Introduction

The wage level and its movements are central to the study of the theory of distribution. Wage studies, therefore, entail enquiries into every branch of an economy and change in each sector in relation to the rest. Wage movements and their level changes, therefore, assume central position in the literature on the political economy of development. Political economy in this context refers to the science, which studies social relations that evolve in the process of production, distribution, exchange and consumption; the four pillars on which development theories are constructed\(^1\). However, the thread that links up different approaches to the value of labour and its determining forces, irrespective of the paradigm, is the attempt to relate it to other macro economic variables, viz., population pressure, unemployment, price level and changes in other economic variables\(^2\). The classical political economy school argued in general that a rising wage share triggers inflation, which in turn implied that the living standard of labourers can not be improved by a mere hike in wages. The origin of the argument may be traced to the association hypothesised between wage and profit; as the level of profit is believed impervious while wages do fluctuate. Wage theories, under such a paradigm, extend a like treatment to labour and other commodities. Such an approach ignores the difference in the primary characteristics between a commodity and labourer. A commodity comes under the direct possession of the buyer whereas labour

\(^1\) The term Political Economy was derived from the Greek word Politikos, which means state, or society and oikonomia, which means management of the household economy. The origin of the word is indicative of an analysis involving state and economy. Political economy appeared as a science of importance during the eve of industrial revolution or with the emergence of the capitalist mode of production. The history of political economy starts with Mercantilist school of thought and it matured in the able and scholarly works of Physiocrats and William petty, Adam Smith and David Ricardo. These scholars represented Classical Political Economy. The classical political economy laid the foundation of the labour theory of value and is considered progressive because it supported industrial capital. The classical economists were the first group of thinkers who systematically analysed the capitalist production relations notwithstanding their failure to grasp the historically transient character of capitalism. Marxism drew much from the classical political economy thinkers, particularly, to perfect the labour theory of value and the surplus value concept.

\(^2\) Wage theories are discussed in greater detail in Chapter 2.
does not. A labourer does not sell himself but sells only his labour power, and that too only temporarily. However, like any other commodity, the value of labour power or its monetary expression—wage, is determined by the cost of reproduction of labour. What determines the cost of reproduction is nothing but the cost of necessaries consumed by the labourer and his family for his existence and living under the prevailing social conditions. A crucial question that remains to be addressed in this context is the factor/factors which influences the minimum requirement of a labourer under different social conditions and the basis of the regional differences in the value of labour power.

A wage labourer, who lives on wage income, ought to meet his subsistence requirements irrespective of whether he is employed or not on any particular day. Leaving aside the conceptual and the theoretical differences on the value of labour, discussions on wage and its level changes are observed to have stopped short of addressing the available days of employment and their variations across different seasons during the specified time; a common characteristic of employment in the informal agricultural sector, particularly of Third World agrarian economies. The secondary market for agricultural labourers characterised by the irregular and erratic nature of employment and the near-total absence of alternative avenues of labour absorption, occasionally compel labourers to compete for scarce jobs and bid for the lowest wage possible. Moreover, archaic social and economic institutions too depress wage levels and, therefore, an analysis of the long run wage behaviour and its inter-relationship with other factors in the society assume crucial significance. Inter-relationship between employment, wages and poverty on the one side and agrarian structure on the other render an analysis of any one of such issues, in isolation of the very system, which gives shape to it, rather meaningless. For instance, in India, the population dependent on agriculture is as high as 58 percent, but this vast majority of the population shares only 24 percent of the

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2 Ibid
national income. The apparent unequal distribution remains ubiquitous with slight variations in wage earning rates or days of employment or both. A comprehensive analysis of wages of workers in the agricultural sector, therefore, calls for an intimate perusal of the changes occurring in all allied sectors as well.

Wage analysis assumes social significance in another respect too. Relative social standards of living of agricultural labourers are influenced not only by the absolute size of the wage packet that labourers receive but also by changes in wage income of other social groups with whom agricultural labourers share their social habitude. Relative living standards and their association with wage differentials call for a little more elaboration. Wage is the cost of reproduction of labour power, and it comprises physical as well as cultural components. The physical cost of reproduction of labour power is the value of the means of subsistence which are indispensable for the labourers to subsist and maintain their labouring power in normal state. It includes natural component in the reproduction of labour, which is historically evolved and socially determined. Both the physical and the socially determined cultural components of the value of labour power do vary with the level of development and the degree of civilisation of the nation concerned and, therefore, remain significantly different across nations and within nations, from one historical epoch to another.

The characteristic feature of the modern development paradigm is its reproduction and perpetuation of dualistic production relations not only across nations or between core and peripheries but within the peripheral nations too. There co-exist production organised on advanced capitalistic mode and on pre-capitalistic forms within a nation without which the advanced sector can not be carried forward uninterruptedly, so as to perpetuate the dynamic process of accumulation. In the Marxian scheme of analysis, appropriation of the surplus is facilitated through exchange between two sectors, which stand at different stages of development. Within a given socio-economic formation, agriculture would remain in a less developed form of production while industrial
production (non-traditional) would be organised under the capitalistic mode. Commodities produced under pre-capitalistic production relations embody higher labour time (low labour productivity) vis a vis the commodities produced under a full blown capitalistic process of production. This process of exchange is the source of appropriation and development of the advanced system.

1.1. Background of the study

Kerala, the southern most state in India, was formed in 1956. The erstwhile princely states of Travancore in the South and Cochin state in the Centre had been merged together in 1949. Later, with some territorial adjustment, Malabar district in the North, which had been part of the Madras Presidency and was under the direct rule of British, was also annexed to Travancore-Cochin. Kerala had a total population of 31 million in 2001. The state had in 2001 a population density of 819 persons per Sq.Km as against the national average of 324 persons per Sq.KM. Kerala recorded a sex ratio of 1058 females per 1000 males against the national average of 933 in the same year. The state has 14 districts with diversified cropping pattern and occupational structure. Export oriented cash crops are grown mostly in Wayand and Idukki districts while another predominant cash crop, namely Rubber is cultivated mostly in Kottayam, Pathanamthitta, Kollam and Ernakulam districts. Kerala is one of the few states in India in which land reforms have been successfully implemented and the average size of holdings in the state was one of the lowest in India. The state has long been much acclaimed for its achievements in the social sectors, especially in education, health care and public distribution, which keep the proportion of population

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below the poverty line, as defined by the Planning Commission of India, significantly below the national average. The achievements in the social sectors, known in academic parlance as the ‘Kerala Model of Development’ have been considered to be a viable model worth emulating in Third World countries. The state commands uniqueness in labour market characteristics too. Two notable unique characteristics of the agricultural labour market in the state are: i). Relatively higher degree of collectivisation of labour backed up by radical political movements and trade unionism among workers in formal as well as informal sector, and ii). Women work participation rate, which is one of the lowest in India. Although the average wage rate for agricultural labourers in the state is one of the highest in India, the wage rate for agricultural labourers vary significantly across 14 districts in the state. It appears to be contradiction to the general characteristics of the state. The observed wage disparity for certain categories of labourers across districts in the rural labour market is an issue which is yet to receive adequate research attention. It is against this background that the present study makes an attempt to explain inter-district differences in daily wage rates of labourers working in agriculture and allied sectors in rural Kerala.

1.2. Objectives and Hypothesis

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;

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9 The Kerala Model of Development refers to appreciable achievements in social indicators of development with a low level of per capita income. The literacy rate in Kerala was 90.90% in 2001. Infant Mortality Rate in Kerala was 14.1 against the national average of 70.5 in 1997-99. During this period, the crude death rate was 6.4 in Kerala and 8.8 in India. The crude Birth rate was 18 and 26.4 for Kerala and India respectively for the triennium referred to. Total Fertility rate in the state was 1.70 while the national average was 3.50 in the triennium 1997-99 (Census of India, Issue no. 13.2002, 31st August, 2002 http://www.censusindia.net/cendatmenu.htm. Accessed on 13.7.2006). Also see Bhatt, M.P.N. and S.Irudaya Rajan, (1990). Demographic transition in Kerala revisited. Economic and Political Weekly, XXV(35&36):1957-1978.
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 mainstream 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.
1.3. Chapter scheme

The study is organised in 10 chapters. Having introduced the topic and objectives of the study in chapter 1, chapter 2 reviews the existing theoretical paradigms on wage theory and the determinants of value of labour power. Based on the review of theoretical and empirical literature on rural wage determination, the perspective for the study is developed in this chapter. The sampling frame and the locale of the study are elaborated in Chapter 3. The analysis of wage formation, wage movements and wage levels need to be situated against the background of the historical evolution of agrarian relations, which involve an analysis of the different stages of development of agriculture and the material conditions for the emergence of the labour market in the study area. Chapter 4 presents a brief outline of the historical evolution and development of agrarian relations and the present stage of development of agriculture in Kerala. In the broader context of the historical emergence and development of the characteristics of the labour market in Kerala, its specificities and distinguishing features are analysed and compared with other important states in India in Chapter 5. In a study on the labour market and its outcome, policies and programmes of the state for the segment of the labour market in question assumes paramount importance. The analysis in Chapter 6 reviews the state’s policies and evaluates their impact on wage formation. Chapter 7 analyses the long-term trends in money, real and product wages for different categories of labourers in the rural sector of Kerala. In this chapter, confining to the supply-demand framework, econometric models are used to relate the trend in real wage rate with important variables in the supply and demand side. Chapter 8 analyses the tenancy relations in the sample villages and its impact on rural wage formation. Having set in the background for the analysis of the primary data collected from four villages in Kerala, the socio-economic profile of sample villages are described along with the dynamics of rural wage formation and its major determinants in the sample villages are explored in Chapter 9. The major findings of the study are summarised in the concluding chapter.