CHAPTER 10
SUMMARY AND CONCLUSION
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10.1. Outline of the study

Though labour and wages have been central to the subject of political economy since its very beginning, the wage question received its comprehensive and systematic treatment only with the shift in the analytical paradigm from circulation to commodity production made by economists in the classical tradition. The greatest contribution of classical political economy to the subject is the labour theory of value. The labour theory of value was perfected by Marx by distinguishing between labour and labour power and also by exposing the dual character of labour. Since then, different approaches to the study of wage determination and labour markets have evolved, the most prominent among them being the marginal productivity theory of labour. The theory was based on the economic philosophy of marginal utility. The marginal productivity theory received particular attention immediately after the Great Depression of the 1930s. The theory treated labour as any other commodity and its value was determined by the supply of and the demand for labour as is the case with any other factors of production. The primary objective of the productivity theory of labour was to vindicate the idea that labour unions or collective bargaining had little role to play in the wage determination process. Moreover, unemployment is, the theory asserted, the net outcome of the mismatch between marginal productivity of labour and the wage rates. Empirical studies in wages in the Indian as well as in the Kerala context were confined mostly to the application of different versions of the marginal productivity theory.

An important lacuna of wage studies based on the marginality principle is that they isolated the labourer, the wage system and its level changes from the very socio-economic system, which gives shape to them. Such isolated treatments separate out wage analysis from the labourer and the socio-economic background in which they have been reared up and work. In a small
state like Kerala, labour productivity is not expected to differ significantly from region to region, but the wage rates across districts in Kerala varied significantly, a fact which was found to be beyond the explanatory power of the theory of marginal labour productivity. It is against this setting that the present study analysed the long-run trend in wage rates for agricultural labourers and the factors that contribute to the observed regional differences in daily wage rates for agricultural labourers in Kerala.

In the light of wage studies made in the Indian as well as in the Kerala context, the present study has set for itself the following objectives.

1. To analyse the long term trend in the wage rates of field labourers in agriculture, other agricultural labourers and semi-skilled workers of different districts in rural Kerala;
2. To analyse the historical evolution of agrarian relations and its influence on the present status of the labour market for agricultural labourers;
3. To compare and distinguish the labour market characteristics of Kerala with those of major states in India;
4. To examine the extent of inter-district variations in money wage, real wage and product wage of different categories of labourers in the rural sector based on secondary data as well as the information gathered from sample survey;
5. To evaluate policies of the state in relation to agricultural labourers and analyse the impact of such policy changes on employment and wages;
6. To identify factors influencing wage rates for agricultural labourers across districts in Kerala;

Hypothesis

1. Significant difference exists in wage rates for the same type of work and labour across districts in Kerala;
2. In a socio-economic formation with comparable state of development and standard of living, there can be smaller social groupings (off-the-mainstream population), which are relatively less developed. The
physical and cultural subsistence needs of such population and, therefore, their cost of reproduction of labour can differ from the main stream population;

3. Wage rate is less in localities where a major share of the labour force for agriculture is supplied by off-the-mainstream population such as different caste groups in Adivasi communities and plantation labourers of Tamil origin;

4. Wage rates for agricultural labourers are determined by the overall development of the region than productivity.

10.2. Evolution of agrarian relations and cropping pattern in Kerala.

Evolution of agrarian relations in Kerala has been distinct and different from each other in the south and in the north Kerala. For the south, progressive land reforms attracted investment and freed the labour force by developing land and labour markets much ahead of the northern part of the state. Such developments resulted in the formation of labour unions, development of the productive forces and of the relations of production in Travancore (south Kerala) than in the northern part. The northern part of Kerala, Malabar, was under the direct administration of the colonial government while Travancore was an independent princely state like Cochin. The theoretical association established between development of agriculture and emergence of a labour market indicated that a higher wage rate is likely to prevail in the south than in the north. Based on this conventional wisdom, samples for the study were drawn to represent the south (Travancore) and the north (Malabar). In sharp contrast to the long established theoretical relationship between wage rate and the state of development of the labour market, significant wage differentials were found to persist not only between the south and the north of Kerala, but across districts within Travancore (South) as well as within Malabar (North). The study is, based on a sample survey of 300 rural households proportionally divided between farmer and labour households in four districts, two from
South and two from Northern Kerala. The districts were chosen to represent a high wage as well as a low wage zone in Travancore and in Malabar.

In the Kerala context, it has been argued that the oppression of labour was relatively less in south Kerala than in the north. In sharp contrast to this contention, the present study found that the plight of small peasants (tenants), agricultural labourers and agrestic slaves in Travancore was as much oppressed as in the northern part of Kerala because the state wanted to nurture a landlord class most loyal to the king in the south as much as the colonial government did in northern Kerala. The ground rent appropriated in the form of land tax either by the state directly as in northern part or through landlords as in the south, were more or less comparable. The cropping pattern in the colonial period was purposively nurtured to cater to the demands of the external market. Land tax and land policies were the major instruments used for the realisation of this objective of the colonial powers. After independence, agricultural price policies and trade-related policies have driven the cropping pattern in Kerala to a direction that the Indian state wanted it to take, even at the cost of the food security of the indigenous people, and the employment opportunities of the agricultural labourers in Kerala.

10.3. State and labour

In the evolution of the labour market and wage rates, the state is an important player. The state intervenes in the labour market in order to accomplish its social and historical function of ensuring social reproduction of labour for the process of capital accumulation to take place uninterruptedly. The state intervenes in the labour market by way of bringing in regulations and legislations. State regulations are manifested mostly in the form of interventions in labour agitations for higher wages and better working conditions. It is found that assumption of power by the left-wing political party in the state has played an important role by adopting a policy of non-intervention of the police force in labour agitations. On state legislations, two important aspects considered in the analysis were: i) The minimum wage
legislation and its implementation; ii). The introduction and implementation of the Agricultural Workers Act. Two important findings emerged from the analysis of the trend in minimum wage legislations are: i) In the 1950s and the 1960s, state- legislated minimum wages were higher than the market wages and the state took special interest to implement them effectively; ii) The minimum wages legislated by the state since the 1970s have been lower than the market rate and therefore, minimum wages became irrelevant to agricultural workers in general, in Kerala. In the 1950s and the 1960s, for the assessment of the subsistence requirement of labourers, detailed family budget sample surveys had been undertaken, based on which, wages were fixed. On the contrary, minimum wage legislation since the 1970s became a routine work of the state apparatus and the legislated wages were fixed by the notification method. They were not based on any scientific need assessment of the labouring class. In the study, it was argued that the lukewarm attitude of the governments which assumed power since then, towards agricultural labourers cannot be viewed in isolation from the changes in the ideological paradigm at the global level.

Even though Kerala has the distinction of the first state in India to envisage and implement a social security scheme for agricultural workers, the functioning of the Agricultural Workers Act at present is in absolute disarray. Though the Act stipulates that the welfare fund should be collected from the land owners as well as from agricultural workers, for a long time, the contribution from land owners had not been collected and the subscription from workers were collected rather regularly. Thus the shortage of funds precludes the labourers from availing many of the benefits stipulated under the scheme. Moreover, it is rather strange to note that agricultural labourers in Kerala are now financing a good number of government officials who have been deployed to administer the welfare fund of agricultural workers. The salary for the government employees is now being met from the welfare fund raised with the contribution from agricultural labourers.
In many of the villages in the state, female agricultural labourers as a category ceased to exist. The size of the agriculture-dependent population in the state has declined almost to one-half between 1991 and 2001. The decline in the size of the agriculture-dependent population in the state has to be viewed against the backdrop of the characteristics of the agricultural labour markets in Kerala vis-à-vis of other major states in India.

10.4. Labour market in Kerala and its specificities

An analysis of the characteristics of labour market for agricultural labourers in Kerala has revealed its uniqueness among important states in India. The long term trend in WPR of the state in relation to other important states and the national average showed that WPR of males in Kerala was higher and female WPR was considerably lower than elsewhere. A district-wise analysis of WPR showed that the two low-wage districts, viz., Idukki and Wayanad, showed the highest WPR while WPR was found to be the lowest in Malappuram, one of the high wage zones in the sample. Agriculture-dependent population comprising cultivators and agricultural labourers was the lowest in Kerala. Further, the state recorded the highest decline in the percentage of agriculture-dependent population during the last two decennia and the rate of decline was the maximum among cultivator households. The highest rate of decline in the agriculture-dependent population may be viewed against the crisis that has set in the agrarian front the since mid-1990s. The average earning strength and the number of wage earners per ALH in the state were one of the lowest in India. Kerala recorded high incidence of indebtedness and the average amount borrowed per ALH was the highest among important states in India. Further the state recorded the highest real wage rate for male and female labourers and also for agricultural labourers of the Scheduled Caste and Schedule Tribe categories.

An analysis of the inter-relationship among different characteristics of the labour market and the real wage rate revealed that the real wage rate was found to be inversely associated with the work participation rate. An inverse association was observed also between WPRs of male and female labourers.
The real wage rate for male agricultural labour was found to be inversely related to the size of the dependent population on agriculture and shown a positive association with average amount of debt. Real wage rate exhibited a positive relation with the size of holdings, indicating the asset position and the bargaining power of labourers. An inverse association could also be observed between real wage rate and the proportion of agricultural labourers in the total workforce. In short, it may be stated that there are several other factors other than supply and demand which influence the outcome of the labour market.

10.5. Trend and pattern of wage movements

There exists serious lacuna in the wage statistics of agricultural workers. Many of the wage centres in Kerala from where wage data are gathered for the publication of wage statistics in Agricultural Wages in India were found to be non-agricultural villages. However, these centres still continue to be the wage collection centres for wage statistics. Moreover, many of the agricultural operations such as ploughing with bullocks are not being practiced now, but the wage data are still reported for such operations. To get rid of such issues in wage data, time series data on wages for the present study were collected from the Department of Economics and Statistics of the Government Kerala. Wage data on field labour and workers engaged in ‘Other Agricultural Labour’ (operations) were collected along with those of rural workers in the construction sector, viz., mason and carpenter. The relative social standard of agricultural labourers depends not only on the wage rate, which labourers receive, but the level changes in the wage rate for other categories of rural workers as well. It was observed that the disparity in wage rates between agricultural labourers and workers in construction activities has widened over the years. The degree of disparity between the labourers in the agricultural sector and the construction sector is wide if the monthly wage income is taken for comparison, due mostly to differences in the number of days of employment. An agricultural labourer gets not more than ten days of
employment in a month whereas mason's helper is employed for more than 20
days in a month.

An analysis of the inter-district wage differentials indicated that they
existed since the time when wage data became available. The wage base for
the different districts varied among households significantly. The daily wage
rate for agricultural labourers was lower in three districts, viz., Idukki,
Wayanad and Palakkad. However, wage data for Wayanad district are not
collected by any official agency. Even though the inter-district differentials in
wage rates were significant for agricultural labourers, for other categories of
labourers such as masons and carpenters, differences are less pronounced.

The supply of and the demand for labourers assume significance
in determining level changes in wage rates in the short-run. Estimation of the
wage determination models indicate that the overall development of the district
measured in terms of the Net District Product is more influential than labour
productivity or land productivity. The finding that the overall development of a
region determines the wage level, proves that the degree of civilization and the
stage of development are important factors in deciding the value of labour
power. The analysis of money and real wages of different categories of rural
labourers indicated that there have been distinct phases in wage movement.
Broadly speaking three distinct phases could be identified in the long-run
movement of the real wage rate for all categories of labour except women
agricultural labourers. The real wage rate registered a high growth rate in the
1960s followed by a slow down in the 1970s. Again in the 1980s, it went up at
a high rate. In the 1990s, the rate of growth in real wages again slowed down.
The literature on the trend and the pattern of agricultural wages in India, based
on wage data from AWI and NSSO, showed that the real wage rate of
agricultural labourers in Kerala registered a higher growth rate in the 1990s
than in the 1980s. In sharp contrast to these observations, the present study,
which used a variant of the data published in AWI, observed that the rate of
growth in real wage rate in the 1990s was lower than in the 1980s. The
observed trend in real and product wages reinforced these findings.
10.6. Tenancy, employment and wages

As rice cultivation headed towards its extinction from many of the districts in Kerala, two important features have surfaced in the land and the labour markets. In the land market, paddy fields became a potential source of real estate transactions and value escalation. Landowners started leasing out land for cultivation of annual crops for the market. A crop most widely cultivated on leased land is plantain. As agricultural labourers faced a significant reduction in the number of days of employment, they compensated the loss by leasing in land on a rental basis.

The incidence of tenancy varied significantly across sample villages. Land leasing in Venganoor village was confined to wetlands. In Venganoor, 51 percent of the farmer households and 31 percent of the labour households leased in land. As a percentage of total wetland cultivated, 68.69 percent is the leased in land. In Santhanppara, the incidence of tenancy is as low as 12.45 percent. Moreover, at Santhanppara, the incidence of tenancy was confined to dryland only. More or less the same scenario was observed in the pattern of land leasing in Malabar region too. The notable difference was that the incidence of tenancy was more pronounced in the low wage zone in the Malabar region. In Mananthavady, the incidence of tenancy was 15.71 percent while the incidence rate in Tavanoore was 8.90 percent.

The literature on lease land cultivation in Kerala showed that the lessees were able to earn substantial net profits from cultivation. The present study concluded that labourers could make subsistence from lease land cultivation under normal climatic conditions and non-crop failures. They were rather forced to lease in land to get themselves employed in the wake of the virtual cessation of the rice cultivation and other cultural practices for crops in dry land. Moreover, the exorbitant amounts of money rent and high interest rates for working capital borrowed from the village moneylenders leave tenant farmers with little even for meeting cultivation expenses for the next crop. Moreover, a slight deviation from normalcy in weather conditions throws out of gear the entire cultivation as the lease land crops are mostly of highly
sensitive to weather changes. In short, the study, based on costs and net profits, found that lease land cultivation impoverishes both tenant farmers and agricultural labourers alike.

In the study of wage rates, the structure of land holdings assumes special significance. An analysis of the distribution of land holdings in the sample villages showed that inequality in the distribution of land holdings measured in terms of the Gini coefficient, was the highest in Tavanoore, followed by Mananthavady, the lowest being in Venganoor and Santhanpara. A class-wise distribution of land holdings by size of the sample households showed that the percentage of landless agricultural labourers was the highest in Manathavady followed by Santhanpara. Similarly, 14 percent of the farmer households owned land above 5 acre in Santhanpara and 29 percent of the farmer households owned land above five acres in Mananthavady. In the high-wage zone in Malabar, 25.80 percent of the farmers owned land above 5 acres and above. Such a class of land owners did not exist in the high-wage zone of Travancore. The same degree of inequality in consumption standards could also be observed in daily expenditure by farmer and labour households across sample villages.

An analysis of factors influencing the size of land leasing revealed that hunger leasing was the prominent form of land leasing. In Mananthavady, farmers who owned insufficient areas of operation leased in land and an inverse and significant association between the area of land owned and the area leased in was observed. It established that it was the small and marginal peasants who were the predominant lessees.

10.7. Explanation for inter-district wage differentials

It is found that there exist significant differences in demographic, economic and social indicators of development and wage levels. The demographic indicators such as sex ratio and work participation rates are different for high wage and low-wage zones and the differences are not only confined to labourers but extended also to farmer households. In the case of
daily household expenditure in low-wage zones, a significant proportion of labourers are found in the lower strata while in the high wage-zone, labour households are distributed almost uniformly across the various strata excepting the highest one. The difference could be observed also in housing patterns and availability of basic amenities between labour and farmer households both in high wage and low wage zones. In other words, it is not the development of the particular sector defined in terms of capitalistic development in agriculture, but the all round socio-economic development theoretically posited as the stage of development of the region concerned or production relations, that would, to a very great extent, explain wage differentials.

Analysis of the degree of penetration of capitalistic development in agriculture across sample regions indicated that the agriculture development in high wage zones have already come to a standstill, particularly the dry lands. Agricultural labourers lease in wetland to compensate the shortfall in the available days of employment.

Dry land agriculture exists only in low-wage zones and the cultivation is rather intensive as well. The number of labourers employed per hectare of land was higher in low-wage zone and also was the value of output per hectare of land. The regional wage difference is not possible, therefore, to be explained in terms of the degree of penetration of capitalistic development in agriculture. It was found that lion’s share of the labour force in agriculture in the low-wage zones was sourced from social groupings, which are on a lower level of development. Social groupings which are on a still lower level of development naturally place relatively low cultural needs when compared to the cultural needs of the mainstream community. The Adivasi community in Mananthavady and the communities of Tamil origin who keep proximity to border areas of Tamilnadu, are such social groupings. Significant wage differentials are likely to persist against such a backdrop.

In a state in which radical political movements have strong roots in every village, significant wage differences across districts are difficult to conceive of. If there exists significant wage differentials, what are the factors
preventing labourers from a movement from low-wage zones to high-wage zones. Deviating from the supply demand framework, wage differentials were sought to be answered in terms of the differences in the physical and the cultural need of the different social groups within a given social formation. Relatively less advanced social groups exist in every social formation, who may be considered the off-the-mainstream population. An analysis based on consumption expenditure, social habituation, asset possessions, educational levels and demographic variables clearly showed significant differences in all these indicators of social development between the Agricultural Labour Households (ALHs) in low-wage and high-wage zones. On the contrary, significant similarity could be observed in ALHs between low-wage zones in Travancore and Malabar. These results indicate that wage differentials are not solely determined by the level of development of the labour market and the state of development, but a set of other factors which are operative along with the development of production relations manifested in labour markets. The low-wage zones in Travancore and Malabar share certain commonalities. The more important among them being: i). The major labour supplying population in these two villages are Adivasis and migrants from Tamilnadu; ii). The less advanced social groupings have low social demands and therefore their cost of reproduction of labour is also relatively low. In other words, a low reproduction cost of labour may co-exist with advanced production relations in agriculture. It enables the landowner class to continue labour-intensive agricultural production until the supply of the less advanced social groupings gets exhausted or till they are integrated fully with the mainstream society. Extinction of labour-intensive food crops in high-wage zones on the one side and the existence of labour-intensive plantation crops on the other is based on inter-district wage differentials.

The study therefore concludes that the broader framework outlined in theoretical postulates of classical Marxism explains wage differentials across nations. However, within a nation and states, inter-district wage differentials can better be explained by probing deep into the specificities of the region and
the social sub-groups of population within the framework of the general socio-economic formation. To the extent the prevalence such groups being outside the mainstream communities, the reproduction cost of labour can be different from the region to region. In the Kerala context, it is not the development of agriculture, land or labour productivities, which explain wage differentials across districts, but wage differentials are explained by the existence of small social groupings which are off-the mainstream framework. The observed wage differentials would cease to exist once such social groups get integrated fully with the main stream population.

10.8. Policy implications of the study

The policy recommendations of the study stem from the basic premises that the wage rates of different categories of rural labourers should move in tandem with one another because relative living standard of workers is as important as their absolute living standards. It is also the responsibility of the government to ensure that the labourers in the unorganised sector get adequate days of employment and wage. If adequate wage income is not ensured to labourers, the younger generation of the labour households would grow crippled or they may abandon the sector. Important policy recommendations emerging from the study are the following:

1. For the sustainability of development, it is important to ensure that all the sector and regions within a nation or a state are growing at a comparable scale. Otherwise, economic inequality and regional disparity may be widened particularly between unskilled workers in the agricultural sector and other booming sectors of the economy.

2. In case, agricultural sector lags behind other sectors, the sector may not be in a position to continue the production process. It would leave devastating consequences on the employment and wage income of labourers dependent on the sector. Its policy implications are multi-pronged. a) Necessary modernisation and measures to improve the
productiveness of the sector should be adopted; b) Price of farm products need to be stable and remunerative; c) Legislative protection to agricultural labourers may be sufficiently strengthened and effectively be implement to supplement the wage income.

3. In due course of time, the labourers engaged in agricultural sector may be rather compelled to withdraw from the sector. It may drive down further the viability of the sector and leads to its gradual extinction. The scenario in the agriculture sector in Kerala exactly resembles the situation.

4. Lease land cultivation by labourers lead to excessive exploitation. Lease land cultivation leads the labourers to get trapped in the vicious circle of debt trap finally leading to asset loss including their dwelling place.

5. Lease land cultivation need to be discouraged and the wet land holders need to be legally made bound to cultivate their land. If land owners fail to cultivate, government may take necessary steps to cultivate the land.

6. Indebtedness is inversely associated with the price of agricultural commodities. As a result of the volatility in price, the staying power of small and marginal farmers is greatly eroded. They are forced either to go for lease land cultivation or to borrow from the village money lender for even daily expenses. Labourers are also found to fall in debt with the fall in employment. It is important to ensure that farm products get reasonable and stable price, which is possible, only by the strong intervention of the government in the market.

7. It was found that Minimum wage legislation became a ceremonial act and labourers are not benefited. Effective measure need to be taken to revise agricultural wages and its proper and effective implementation. Minimum wages may also be linked to minimum days of employment.

8. The functioning of Agricultural Workers Welfare Fund Board has long ceased to be effective because subscription is not collected from
farmers and benefits are not given to the labourers. It is important to take necessary steps to ensure that the Board has sufficient funds and benefits are distributed to the deserving cases on time.

9. Necessary steps may be resorted to revive the crisis ridden agricultural sector to increase employment and living standards of labourers and staying power of peasants.