

## LABOUR MARKET AND WAGE PROBLEM: A STUDY

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### ABSTRACT

The negative changes in the occupational composition of UP are also reflected in the fact that the proportion of the self-employed workers in total workers has fallen in Uttar Pradesh. However, due to various government efforts and self-employment programmes, self-employment percentage has recovered to 74.11 percent in 2012-13. Similarly, the proportion of regular wage/ salary employment has fallen to 9.02 percent in 2012-13. The workers have moved from these categories to the group of casual labourers. This trend corresponds to the rising trend visible in the proportion of self-employment. But the NSS 66<sup>th</sup> Round data reveal that the proportion of casual labourers has increased to 24.1 percent. It was expected that with the industrialization and economic development, there would be a shift of the work force from the primary to the secondary and the tertiary sectors. But the goal could not be achieved and still a large majority of workers are engaged in agriculture sector. The secondary sector, however, is more remunerative. In tertiary sector, the number of workers shows an increasing trend. A shift of the labour force out of agriculture into the non-agricultural sectors can only happen if our growth strategy is a success and the economy as a whole grows at a more rapid rate than in the past and generates high growth in labour intensive manufacturing and in productive services sectors to promote high wage rate in labour market.

**Keywords:** Economic Development, Wage Rate, Unemployment, Investment, Strategy, Infrastructure.

### INTRODUCTION

The major challenges being in labour market are-

- Backward and undeveloped agriculture characterized by low productivity, stagnation and unequal wage rate in labour market.
- Inadequacy of resources, resulting in low level of investment and wage rate.
- Sluggish and non-inclusive labour growth of poor quality.
- Inadequate and poor quality of economic and social infrastructure in labour market.
- Rapidly growing population, resulting in low wage rate.

- High degree of inequality in the distribution of income and wealth Indian labour market.

An Attempt has been made in this paper to present an overview about “Labour Market and Wage Problem: A Study”. The paper is divided into Four Sections. Section first covers a brief Introduction about the theme. Section second deals with Wage situation in labour market present story. Section third explains about the Policy Agenda for employment growth in Labour market. The Paper concludes with section four which gives some suggestions to improve wage structure in Indian Labour Market.

Several analysts suggest that there is a U-shaped relationship between economic growth and labour force participation. Labour force participation rates are relatively higher in low-income agricultural economies. But as economic growth accelerates, participation of laborers declines up to a certain level before rising again. The present study finds that the rural labour market conforms to the left half part of the ‘U’. This conformity is more aggressive in the case of rural labourers. Table-1 presents Worker Population Ratio (WPR) and Labour Force Participation Rate (LFPR) of rural labour market in Uttar Pradesh along with Average Annual Growth Rates of NSDP at factor cost at constant prices. Table-1 reveals some very disturbing facts. The females’ WPR has been abysmally low in comparison to the WPR of males. Moreover, it has declined over the period. The WPR for females, which was 13.0 percent in 1993-94 in rural UP, declined to 8.7 percent in 2011-12 (68<sup>th</sup> Round). The gender gap, the

difference between the WPR for males and females, was huge at 37.6 percent in 1993-94. It reflects severe gender discrimination. This gap increased marginally to 38.7 percent in 2011-12. Similarly, LFPR has also been quite low for the females. It was 13.1 percent in 1993-94 and declined to 8.8 percent in 2011-12. Here again, the gender gap, the difference between the LFPR for males and females, was huge at 38.1 percent in 1993-94. The gap increased marginally to 39.5 percent in 2011-12. A very strange outcome visible from Table-1 is that both WPR and LFPR of women have witnessed drastic decline in 2007-08 (64<sup>th</sup> Round). This may be due to the implementation of the MNREGS in 2006-07. Mechanization of agriculture may be another reason. Mechanized agricultural implements and tools like harvesters, tractors, more efficient threshers, levellers, etc. are increasingly being used now in agricultural activities, displacing some labour from agriculture. However, the ratios for men did not witness such decline.

Since, the rural economy of UP is dominantly an agrarian economy, it can not be assumed that the decline in WPR and LFPR is due to migration of rural women to better jobs in sectors other than agriculture. One possible avenue is the MNREGS. But again, the participation of women in MNREGS in UP is abysmally low (20 percent in 2012-13) in total person-days. However, there has been some increase in women’s participation in MNREGS. The proportion of women in total person-days, which was 17 percent in 2006-07, has increased to 20 percent in 2012-13.

Table - 1

Worker Population Ratio (WPR) and Labour Force Participation Rate (LFPR) : Uttar Pradesh (Rural)								
(Usual Principal Status: Percent)								
NSSO Rounds	WPR			LFPR			Economic Growth Rate#	
	Male	Female	Gender Gap <sup>WPR</sup>	Male	Female	Gender Gap <sup>LFPR</sup>	Period	AARG\$
1	2	3	4	5	6	7	8	9
50th (1993-94)	50.6	13.0	37.6	51.2	13.1	38.1	1981-82 To 1993-94	4.17
55th (1999-00)	46.9	12.2	34.7	47.5	12.3	35.2	1994-95 To 1999-00	4.36
61st (2004-05)	47.7	12.3	35.4	48.3	12.4	35.9	2000-01 To 2004-05	3.48
64th (2007-08)	47.8	9.6	38.2	48.5	9.7	38.8	2005-06 To 2011-12	6.84
66th (2009-10)	48.1	9.0	39.1	48.9	9.1	39.8		
68th (2011-12)	47.4	8.7	38.7	48.3	8.8	39.5		
Source (Basic Data): NSSO, Various Rounds, Ministry of Statistics & Programme Implementation, GOI.								

Thus, we find that females constitute a very small part of the labour force as well as worker population in the labour market and even this proportion has witnessed severe decline over the period. The WPR and LFPR of women witnessed drastic decline in 2007-08 (64<sup>th</sup> Round), which may be due to the implementation of the MNREGS in 2006-07 and increased use of mechanized tools and implements in agriculture. Thus, on the ground of WPR and LFPR, it can be concluded safely that there has been severe discrimination against women in the rural labour market in Uttar Pradesh. As seen from Table-1, the AARG of the economy has improved during the period 2005-06 to 2011-12. Therefore, increase in gender gap has not been caused by any increase in WPR and LFPR of men. It implies that both men

and women have migrated to some other jobs. Moreover, improved economic performance of the economy in recent years has led to absorption of particularly male labourers in some better paid jobs.

The average wage/ salary earnings per day for the persons aged 15 - 59 years engaged in rural labour market areas of Uttar Pradesh have been presented in Table-2. It is evident from Table that male wage rate in regular wage/ salaried employment has grown by 142.25 percent over the period 2004-05 to 2011-12 whereas the female wage rate in regular wage/ salaried employment has grown by 71.0 percent over the same period, which is just half of the growth rate witnessed in the case of male workers. This is an example of substantial wage discrimination. The gap in growth rates of male

and female casual labourers wages over the same period has not been that much large. Thus,

employers have discriminated vehemently against women while increasing wages.

Table -2

Average Wage/ Salary Earnings per day for the age 15 - 59 years# in Rural Areas: Uttar Pradesh										
(Rupees)										
NSSO Round	Regular Wage/Salaried Employees					Casual Labourers engaged in Works other than Public Works				
	Male	% Increase Over Previous Round	Female	% Increase Over Previous Round	Female Wage as % of Male Wage	Male	% Increase Over Previous Round	Female	% Increase Over Previous Round	Female Wage as % of Male Wage
1	2		3	4	5	6		7	8	9
55th (1999-00)	NA		NA		NA	43.50		30.08		69.15
61st (2004-05)	122.40		100.16		81.83	53.37		39.54		74.09
64th (2007-08)	160.50	31.13	129.06	28.85	80.41	73.46	37.64	58.26	47.34	79.31
66th (2009-10)	235.60	46.79	148.11	14.76	62.87	97.04	32.10	69.21	18.80	71.32
68th (2011-12)	296.51	25.85	171.27	15.64	57.76	136.84	41.01	95.31	37.71	69.65
Growth in 2011-12 Over 2004-05	142.25		71.00			156.40		141.05		
<b>Source:</b> NSSO, Various Rounds, Ministry of Statistics & Programme Implementation, GOI.										
<b>Source:</b> Labour Bureau, RLE Reports on wages and Earnings of Rural Labour Households, 2009-10, Shimla										
# For 1999-00, it is for the age 5 years and above										

## WAGE SITUATION IN LABOUR MARKET PRESENT STORY -

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Notwithstanding disparities there has been significant increase in real wages at the rate of over 3 percent per year on average during the three decades between 1938 to 2011-12. Labour productivity has also shown an increase, although it remains low in comparison to global figures. The progress of informalization of the workforce seems to have halted since 2004-05 in fact, the growth of organized-sector employment has been high after this period and the share increased from 11.8 percent in 2004-05 to 17.0 percent in 2011-12. Although the majority of this growth was still informal in nature for the first time the share of regular formal employment increased from 6.6 to 7.5 percent. The process of diversification of employment away from agriculture has also accelerated. Although the large share has gone to services and construction, and only marginally to manufacturing, the process has led to an acceleration in labour productivity. The level of per worker productivity has increased three times during the period 1993-94 to 2011-12. The wage share in the organized manufacturing sector, after declining steadily until 2007-08, started to recover some extent in the last few years. The rise in wages has led to decline in absolute poverty. Importantly, although the decline in poverty has been across all socio-religious groups, the largest decline has been observed among the SCs, STs, and OBCs as well as among upper Muslims. Due to reservation policy, the proportion of SCs and to a very small extent STs in the public sector has increased between 1999-2000 and 2011-12, although their access to the private sector has declined. The proportion of Muslims employed in both private and public sector has also declined.

The most noticeable trend is the significant increase in public sectors, and a significant decline in the proportion of OBCs employed in both private and public sectors, and a significant decline in the proportion of upper-caste Hindus as well as access

to quality employment of the deprived groups has increased at the expense of the upper strata, although access to private sector of some groups (STs and Muslims), remains a matter of concern. There is a rising middle-class, which includes better-educated and skilled workers with rising incomes and high levels of consumption. This may give some sustainability to the growth process. There has been significant growth in some advanced sectors of the economy such as information technology, automobiles, pharmaceuticals etc. which has had a spill-over effect on other sectors productivity in several industries has increased.

Recent years have also witnessed a rise in the unionization of informal sector workers. The popular movement about the right to work and its implementation (in the form of the Mahatma Gandhi National Rural Employment Guarantee Act or MGNREGA), have contributed to worker awareness and improved their bargaining power. This is indeed good for democracy and workers' rights. Persistent structural inequalities by caste and gender are likewise being recognized and tackled by popular movements. To summarize, while the three decades of rapid growth have not radically transformed the labour market and fairly substantial improvements, nevertheless, low productivity employment in both agriculture and other sectors continues to dominate the labour market, and the disparities and inequalities across groups and regions remain large and wage rate structure is not equal.

## POLICY AGENDA FOR EMPLOYMENT GROWTH IN LABOUR MARKET

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Given the widespread insecurity of livelihoods, it is extremely important to provide a minimum level of social security to all workers, which will certainly promote flexibility. Of course, the major role in this has to be played by the government and it is now widely viewed that at the present junction of development it is possible for the country to do this. What is needed is political will to make universal social security a reality. However this politics will also

needs to be backed by an appropriate design so that social as Social Protection Floor and contributing to the development process. Combined with better public provision of educational and medical services, a universal and portable social protection floor could function as an important instrument in pushing the economy on to the road of not only rapid but also more inclusive and sustainable growth. Effective policy requires a greater effort at mapping and documenting today's principal labour and employment development. Economic growth is creating new employment patterns and new labour-market, new income opportunities and new forms of exploitations, new linkages between work and poverty, the diverse and complex character of work and employment in India needs in depth analyses. These aspects need to be better specified, measured and understood if more effective and equitable employment and labour policies are to be put in place. Labour and employment in India opens the door for more in depth research and this will be undertaken in subsequent reports. The general statistical system of the country should proactively fill the gaps that exeunt in our understanding of some of these aspects of the labour market borne out of data limitation.

A medium- to long-term employment strategy should be envisaged to deal with the challenges highlighted above. It should ensure that the organized sector, particularly manufacturing, grows much more rapidly than in the past and leads to a process of economy wide productivity growth, along with employment expansion and rising wages. Even in the organized sector informal employment should not grow at the cost of formal jobs. Regulatory intervention in informal enterprises should ensure that minimum quality of employment is maintained and basic rights of workers are respected. The recent growth in the productivity and wages of workers in the unorganized sector welcome development. Although, it has important implications for employment and development policies of the country. The need is to sustain and accelerate this process. Appropriate policies and measure to address the issue of education and skills acquisition and of skills mismatches need to be

urgently put in place. The rising aspiration of the youth have to be met and the ongoing 'youth bulge' is likely to extract this challenge. The challenge pertains not only to the achievement for education and skill-training, but also to equally important task of raising their quality if it is to compete globally, India has to invest heavily in its National Skill Development Missions. There are significant differences in access to quality employment across different social groups and region. While economic growth in India has led to an increase in the quantity of employment, the access to take into accounts the social and regional dimensions to access to employment. Affirmative action policies have played a role, but some states and regions, and groups need special attention. There is a need to the reserved groups, the poorest amongst the need to be included in the gamut of affirmative action policies to increase wage rate in labour market.

Debates on labour market flexibility must be resolved in a way that meets the needs of both workers and enterprises. The question is low to ensure flexibility for market adjustment without compromising the basic interests of trade-off in return for adequate separation benefits say 45 days wages for every completed National Commission on Labour, and adequate income security for all workers employed or unemployed. It is necessary to ensure equal pay and temporary, to strictly enforce the payment of all workers. Simplification and modernization of labour laws, the necessity of which is widely felt, has to be on the agenda. Thus many markers of progress as well as challenged posed by changes in the labour market in India in the last three decades. The fact that comprehensive, responsive and effective labour and inclusive development lies at the crux of this policy. Key Recommendation for Reform the exiting environmental clearance processes-

- Initiate Reform in labour laws to promote wage.
- Create a 'sump' for transitory workers and 'job loss insurance for labour market job security.

- Develop policy on technical regulations for high wage rate.
- Mandate minimum 30% local value addition for capital goods to develop labour market.
- Establish functional National State Business Facilitation and Development Commissions for better wage in labour market.
- Reforming the exiting environmental clearance processes.
- Mandate Regulatory Impact Assessment (RIA) for all regulatory changes in the State in improve labour market.
- Improve the performance of power generating and distribution companies in the State to provide high wage.

## CONCLUSION

The basic weakness in our employment performance is the failure of the Indian economy to create a sufficient volume of additional high quality employment to absorb the new entrants into the labour force while also facilitating the absorption of surplus labour that currently exists in the agricultural sector, into higher wage, non-agricultural employment. A successful transition to inclusive growth requires migration of such surplus workers to other areas for productive and gainful employment in the organized or unorganized sector. Women agricultural workers in families where the male head has migrated, also require, special attention given the need for credit and other inputs if they are self-employed in agriculture or for wage employment if they do not have land. The rate of unemployment has increased. Despite fairly healthy GDP growth, employment in the organized sector actually declined leading to frustration among the educated youth who have rising expectations. Although real wages of casual labour in agriculture continue to rise during 2005-2012, growth has decelerated strongly, as compared to the previous year. Despite these positive features, it must also be noted that the

labour force also grew. In contrast, the construction, financial services, and community, social and personal services sectors exceeded the twelfth plan target of employment. In proportional terms, the largest shortfall in employment generation has been in manufacturing.

A critical issue in assessing employment behaviour of the economy is the growth of employment in the organized sector vis-a-vis the unorganized sector. Public debate on this issue is usually conducted on the basis that unorganized sector employment is generally of low quality while organized sector employment is of high quality, and the focus of attention is on whether employment has increased in the organized sector. The inadequacy of growth in the organized sector has traditionally been illustrated using data on employment by units registered with the Directorate General of Employment and Training, which are typically large units in the organized sector. Employment growth in the private sector units has accelerated in the second period but the acceleration is clearly insufficient to offset the decline in public sector employment. Some Suggestion for better Employment opportunities and high wage rate in labour market is given as:-

- Ensuring Minimum Conditions of Work in the Non-agricultural and Agricultural Sectors with a statutory national minimum wage for all workers.
- A universal national minimum social security scheme, as part of a comprehensive legislation covering life, health and disability, maternity and old age pension to protect the workers in the unorganized sectors.
- Special Programme for rural labourers for their growth.
- Improve Credit Flow to the Non-agricultural Sector in economy for high wage rate.
- Creation of a National Fund (NAFUS) for Micro and small enterprises in agriculture and non

agriculture sectors for better wage rate in labour market

- Expand Employment through Strengthening Self-employment Programme with appropriate wage rate.
- Universalize and Strengthen National Rural Employment Guarantee Act and programme like MNREGA for secure wage in rural area.
- Increase Employability through Skill Development with training programme and high wage rate.

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