-operative banks, commercial banks and governmental schemes like IRDP (Integrated Rural Development Programme). The source 'others' which constitutes 31 percent of the borrowing mainly includes the borrowing from the friends and relatives involving no interest payment. Only a little above four percent of the borrowing comes from the local money lenders that may carry heavy interest liability. Thus, a major chunk of the borrowing comes from such sources which charge either only reasonable rates of interest or no interest at all. The size of the debt and the nature of the sources of borrowing thus indicate that the labour households are not in any uncomfortable debt position.

The data on the purposes for which the borrowings have been made (Table 3.10) indicate that the borrowings have been mainly for purposes like domestic consumption, investment and repair and maintenance of houses. It is important to note that nearly 28 percent of the borrowings have been for investments in petty

**Table 3.9****Average Debt of a Household According to the Source of Borrowing**

Source of Borrowing	Average Debt per Household (Rupees)	Percentage
Co-operative Banks	490	22.4
Commercial Banks	453	20.7
IRDP Scheme	475	21.7
Local Money Lenders	93	4.2
Others	681	31.0
Total	2192	100.0

- Note: 1. The debt shown here is the outstanding liability of a household on the day of survey.
2. IRDP Scheme is the Integrated Rural Development Programme of the Central Government. The source of 'others' include borrowings from friends and relatives and credit purchases from provision shops.

trades and purchase of cows and other income yielding assets. The liabilities on account of education and medical expenses are quite insignificant at around one percent of the total debt. The facility of free education upto higher secondary level and a fairly effective system of free medical care existing in the state appear to be the reasons for such a small liability on these accounts. From the above analysis it is clear that the labour households are not facing any significant debt problem in spite of their general low income status. Such a situation can only enhance their bargaining position and staying power.

**Table 3.10**

**Average Debt of a Household According to the Purpose of Borrowing**

Purpose	Average per Household (Rupees)	Percentage
Marriage	90	4.1
Education	30	1.4
Medical	30	1.4
Consumption	525	24.0
Investment	610	27.8
Repair & Maintenance of House	890	40.6
Others	17	0.7
Total	2192	100.0

**4) State Intervention and Social Security Systems**

As pointed out elsewhere, the so-called Kerala model of development with a major role of state intervention and social security systems appears to have an important role in labour supply. The basic feature of this model is the achievement of a high level of social development and physical quality of life through deliberate public policy in spite of the state's low level of per capita domestic product and economic development. The state intervention comes in the form of various subsidies, both direct and indirect.

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<sup>21</sup>. There are several studies (e.g., Dreze and Sen, 1995 and Ramachandran, V.K., 1995 etc.) which analyse this feature of Kerala's development. Those studies point out that the state is far ahead of other states in the country in terms of education, health and various demographic indices. It is also maintained that in many of these indices the state is even comparable to some of the developed nations in the world.

given to the vulnerable sections of the society and legislations like the land reforms act, job reservation for the backward communities etc. We have earlier seen how land reforms and the governmental scheme of conferring ownership right to the andless on the public (purampokku) land made the labour households owners of small plots of land. Similarly, the subsidies also enhance the economic status of the labour households. The major such schemes are public distribution of food grains, free education upto higher secondary level, free access to medical care, subsidised electricity to the poor consumers, various pension schemes like unemployment dole, widow pension, agricultural worker's pension etc., free noon-meal for poor school children, housing subsidy for the poor, special assistance to scheduled caste and scheduled tribes, job reservation for SC/ST and backward communities in the public sector, IRDP assistance etc. Such schemes not only enhance the real earnings of the workers, but also contribute to their retention price.

Although many of the above mentioned schemes are in operation in other states of the country also, there are reasons to believe that these schemes, in general, are implemented more effectively in Kerala.<sup>22</sup> In addition, some of the schemes like agricultural worker's pension, widow pension and unemployment dole are unique to Kerala. The public distribution system (PDS), an important tool in alleviating poverty, has been functioning in the state in a fairly efficient manner. Unlike in other states,

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<sup>22</sup>. A number of studies (Eg., V.K. Ramachandran, 1995; T.N. Krishnan, 1991 etc.) have shown how the implementation of social security schemes in Kerala has been more effective than in other states. Even while there is insufficiency of funds such schemes are implemented by effectively utilising the available resources. It is also pointed out that mass socio-political movements and high literacy and awareness of the people prevailing in the state provide a background favourable for the success of such schemes.

there is a two-tier system of PDS in Kerala in which the regular distribution of food grains through ration shops is supplemented by distribution of a wide range of consumption items through 'Maveli Stores' at prices below the open market rates.<sup>23</sup> The entire population of the state is covered under the PDS and the per capita off-take of cereals from PDS in the state is the highest in the country. The system is well-targeted to the poorer sections and they are gaining substantially from it.<sup>24</sup> An equally important and effective system of social security in the state is the various pension schemes mentioned above. In these schemes, the agricultural workers pension scheme, destitute old and widows pension scheme, special pension for the physically and mentally handicapped and the unemployment assistance scheme are the major social security schemes having good coverage. About 12 percent of the households in the state are getting such pensions under one or the other scheme and most of it goes to the poor working class households. Apart from such direct monetary support, the schemes like free schooling and medical facilities are also very effectively implemented in the state. Every panchayat in the state has a government allopathic dispensary and every taluk headquarters has a reasonably equipped hospital. This is supplemented by a wide net-work of ayurvedic dispensaries run by the state. The availability of educational

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<sup>23</sup>. The network of Maveli Stores was setup in 1981 by the Kerala State Civil Supplies Corporation to supplement the ration distribution. A range of commodities including cereals, pulses, sugar, oil, spices and vegetables are sold through these stores at prices below the open market rates. The system has a fairly good coverage and has been successful in providing relief from price rises to a significant population.

<sup>24</sup>. The study by suryanarayana (1996) argues that the PDS in Kerala, unlike in other states, does not suffer from any urban bias and the benefits of PDS are almost equitably spread across different income groups in both rural and urban Kerala. It is also pointed out that the poorer sections of the population are utilising the PDS more than the others.



facilities is such that presently the number of primary and secondary schools is in excess of what is required.

It was found that the labour households in our study village are availing the benefits of the above described welfare schemes in a significant way. We have earlier seen that a majority of the labour households got their lands under the land reform scheme and other governmental distribution scheme. It was also found that five percent of the households got their houses built under the subsidised housing scheme of the government. A total number of eight persons in seven labour households are getting pensions, of which six persons are getting agricultural worker's pension at the rate of Rs.70 a month and two persons get widow pension of Rs.65 a month. Thus, seven percent of the households in the sample are benefitting from the regular monthly pensions. All the children in the school-going age are attending the schools and availing the facilities including the free noon meal. A government dispensary in the village and a taluk hospital located in the nearby village provide medical facilities to the villagers. The utilisation of other facilities like public distribution system, subsidy schemes under IRDP etc. is also maximum. Invariably all the households have ration cards and are utilising ration facility. Also, eight percent of the households have availed IRDP loans in the previous year of the survey. It can be inferred from these information that the labour households in the village considerably enhance their real earnings by utilising the various social security and distributive schemes existing in the state. This will certainly contribute to a higher retention price of labour which can lead to a reduction in the labour supply.

## 5) Unionisation and Wage Rates

The level of unionisation of labourers and wage rates are two important factors in determining the labour supply. It is a known fact that in Kerala the labour unions are very strong in both rural and urban sectors. The trade union activities in the state have a long history.<sup>25</sup> The trade unions are working in almost all the areas of the economy including several unorganised activities. The agricultural labourers' unions in the rural areas have been historically very popular and active. They conducted militant struggles in the past for the enunciation and implementation of land reforms, for fixing minimum wages and for implementing various social security systems like agricultural workers' pension etc. Their struggles for periodic wage hikes have been a major reason for the existence of relatively high agricultural wages in Kerala.<sup>26</sup>

The data from our village study also indicate that the workers' trade unions are active in the area as in other parts of the state. As high as 74 percent of the agricultural workers are members of the Kerala State Karshaka Thozhilali Union, an agricultural workers' organisation.<sup>27</sup> All the head load workers are organised under two unions,

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<sup>25</sup>. The peasants and workers organisations were started in the state as early as 1930's. There have been so many studies on the peasants and workers movement in the state. The state witnessed numerous struggles by peasants, agricultural labourers and other labourers in the past. The tradition is still kept in tact and trade unions are strong in almost all the areas of the economy.

<sup>26</sup>. See T.N. Krishnan (1991) and K.P. Kannan (1988).

<sup>27</sup>. This is a very active leftist trade union. Although this organisation is working in an unorganised sector it has always been able to organise vigorous struggles with good response and labourers' participation. Among agricultural workers, other unions are not very prominent in the village.

that is, cent per cent of the head load workers are unionised.<sup>28</sup> The special feature of the head load workers' union is that without being a member of a union one cannot take part in loading and unloading work. Thus trade unionism is very strong in the village as in the rest of Kerala. It may be asked, however, that how trade unions remain strong in the context of a labour surplus situation? Also, why wages remain high and what prevents the unemployed from offering their labour power at lower wages? These issues will be addressed later.

The prevalence of high wage rates can sometimes create supply constraints also. A high wage rate means higher income and with a higher income a worker can better afford leisure which results in less supply of labour. This is the result of the operation of the backward sloping supply curve. In the context of our village such a behaviour could be observed. As the wage rates are reasonably high and at an average more than two members of the household go for work, the workers often show a preference for leisure. This is evident from the fact that a significant number of workers reported that they did not work for one or two days in the previous week of the survey as they wanted rest. Nearly half the households showed their interest in atleast one day's rest in a week. Thus it is clear that the trend of high wages and high real earnings of the workers imposes a supply constraint.

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<sup>28</sup>. There are two unions among the head load workers in the village. One is affiliated to a leftist union (C.I.T.U.) and the other to a right-wing union (I.N.T.U.C.).

## 6) Labour Preferences and Other Factors

The job preferences of workers have an impact on the labour supply. Earlier we have seen that the young people in the village are more interested in less hazardous non-farm work. As a result of such a preference labour shortages are observed in activities like spading, ploughing, coconut plucking, harvesting etc. Such preferences are conditioned by a number of factors like less physical exertion, dignified nature of work, better earnings or regularity of job. It was observed that among the relatively better educated people there is a clear preference for white collar jobs or jobs of similar nature. They, in general, show an aversion to manual work. But among the manual workers there is a growing preference for non-farm work, particularly among the young people. Among the factors responsible for such a trend the wage rates or daily earnings seem to be important.

An analysis of the wage rates and daily earnings<sup>29</sup> shows that, in general, there is a higher earning in non-farm activities than in farm work (Table 3.11). Although a slightly higher daily earning recorded in two farm activities, coconut plucking and application of pesticides in paddy fields, these are specialised and skilled areas and not

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<sup>29</sup> Daily wage rates and daily earnings are two different things. The daily rates are fixed statutorily or otherwise for a day's work. By daily earnings we mean the average daily income of a worker from various piece rate contracts. Here the calculation of hourly rate is slightly difficult. The total income earned a day from various contractual engagement is considered for analysis. However, in this context the hourly rates are found to be much higher than the other activities mentioned in the table.

many people coming forward to these jobs. Similarly, masonry and carpentry, which have higher wage rates, are also activities restricted to the skilled workers. In other unskilled and general category of activities the non-farm work has a higher daily earning. In all the activities where piece rate exists, both in farm and non-farm (for which the average daily earnings are shown in Table), the hourly wage rates, if worked out, are higher than the rates of fixed daily wages. When worked out, the hourly rate of work like head loading, was significantly higher than other rates, where the actual time spent on work for earning an average of Rs.70 was not even two hours. This seems to explain the reason for the preference to non-farm work, which in general gives a higher earning for lesser labour. However, for jobs like shop assistance, sales in liquor shops and bus cleaning and other services the daily wage rates are lower (see Table 3.11). The hourly rates are also found lower in these activities. But these are jobs of a regular nature, although the wages are paid only for the working days on a daily basis. In such jobs the worker has employment and income on all days except holidays. This means, the workers have a relatively more regular income, which also provides a higher absolute income, although the wage rates are lower. This is the reason why 42 per cent of the households, when asked their preference, said that they prefer regular work with even lower wage rate than less employment with higher wage rates. Thus, it is clear from the analysis that either the possibility of higher earning or a relatively more regular income is a major consideration in the preference for non-farm work.

Another factor in this context is the labourers' preference for working in their own locality. A majority of the workers expressed their preference for working in the

locality. This is further confirmed by the fact that all the farm workers in our sample worked in their village itself, in a distance of upto three kilometres, in the previous week of the survey. Similarly, 87 per cent of the non-farm workers also worked in their vicinity and only the rest 13 per cent went beyond a distance of five kilometres for work. This is sufficient proof for the fact that workers generally have a strong preference for work in the vicinity. Thus the labour market is geographically segmented in a significant way. From the above data, it appears that geographical segmentation is more pronounced in the case of farm workers than in the case of non-farm workers. It is also important to note that nearly 74 per cent of the workers in the sample said that they do not go to other villages in search of work. The major reason for this lack of mobility of workers could be, as we have seen earlier, that they possess homestead land in their village and also have other stakes like their children's education in the local schools.

It may also be noted that, even within the village, there is no practice of workers going after employers in search of work. In general, the practice is to invite workers by employers. This shows that certain independence is integrated into the culture and living of labourers in Kerala. This is precisely the reason why nearly 90 per cent of the households expressed their dislike for undertaking work like domestic help, even when they remain unemployed. Domestic work is viewed as a sign of servitude. Another expression of workers' independence can be observed from the fact that 98 per cent of the households reported that they have no particular preference to any employer on the basis of religion, caste or any other ground. This kind of a situation of

independence and freedom of workers, a result of high reservation price and staying power, enhances their ability in bargaining and influencing the labour market.

**Table 3.11**  
**Daily Wage Rates/Average Daily Earnings of Selected Farm and Non-Farm Activities (1992-93)**

(Rupees)

	Daily Wage Rates		Average Daily Earnings
	Male	Female	Male
<b>Farm Work</b>			
1. Paddy land preparation, Bunding and Weeding	45	30	-
2. Sowing	-	-	60
3. Spading	50	-	-
4. Manuring	-	-	60
5. Application of pesticides	-	-	75
6. Coconut pluckers	-	-	90
7. Rubber tapping	-	-	60
<b>Non-Farm Work</b>			
1. Construction help	50	30	-
2. Masonry	70	-	-
3. Carpentry	60	-	-
4. Headload	-	-	70
5. Quarrying	-	-	60
6. Land reclamation	-	-	80
7. Autorickshaw driving	-	-	50
8. Shop assistance	40	-	-
9. Sales in liquor shops	60	-	-
10. Bus cleaning and other services	40	-	-

Note: 1. Average daily earning is the average income of a worker on a working day. The days without work are not included in the calculation. For all the activities for which average daily earnings are shown, wages are paid in piece rate. The total income earned a day from various contractual piece rate engagements is considered for working out this.

2. The last three non-farm activities are a sort of regular employment. But they are paid on a daily basis only for the working days and not given any perquisites. Since there is no permanent claim on job it is casual or adhoc in nature.

In brief, the analysis given above suggests that even while there is surplus labour in the economy there are a number of constraints on labour supply. These constraints are the result of the nature of socio-economic and demographic processes taking place in the state. A high reservation price of labour achieved through such processes seem to be the major economic reason working behind labour supply constraints. It is possible to conclude from the findings of this and the previous chapter that while there are significant forces operating in the economy generating considerable demand for labour in the rural areas, the supply does not expand adequately to cope with the demand. We now turn to the labour market adjustment process in the next chapter.



## **Chapter IV**

### **LABOUR MARKET ADJUSTMENT PROCESS**

In the previous chapters, we discussed in detail the demand and supply of labour and the factors that determine them. We have seen in the chapter on demand that our study area has the presence of various factors which generate considerable demand for labour. But the analysis of labour supply shows that supply is beset with many constraints and not elastic enough to respond to the increasing demand. As a result, shortage of labour is felt in various forms. Along with the shortage we also see an excess supply of labour and acute unemployment in the village, as in the rest of the state. We have also seen that the prevailing wage rates are high, despite high unemployment. Here we confront two major questions. Firstly, how does such a shortage of labour occur in the midst of high unemployment? Secondly, how are wage rates maintained at a high level in the context of high unemployment? Thus the labour market adjustment process has two important aspects, one the mechanism by which the demand for and supply of labour match themselves and the other, the process of wage determination. We try to analyse the dynamics of these processes in the following pages.

#### **I Demand-Supply Adjustment**

There are a number of reasons for the excess supply of labour in the face of a felt shortage. One of the reasons could be statistical. The data on rural unemployment encompass all those people who remain unemployed. It is possible that a person is unemployed, but he is not available for manual work. While such a person adds to the

data on the unemployed, he does not actually enter the casual labour market as a contestant. Thus the unemployment data take into account all those who are unemployed, but do not specify the precise nature of unemployment. We talk of shortage of labour supply in a relative sense. It is a relative shortage experienced in certain operations almost frequently, and occasional shortages occurring in a few other activities which otherwise do not face any shortage normally. This could be due to a variety of reasons like market imperfection, labourers' preferences and general socio-economic and cultural factors. A study of the dynamics of rural labour market, therefore, should necessarily take into account not only the supply and demand for labour, but also a number of other factors including the experience of employers and labourers.

Let us consider the experience of cultivators on labour availability. The data on labour employment and availability in the preceding week of the survey do not indicate any shortage<sup>30</sup>. At the same time, nearly 40 per cent of the cultivators said that there is a general shortage of workers in the village. When asked to identify the activities for which shortages are felt, the cultivators listed ploughing, harvesting, spading, coconut plucking etc. They also indicated that occasional shortages are felt in several other activities also. But the farmers were not able to report the shortage in quantitative

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<sup>30</sup> The data on employment collected pertain to the preceding week of the peak and lean seasons. Since the one week forms only a part of the season it is likely that the survey was not able to grasp the shortage properly.

terms<sup>31</sup>. This shortage can be met only by bringing more family labour into use. But we have seen in Chapter II earlier that the availability of family labour is severely limited (Table 2.5). On an average, 93 per cent of the total labour requirement is met through labour hiring. Even in small holdings the hired labour component is very high. So there exists a gap between the actual employment and the labour requirement, indicating an excess demand for labour.

When the above situation of labour shortage is compared with the employment data collected from the labour households, we get a different picture. As is seen from Table 4.1, the average number of days worked by a worker during the preceding seven days in the peak period was 2.9. During the period, non-farm work was higher (3.8 days) than farm work (2.4 days). The corresponding data for the lean season show that the average number of days worked in a week was 1.9 at the overall level and 1.0 and 3.2 for farm work and non-farm work respectively. If six day's work a week could be considered a norm for full employment, it may be seen that the average employment rate during the peak season is only a little above 48 per cent. It is 40 per cent for farm work and 63 per cent for non-farm work. During the lean season the corresponding

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<sup>31</sup> There are many difficulties in quantifying the shortage in many activities, particularly in farm work. If there is a shortage of workers in harvesting or spading on one day they can wait for the next day. If a shortage is again felt the next day, the cultivators may do the work with available hands. In such occasions work may be prolonged and in certain types of work they may leave the work unfinished or even drop. There is a certain amount of flexibility in such agricultural activities, although that may affect the productivity.

Table 4.1

**Average Number of Days Worked by Labourers During the preceding week of the surveys in the Peak and Lean seasons**

Seasons	Average Number of Days Worked Per Week		
	Farm Work	Non-Farm Work	Total
Peak Season	2.4 (40.0)	3.8 (63.3)	2.9 (48.3)
Lean Season	1.0 (16.7)	3.2 (53.3)	1.9 (31.7)

**Note:** Figures in the brackets are percentages to an assumed full employment level of six days a week.

percentages were 31.7, 16.7 and 53.3. But in both the seasons, the employment in the non-farm sector considerably exceeds that in the farm sector<sup>32</sup>.

The above description gives us two different pictures. One is that of a shortage of labour as viewed by the cultivators and the other is a situation of excess supply of labour as viewed by the labourers. Both are supported by evidence. While the farmers face labour shortage even during the lean season, the data show that there is considerable unemployment even during the peak period. Apparently there is a contradiction in this situation. This necessitates a detailed enquiry into the specific

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<sup>32</sup> This is because certain types of non-farm activities like shop assistance, workshop help or hotel service are of a regular nature. Their working days are much more than other casual work. Our average non-farm employment reflect those numbers also. However, farm sector still remains predominant in terms of employment and number of workers involved in the village.

features of the shortage and surplus experienced by employers and workers. It is useful to see how they perceive the issue. We shall first analyse the problem by looking at the cultivators' perspective and motivations.

We have earlier seen that nearly 40 per cent of the cultivators felt a general shortage of workers. Twelve per cent of the cultivators said that there is a general aversion among labourers to work in paddy land. When asked to specify the activities that face shortage they listed a good number of farm activities like paddy harvesting, spading, ploughing and coconut plucking along with non-farm activities like domestic help and baby sitting. According to some, shortage is seasonal in some of the activities while others are of the view that it is there for all seasons. Twenty-four per cent of the cultivators experienced shortage of labourers for paddy harvesting. While a similar number of cultivators faced shortage of labourers for spading work in garden land, 30 per cent of them were vociferous in their complaint on the shortage of labour in coconut plucking and ploughing. A much less number of farmers (six per cent) said that they have faced occasional shortages even for weeding operation. Although this percentage is less, it is very significant as weeding, a female activity, normally used to have enough labour supply in the context of a high female labour participation rate. A majority of the cultivators (76 per cent) felt that it is very difficult to get female workers for non-farm activities like domestic work and baby care. To get a clearer idea on the nature and reasons of such shortages, let us look at the issue more closely.

Table 4.2

**Percentage of Cultivators Reporting Shortage of Labourers in Various Activities**

Nature of Shortage	Percentage of Cultivators Reporting
1) General shortage	38
2) Occasional shortages in some activities	24
3) Shortage in paddy harvesting	24
4) Shortage in ploughing	30
5) Shortage in spading	24
6) Shortage in weeding	6
7) Shortage in coconut plucking	30
8) Shortage in domestic services	76

The farmers who felt shortage of workers for harvesting said that such shortages occur in two kinds of situations. One is when the crop is not good and the other, when there is simultaneous harvesting in many fields. Labourers generally decline to harvest the fields which have a bad crop. As the wage for harvesting is given in kind as a proportion to the produce<sup>33</sup>, a lesser production means a lesser earning to the worker. So in this context, the supply constraint is the result of the worker's concern for lower earning. That is, only if there is an assurance of a good reward the workers are willing to take part in harvesting. In the other situation, when harvesting takes place simultaneously in a number of adjacent fields, the shortage is actually the result of a mismatch between the requirement and supply. However, both types of shortages are

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<sup>33</sup> At the time of the field survey the harvesting wage was in the proportion of 7:1.25, that is, for every seven parts of the produce that go to the farmer 1.25 parts go to the worker.

relatively new phenomena in the village. Harvesting is an operation that used to attract an excess supply of labour in the past. As a result, the farmers used to undertake harvesting simultaneously in several fields to limit the number of workers in each field. Such a rationing was necessary as an unlimited number of workers would pose operational difficulties and damage the crop<sup>34</sup>. According to the farmers, while there were enough labourers in the village for harvesting, migrant workers from nearby villages also contributed to such excess supply in the past. But the situation is drastically changed now. Labourers from the neighbouring villages no more come to the village for harvesting. Along with this, there must have been a decline in the number of local workers who go for harvesting. As we have seen in the previous chapter, there is a definite preference for the young generation to non-farm work which resulted in a decline in the number of farm workers. This seems to be the cause of the shortage of labour for harvesting.

The shortage of workers for spading, according to the cultivators, is the result of workers' unwillingness to do this task. Spading being a tough job requiring considerable physical exertion, the youngsters are not coming forward to take up this task even if they remain unemployed. The number of elder people who used to do this job is gradually declining as a result of old age and the gap is not being filled by the youngsters. Presently this job is mainly done by middle aged and elder workers. All the farmers who felt a shortage of workers for spading are not satisfied with the work

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<sup>34</sup> There were even cases of farmers seeking police protection to prevent the entry of unlimited number of workers into the field. Hence farmers used to fix a common date for harvest in all the fields in one Ela (a stretch of paddy fields).

quality of the new comers in the field. According to them, while six man days of labour were sufficient to spade one acre of land in the past, it takes almost double the labour to finish the same task now. The reason given for this is that the workers shirk duty and not willing to work hard. Even then, additional perquisites like tea and lunch are to be given to the workers.

Coconut plucking is another activity witnessing a shortage of labour. This has always been an activity handled by one particular caste in Kerala. This kind of a segmentation by caste could be a reason for shortage. But according to cultivators the youngsters of the community are choosing other activities and not adopting their traditional job. There is some truth in this argument. In our survey data, it was found that two young men belonging to this caste have opted for other unskilled non-farm work. But there is another dimension to this problem. There is no practice of frequently changing the workers for coconut plucking. It is the same workers or their family members who do the work for a certain number of houses in an area. Only when the worker gives up on his own, somebody else is assigned the task and would continue in the job till he gives up. This practice gives the worker a certain degree of monopsony power which enables him to exercise some liberty in allocating his time to work under various employers. Hence, quite often the cultivators do not get his services when they want; instead the worker decides the timing and location of his work according to his convenience. As reported by employers, he does not keep his promise to turn up for work on the appointed date. The worker can take such liberty without the risk of losing the employment. The employer cannot substitute the worker as workers from other communities do not generally enter into this activity. Thus the shortage in this



context is the non-availability of workers at the appointed time or at the employer's convenience. It may also be noted that the caste segmentation of this activity gives considerable leverage to the workers in their bargain for wages.

The shortage of labour in ploughing is the result of a sharp decline in the number of ploughmen. According to the cultivators there were about 100 ploughmen in the village earlier and now there is only less than a dozen of them. That is, there has been withdrawal of workers from this activity<sup>35</sup>. A major reason for this is the high cost of maintenance of draught animals. The ploughmen find it increasingly difficult to afford the cost and as a result a majority of them have abandoned the keeping of draught animals. Added to this, the withdrawals are not replaced by the entry of young people, who, as we have seen earlier in the chapter on supply, are not willing to take up hard as well as less dignified work.

The fact that a small percentage of farmers pointed out occasional shortage even for weeding operation is a little surprising. This female activity always had an excess labour supply in the past. When probed the reasons for this in detail, the farmers gave a number of explanations. One reason cited was that the young women of the labour households are less interested in farm work and thereby the withdrawals due to old age

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<sup>35</sup> It is interesting to note in this context that in the late 1970's this village and many other places in the state witnessed workers striking against the use of tractors for ploughing. As a result of the strikes the workers and cultivators reached an agreement by which only half the ploughing task can be carried out by tractor and the rest was reserved for ploughmen. This agreement stands valid even today although not followed. Workers are not bothered even if ploughing is done completely by tractors in some fields.

are not adequately replaced with fresh entry. This seems to be valid. As seen in the previous chapter, young women are not coming forward to do agricultural and other manual work as before. Another reason is that if a choice is given between farm work and non-farm work, there are many women who choose the non-farm work which creates a temporary shortage for farm work. For example, suppose a female worker accepts an invitation from a farmer for weeding. Then she gets an offer for construction help for the same day from another employer. In this case, she will opt for the second offer ignoring the earlier commitment. The farmer realises her absence only at the field and then he will not be able to find a substitute in a short time. The same worker may turn up after one or two days, but in effect the farmer does not get enough labour when he want it. This type of situations occur quite often. It was easy to find substitute workers in such situations in the past, as women in groups used to go to the fields in early mornings in search of work and farmers could easily draw the required number of workers from such groups. As pointed out earlier, the practice of workers going in search of employment is no more observed in the village. A third reason cited is the withdrawal of women from work when their children started earning. A few cultivators have also given instances where young men discourage their mothers from going to manual work. This could be the result of growing status consciousness of the young people and adoption of middle class values even when they remain economically poor. Although such withdrawals from labour force is a slow process and not substantial in number, this is indicative of the trends taking shape in the rural labour market in Kerala.

Another area where there is an acute shortage of labour is domestic services. A large majority of cultivators said that the women from labour households are not willing to take up jobs like domestic help and baby care while there is tremendous demand for these works in the village. The workers in general consider such domestic services not respectable. According to the cultivators, even those young women who either sit idle or work as sales girls in shops in nearby urban locations for paltry wages do not accept domestic work even if they are offered higher wages. Working in a shop is more respectable to them than working in a house.

The workers' choice and preferences, according to the cultivators, are important in creating labour shortages. Such preferences are many, like preference for non-farm work, preference for piece rate wages, preference for socially respectable and less hazardous work, preference for working in one's own locality etc. There are several reasons for such preferences. The major reasons for the preference for non-farm work are that it is more paying and less seasonal in nature. In a number of non-farm activities like loading and unloading, land reclamation and earth removal, transportation, repairs and maintenance, auto and taxi driving etc. wages are given on a piece rate or on contract. In such cases, with lesser working hours workers are able to earn more than they do in farm work. The youngsters' apathy to manual work is an expression of their higher job aspiration. This is the result of their improved educational status and exposure to the living of other classes of people. Even health and hygienic considerations influence the workers in their choice of work. As a number of farmers pointed out, it is difficult to get workers for jobs like loading and unloading of cowdung. On such occasions workers are given very high wages to attract

them. These observations of farmers are in agreement with our findings discussed in the previous chapter. The farmers are of the opinion that the enhanced income status of workers is the main reason for shortage in labour supply. Although this is an exaggerated opinion, there is an element of truth in it in a different sense. While the incomes of workers in general are low, their real earnings are higher when we consider the benefits they accrue from various social security measures. Thus, as we have seen earlier, higher real earnings and the consequent high reservation price of labour is the major economic factor that gives enough freedom to workers in their labour market behaviour.

Our discussion so far, based on the perspective of the employers, suggests that there is an excess demand for labour and that the supply does not adequately respond to meet the demand. We have seen that there is a relative shortage of labour in the village and that is related to the type of activities or seasons. Now we shall discuss below the labour market situation as viewed from the perspective of workers.

As seen in Table 4.1, there is considerable unemployment among workers. Table 4.3 gives data relating to the reasons why the workers did not work six days in the preceding week of the survey during the peak season. Nearly 76 per cent of the workers gave the reason that work was not available. In the rest, nearly five per cent adduced the reason that they did not get the work of their choice, while a little more than five per cent said that they did not want to work all the six days. Another 5.4 per cent wanted to take rest and 7.4

**Table 4.3**

**Reasons Given by Workers for not Working Six Days in the Preceding Week of the Survey**

	Reasons	No. of workers	Percentage
1.	Non-availability of work	195	75.6
2.	Preferred work was not available	12	4.7
3.	Did not want to work	14	5.4
4.	Wanted rest	14	5.4
5.	Sickness	19	7.4
6.	Others	4	1.5

per cent gave sickness as the reason. These data show that a good majority of workers actually did not get employment although they were ready to work. However, other reasons cited have some analytical significance. The fact that nearly 16 per cent of the workers did not work all the six days because of their personal preferences suggests that the workers exercise considerable freedom in their choice of work and leisure.

It is interesting to probe the various preferences of workers and the reasons for them with the help of the views expressed by workers themselves. We have seen above that nearly five per cent of the workers did not work all the six days as they did not get the preferred work. When asked about their preference, all of them wanted non-farm work. In the previous chapter we have seen that there is a general preference for non-farm work particularly among the young and the relatively more educated people. The reason observed is the better earnings from non-farm work. Here the workers give a

number of other explanations also. One such explanation is that the seasonal fluctuation in employment is relatively less in non-farm sector. Another reason given was that non-farm work is more easy compared to the work in muddy and wet paddy fields. And, in paddy fields, working under the sun without any shade is more tiresome also. But when pointed out that there are such tough jobs in non-farm sector also, the response was that they are free to choose the easier tasks. A clear preference was expressed in favour of the construction help activity by some workers<sup>36</sup>. It was also pointed out that those who are willing to do tough jobs also have more opportunities in non-farm work<sup>37</sup>.

A major reason given for the preference to non-farm work is that this sector offers more opportunities to undertake jobs on piece rate and contract system than the farm sector does. While 16 per cent of the workers expressed their preference for contract work, 18 per cent of them preferred piece rate work. Better earnings is the main reason given for the preference to piece rate and contract work. In many such jobs the workers are able to earn more with lesser working hours. The nature of such activities offer workers enough opportunity for effective bargain and better deal. There are several activities for which the wage rates are either not fixed or always not possible

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<sup>36</sup> This is mainly giving a help to the masons in delivering bricks and cement, mixing of cement and sand, carrying water for it etc.

<sup>37</sup> For example, the tough tasks like mixing of concrete and carrying it to the roof or loading and unloading of construction materials etc. are done mainly on contract in which the workers earn much higher than what they get in daily rate payment.

to fix<sup>38</sup>. In such cases the workers are mostly at an advantage to earn more. The situations of relative labour shortage and the unity of workers aid in a favourable bargain for the workers. It may also be noted that in farm work also workers have special preference for those activities for which wages are paid on piece rate. The examples are sowing, manuring, spraying of pesticides etc. Another important consideration is that piece work or contract work gives more freedom to the workers. In this case there is not much scope for supervision as the employers pay only on the completion of the agreed work. Workers in general dislike supervision and frequent intervention in their work by employers. In daily rated occupations the supervision of employers is more and consequently the workers get less freedom.

In the above paragraph we have seen that nearly 35 per cent of the workers prefer piece rate and contract work mainly on the ground of better earnings. Then why do the remaining 65 per cent workers prefer to stay with daily rates ignoring the possibility of higher earnings in piece and contract rates? The workers have given mainly two reasons for this. According to some, the opportunity in piece and contract work is limited, while a majority of them said they did not want to shift to new activities. This indicates that workers prefer to restrict themselves to the activities they are used to. This is an expression of labour market segmentation. Occupational shifts in the village are very limited. Into skilled work like carpentry unskilled labourers cannot easily enter. But mobility of workers even to unskilled activities is very limited.

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<sup>38</sup> For example, for loading or unloading cement bags or mixing concrete there is a fixed rate for each bag of cement but there is no such rate for loading and unloading of sand or wood or furnitures. In these and similar cases the labourers are found to have an upper hand in fixing the contract.

In this context mention may be made of another type of labour market segmentation, that is, geographical segmentation. In practice, the workers in the village segregate themselves from the labour market by preferring not to work in places outside their vicinity or village. Seventy-four percent of the workers said that they would prefer to work in the vicinity of their homes. It was, however, observed that even within the village, movement from one end to the other is not frequent. Workers in general have a habit of concentrating in their own locality. If work is not available in their locality, they prefer to remain unemployed. This is because the workers do not want to bear a high search and set up cost and the utility-disutility balance does not appear to them to be favourable. This corroborates with our earlier finding that labour market in Kerala, particularly for unskilled manual work, is geographically segmented. We have also found that workers' stakes in their own locality like ownership of land and children's education are the reasons of such segmentation.

Another dimension of the workers' preference can be seen in their dislike for certain kinds of work. Earlier we heard from employers that there is acute shortage of workers for domestic services and baby care. When the workers were asked whether their women would like to go for domestic work when they remain unemployed, 89 per cent of them gave a categorical 'no'. The reason given was that it is below their dignity to accept such jobs. Similarly, when cross-checked with workers the observation of farmers that jobs like loading and unloading of cowdung face shortage of workers, the workers agreed that such situations occur. Normally the head load work is kept as a monopoly of the unionised local workers and entry of outsiders is restricted. But when it comes to this kind of work, they prefer to keep away.



Another phenomenon that needs to be discussed is the withdrawal of workers from farm work. Six per cent of the households said that some of their family members have withdrawn from farm work in the recent past. The reasons given are mainly old age and ill-health. A few of them also mentioned that they have withdrawn because their children have started earning. These withdrawals are not adequately compensated by the fresh entry of young workers. This is supported by the census data for the village, which show a steady decline in the relative share of agricultural labourers in the total work force<sup>39</sup>.

Thus the analysis given above based on the perspective of workers also shows that there is a relative shortage of labour in the rural areas, particularly for farm work. A number of workers have openly admitted this in the course of discussions with them. However, the shortage witnessed in the labour market is not the result of a situation of full employment in the economy. In fact, there is surplus labour and considerable unemployment in the rural economy. In a sense, the shortage described above is artificial. The analysis in this chapter and the previous chapters on the factors that determine demand and supply of labour suggest that the shortage of labour is occurring in the context of a very complex behaviour of the rural labour market. This behaviour is shaped by the interaction of a number of factors like the workers' ownership of land, their educational status, their preferences and higher job aspiration etc. Also, the workers exercise very high freedom in the in the choice of jobs. We have also seen

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<sup>39</sup> The census data for the panchayat show that in 1971, 43 per cent of the total workers were agricultural labourers. It declined to 40 per cent in 1981 and further down to 37 per cent in 1991.

that workers are able to exercise such freedom in the background of their higher real earnings and higher reservation price of labour, although their reported incomes are low. The prevalence of high wage rates in the state is both a cause and an effect of the high reservation price of labour. But how the high wage rates sustain in the context of high unemployment needs explanation. The existence of a relative shortage of labour could be one of the reasons for high wages. But that seems to be an insufficient explanation, as we have seen earlier that the labour shortage itself is partly the result of higher wages and the consequent operation of the backward sloping supply curve. Hence, there are other reasons also for the high wages in the state which are discussed below.

## **II Wage Determination**

Frequent wage revisions are a feature of Kerala's rural labour market. Such revisions take place statutorily and otherwise. Kerala is perhaps the only state in the country where minimum wage regulations are effectively implemented. The farm wages are fixed by the Industrial Relations Committee (IRC) almost regularly. The Committee constituted by the government includes representatives of agricultural labourers and cultivators. The wage rates are negotiated in the Committee by the representatives of labourers and cultivators. Wages in the non-farm sector are not fixed in this way. But the revisions in the sector are normally guided by the farm sector rates. The wage rates of various rural occupations are interrelated and certain parity is maintained among

them<sup>40</sup>. The practice of regular wage revisions resulted in relatively higher wage rates for rural occupations in Kerala. We propose to discuss below the background of such frequent wage revisions and high wage rates prevailing in the state.

There are a number of institutional and social factors, besides economic, which have a role in the wage determination process in the rural areas. Among these the first and foremost, in the context of Kerala, is the fact that workers are strongly unionised. The trade unions of workers exert considerable influence on wage determination in the state. The level of unionisation of different segment of workers is very high in our study village, as in the rest of the state. There is a very strong agricultural workers' union in the state.<sup>41</sup> Within the farm sector also there are various category unions like the union of ploughmen, union of coconut plucking workers etc. Among the non-farm workers there are unions of head load workers, autorickshaw and other drivers, quarry workers etc. Among employers also there are unions for farmers,<sup>42</sup> shop owners etc. Kerala is perhaps having a unique position in respect of trade unionisation. The workers' and peasants' unions in the state have a history of more than half a century, as pointed out in the previous chapter. That tradition is still intact and trade unions are

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<sup>40</sup> T.N. Krishnan (1991) argued that there is certain definite parity between various wage rates. Whether or not a strict parity is steadily maintained, the different rural wages are certainly interrelated.

<sup>41</sup> This is Kerala State Karshaka Thozhilali Union (KSKTU) led by the Communist Party of India (Marxist). This has a unit in our study area also.

<sup>42</sup> The All India Kissan Sabha (AIKS), also led by the Communist Party of India (Marxist), is a major farmers' union in the state. There are other farmers' unions also in the state, but not very active and strong as this.

active in almost all sectors of the economy. Hence even those occupations and areas where unions are neither active nor formed also benefit from the struggles and gains of unions. The trade union consciousness in the state is such that even in the absence of formal unions in many occupations, the workers join together informally and effectively bargain with employers.

The history of powerful trade unions in Kerala show that they have not confined their struggles to economic demand like wage revisions alone. Agricultural labour unions, for example, conducted historic struggles for land reforms and right to homestead land, for various welfare demands like pension for agricultural labourers and the unemployed etc.<sup>43</sup> Such struggles for the all round welfare of workers have certainly enhanced the credibility of trade unions in the minds of workers. As a result of all these, the workers in the state have a very high class consciousness and political awareness. So the trade unions derive considerable strength from their past.

In our study village also the agricultural workers union and the head load workers' union are very strong. As was seen earlier, 74 per cent of the farm workers and the entire head load workers are members of their unions. The workers said that they undertook struggles for wage revisions almost on yearly basis or once in two years.

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<sup>43</sup> To illustrate one example, the struggle for land reforms continued for about two months in 1970, in which a few lakhs of agricultural labourers were arrested and thousands of cases were filed in courts throughtout the state.

Sometimes such struggles take the form of striking work if the negotiations in IRC fails<sup>44</sup>. The workers' confidence in the usefulness of the unions is very much evident from their observations. Thus it is clear that trade unions play a very significant role in the wage determination process in Kerala.

Another factor responsible for higher wages is the freedom enjoyed by the workers in the labour market. They are not controlled by inter-locking or tying-up mechanism of the land owners or employers unlike in many other parts of India. Their freedom bolsters up their ability in bargaining and the existence of active trade unions aid this process. The workers' awareness of the rising cost of living and the ability of the trade unions to strike good bargains for them along with a relative labour shortage discussed earlier create a situation where there is no incentive for workers to offer their services at a lower price even while they remain unemployed. It is interesting to note that none of the workers in our survey admitted that the prevailing wage rates are high. Nearly 80 per cent of them said that the present wage rates are normal, while the remaining 20 per cent are of the opinion that they are lower when compared to the cost of living. When asked whether the workers are willing to work at lower wages when they remain unemployed for long periods, 82 per cent of them expressed their unwillingness. Although the rest of the workers are agreeable, it is unlikely that they can do it to any

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<sup>44</sup> Just four weeks before our field survey there was agricultural labourers' strike in the village. The strike was withdrawn after the wage agreement was reached. There was one more strike last year, that is, after two years of the previous one. At the time of survey the farm wages were Rs.45 for men and Rs.30 for women. Now the rates are Rs.65 and Rs.50 for men and women respectively.

significant extent in the presence of disciplined trade unions<sup>45</sup>. It is also important to note that 42 per cent of the workers said that they can work for lower wage rates provided they are assured of regular employment. This means that workers wanted high wage rates as a guarantee against declining income in the context of lower employment. Looking from this angle, unemployment itself turns out to be a reason for higher wages. Thus in the context of Kerala an excess supply of labour is not resulting in lower wages as the workers are not willing to offer their services at lower wage rates.

In the foregoing analysis we have shown the reasons for the prevalence of high rural wages in the state and that the labour unions play a very significant role in this. Then it may be asked, in the context of an excess supply of labour why employers cannot collectively offer lower wages and resist the workers' demand, particularly when employers also have their unions? In fact, such resistance was there earlier, particularly before the implementation of land reforms in the early 1970's. But in the recent period they have been relatively weak. Most of the cultivators in the state, after the land reforms, have become small holders and are no more farmers per se. A good number of them have non-agricultural activities as their main source of income. Also, the cultivators are not a homogeneous group, they are of different status and varying interests. So their organisations are also weak as it is difficult to organise them on the basis of a sound common interest. This means that the farmers' unions are relatively

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<sup>45</sup> T.N. Krishnan (1991) suggests that such deviant behaviour of workers would be less in Kerala as the workers have a deep sense of class consciousness and agricultural labour unions are controlled largely by the Leftist parties that enforce union discipline firmly.

weaker than that of the workers whose class identity is more clear and hence class consciousness remains high. Further, there is no substantial contradiction between workers and a large segment of small holding farmers. Although there are disputes on the issue of wage rates the contradictions never gain an antagonistic form<sup>46</sup>. These are factors working against any powerful resistance of cultivators. The answer to the question posed earlier that how the workers' unions survive in the context of an excess supply of labour and widespread unemployment, can also be traced from the above analysis. A high level of class consciousness of workers associated with a higher freedom of workers and a relative labour shortage are factors that strengthen workers' unions. The trade unions' history of waging successful struggles that brought the workers the benefits of land reforms and various social security measures also help in this.

In short, the process of labour market adjustment discussed above reveals the presence of a relative shortage of labour in the rural sector, particularly for farm work. Along with this, there is considerable unemployment and surplus labour in the economy. In spite of the unemployment, the wages remain high and always keep a steady upward trend. The demand-supply adjustment mechanism indicates that in several occupations workers are not available, in adequate numbers and at the right time, at the going wage

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<sup>46</sup> The farmers' union which has some presence in the village is the one which is affiliated to the All India Kissan Sabha led by the Communists. The discussions with their leaders reveal that there is contradiction between farmers and workers on the issue of wages. But the farmers in general are aware of the need of wage revisions. The discussions within the union on the need of unity of peasants and workers also help in keeping such contradictions under check.

rate. As a result, employers face shortage of labour while workers remain unemployed. The factors that influence the market adjustment process are not only economic, but also socio-cultural and institutional in nature. The major economic factor that creates supply constraint is the high reservation price of rural labour in the state. The institutional and social setting of the labour market is such that workers enjoy considerable freedom in their choice of work and bargaining. Besides, the trade unions of workers play a major role in wage determination and the shaping of the rural labour market in Kerala. The employers' unions, on the other hand, are relatively weak to resist the high wages.



## Chapter V

### CONCLUSION

This study attempts to capture the characteristics of rural labour market in Kerala with the help of a detailed enquiry conducted in a village in the Kottayam district of the state. The rural labour market in Kerala is characterised by certain unique features. Kerala has the highest rate of unemployment in the country, while the state enjoys one of the highest wage rates for rural labour including agricultural labour. At the same time scarcity of labour is observed in many areas and occupations in the face of acute unemployment. The phenomenon of rising real wages of agricultural and other rural labour in the state is remarkable in the context of increasing unemployment, stagnating agriculture and the slow growth of alternative non-farm rural employment sector. Hence in Kerala, we see a very complex system of rural labour market characterised chiefly by the paradox of labour scarcity amidst labour surplus. We try to offer an explanation to this paradox in the present study.

The focus of our study is the dynamics of rural labour market at the micro level. The village selected for the study has predominantly paddy and coconut cultivation and to a lesser extent rubber, vegetables and banana. A majority of the households has paddy cultivation and almost every household has coconut cultivation. Agriculture is the major source of employment for the casual labourers in the village. Nearly 60 per cent of the working people in the sample are agricultural labourers. Although the non-farm sector growth is slow, the service sector activities increasingly generate employment

opportunities in the village. The village, as does the rest of Kerala, has a high rate of literacy.

An analysis of the factors that influence the demand for labour suggests that the prevailing situation in the village with regard to land ownership, cropping pattern, the level of family labour availability, occupational pattern, income and education of the persons of the cultivating households etc. is conducive to generate considerable demand for hired labour. A majority of land owners in the village is those who do not look upon land as a major source of income. These cultivators whose major income comes from non-agricultural source are not keen to maximise their agricultural income by using family labour. The educated people of the land owning households are unwilling to take part in farm work. Also, a sizeable number of them is working in regular salaried jobs. As a result, family labour contribution is very nominal in farming. Thus even in small holdings, cultivation is mainly carried out with hired labour.

The predominance of paddy crop, which is labour intensive, in the village is a factor that enhances the demand for labour. Farm fragmentation and the presence of too many small holdings have made mechanisation of agriculture extremely difficult. Similarly, increase in the number of operations owing to the fragmentation of tasks and reduced working hours have further enhanced the demand for hired labour. The expansion in service sector activities, particularly construction and transportation, also generates demand for labour.

Although there is a situation of enhanced requirement of labour in general, there are certain trends in agricultural sector which have a depressing effect on labour demand. As the prevailing wage rates are perceived as higher by the cultivators they resort to various strategies to reduce the use of labour. The labour saving strategies employed by the land owners in the village are mainly of three forms. They are: labour saving technology like the use of weedicides, less intensive cultivation, and substitution of labour intensive paddy cultivation by other crops. These tendencies have some potential to limit the demand for farm labour. But at the same time such strategies are countered to a certain extent by workers by their collective action. However, on balance, there is significant demand for labour.

The supply of labour, however, does not seem to have expanded in tune with demand. An analysis of the factors that determine labour supply indicates that a number of constraints are in operation in the supply front. A good majority of the labour households in our sample has home-steads land and small garden plots. This has improved their asset position and provided a source of some income which has resulted in an increased retention price of labour. The demographic data of the labour households show that their household size is not very high to warrant a greater supply of labour. The ratio of dependents to the working people is not high. The high rate of literacy among the members of the labour households is also creating a labour supply constraint. The relatively better educated and the young people of the labour families show less interest in manual work. They tend to nurse higher job aspirations. Along with this, there is a decline in the proportion of traditionally labour supplying communities in the manual labour force which also has created a major supply

constraint. Free educational facilities and job reservations for several economically and socially backward communities aid them in their search for non-manual work.

Besides, various welfare measures of the state like public distribution system, pension schemes for agricultural workers and the destitute women, unemployment allowance, free educational and medical facilities, IRDP assistance etc. provide a cushion to the labour households against their low levels of income and employment. A sizeable number of the labour households in the village are beneficiaries of various pension schemes and IRDP assistance. All the households are benefitting from the public distribution system and free educational and medical facilities. Such schemes have considerably enhanced the real income of workers and thereby the retention price of labour. A higher retention price of labour itself is a supply constraint.

Both the money wages and real wages have been steadily increasing in the study area, as in the rest of Kerala. The steady increase in real wages seems to help the workers in maintaining their income level stable even if there is a decline in employment in some activities. This means, in the context of higher wages, a decline in employment in some areas is not encouraging labour supply in other areas. We have also seen that the higher wages result in the operation of backward sloping supply curve as manifested in the workers' increased preference for leisure.

The study also reveals that the rural labour market is segmented by space and skills. There is very little inter-village mobility, particularly for unskilled labour. While certain types of jobs are skill intensive and hence entry is restricted, the possession of

land and other assets by labour households acts as a disincentive for migration even for unskilled jobs. Also, the labour households' stakes in the locality, like the education of their children in the local schools, act as a constraint for mobility. These factors also restrict labour supply.

Thus we see that the supply is beset with so many constraints and not elastic enough to respond to the increasing demand. As a result, shortage of labour is felt in various forms. A shortage of labour in the context of Kerala which witnesses the highest unemployment in the country and excess supply of labour is a contradiction in terms. This necessitated a closer scrutiny of the problem. The analysis on the labour market adjustment process and the experiences and perspective of the employers and the workers lead us to the finding that there is a relative shortage of labour experienced in the rural areas, particularly for farm work. However, the shortage witnessed in the labour market is not the result of a full employment situation in the area. In fact, there is excess labour and considerable unemployment in the village. The felt shortage is a relative shortage in the sense that workers are not available for a number of activities in adequate number and at the ruling market wage rate. Along with this we see excess supply of labour in many other unskilled activities and the presence of a large number of the unemployed in the village. In a sense, this shortage is artificial as it is not occurring in the background of a genuine deficiency in the number of working people in relation to the total labour requirement.

We have seen that such a shortage is the result of a very complex behaviour of the rural labour market. This behaviour is shaped by the interaction of a number of factors like

the workers' ownership of land, their educational status, workers' preferences and higher job aspiration. The factors like withdrawal of workers from farm work and various forms of labour market segmentation are also responsible for this behaviour. The major economic reason operating behind this situation, as was seen earlier, is the existence of a high reservation price of labour in Kerala. We have also seen that the high reservation price of labour is a consequence of high rural wages and higher real earnings in the background of various social security measures. The distinct institutional environment of Kerala in which workers are free of any form of tying-up mechanism of employers and the existence of active trade union culture in the state aid the sustenance of high wage rates. The factors like the workers' awareness of the rising cost of living, a high level of class consciousness of workers and the ability of the trade unions to ensure good bargains for them discourage the workers from offering their services at a lower price even while they remain unemployed. Thus in the context of Kerala an excess supply of labour is not resulting in lower wages and the socio-economic processes in the state provide a background which allows the existence of high wages and a relative shortage of labour even in the context of a high degree of unemployment.

The above discussion raises an important question. If the felt shortage of labour is genuine, how is it possible to reconcile with the official statistics which report a very high rural unemployment in Kerala? It may be inferred from our discussion in the previous chapter that the official statistics do not capture the complexity of the unemployment problem in rural Kerala. Though there is a high degree of unemployment, a large proportion of the unemployed seems to be not available for

manual work particularly farm work, due to various reasons we have discussed in detail earlier. But various factors like rising wages, unavailability of workers experienced by farmers and the supply behaviour point to the fact that there is a clear shortage of labour in the rural areas.

Before we conclude, it may be worthwhile to discuss the possible consequences of the rural labour market scenario obtaining in Kerala. The first and foremost in this context is related to the stagnation of agriculture in the state. There are arguments that the decline in paddy production and area is the consequence of higher farm wages prevailing in the state. Although this is the result of a number of factors, the contribution of higher wages in this process cannot be easily glossed over. A decline in food production is disastrous as Kerala has always been a food deficit state. The deficit is being widened in the context of stagnating agriculture and increasing demand. Kerala's dependence on other states and the central government for its food requirement is already very high. The widening deficit can only further worsen the state's vulnerability. Above all, any decline in area and agricultural production can have serious consequences for rural employment opportunities.

Secondly, in the context of the stagnation in agriculture, the rural employment sector seems to be dependent to a considerable extent on remittances, particularly from the migrant workers in West Asia. The expansion of construction and transportation activities and the consequent employment generation witnessed presently is mainly a result of trickle-down effect of such remittances. However, in the longer run, the rural

labour will have to depend on productive activities for its sustenance. The present rural labour market scenario appears to be unfavourable to the expansion of such activities.

Thirdly, we have seen that various social security systems of the state have a decisive role in shaping the labour market by keeping the reservation price of labour high. But there are already indications of declining public expenditure for social security measures. If a serious crisis occurs in this, that can have significant consequences for workers. To avert such a situation a vibrant and expanding labour market is necessary. The present labour market situation appears to be not encouraging the expansion of employment opportunities.

Moreover, there are so many constraints to the sustainability of the present labour market pattern. The contradiction of declining agricultural productivity and rising farm wages cannot last long. Similarly, a stunted economic growth cannot meet the increasing demands of the people. It can only further suppress the employment opportunities in the rural areas. Hence in the long-run, the chances of sustainability of the present model are limited.

It may be of interest to discuss a few other conclusions that may be drawn from this study. The first is a lesson that a conventional demand-supply framework is insufficient to study the complex rural labour market behaviour. Better theoretical models and a multi-disciplinary approach are necessary for capturing the complexity of rural labour market, particularly in the context of an under-developed economy. Yet another lesson is that appropriate state policies and social security measures and workers' organised



strength can ensure a better quality of life for workers even at the face of low levels of income and employment. Thereby such policies and the widespread presence of trade unions exert considerable influence on the shaping of rural labour market. The study also underlines the limitation of labour market models developed on weak economic foundations.

In conclusion, mention may be made of some limitations of this study. We could not properly quantify the labour shortage experienced by the farmers. Similarly, the time spent on part-time and subsidiary jobs by workers could not be properly accounted. So the incomes earned by workers in such part-time engagements also could not be estimated. This may perhaps render our income calculation an underestimate. The workers' allocation of time for farm and non-farm work was also difficult to capture in our survey. A proper quantification of these variables demands more intensive and prolonged surveys. Some of the above issues can be perhaps covered by adopting anthropological method of participatory observation as part of a larger study. This being a case study of a village, we do not attempt to generalise the findings for the state as a whole. In spite of this limitation, some of the findings of this study could be certainly indicative of the labour market trends in other parts of the state also.

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