CHAPTER II

CONCEPTUAL FRAMEWORK

In this study we observe and analyse the changes and choices made by the rural women workers who get employed in different sectors of the economy. The word diversification is therefore used to conceptualise the growth of non-agricultural employment. After examining the macro level statistical evidences regarding the existence of a shift from agricultural sector, we intend to enquire further into the causes and consequences of these sectoral shifts at the micro level. Hence it is necessary that we have a conceptual framework before these analyses. The main concepts in the study - diversification in employment structure and diversification in employment status - are therefore explained in this chapter. This will help us to evolve some operating definitions and familiarise some key words that appear frequently in the study.

2.1 Diversification

Literally the word 'Diversification' means 'the act of diversion' from the existing status or position or introducing some sort of changes into the activities undertaken hitherto. Mostly used in business circles, it commonly denotes the diversification of a firm to a variety of products as a part of its efforts to modernise and develop. But, of late, other disciplines have also been using the concept to indicate any changes from the prevailing situations. In economics too, the concept is basically used in connection with development. 'Economic diversification' actually implies the changes in the production structure. As such it is a process of transforming an agrarian economy into an
industrialised and developed economy. Accordingly, it becomes an important macro economic change taking place in an economy (Basant et al., 1998). In a rural environment this transformation is mainly through the setting up of small industrial units, and then the concept becomes a synonym for rural industrialisation.

Again, even within the agricultural and non-agricultural sector we use the concept of diversification. In agriculture it mainly refers to crop diversification by which the economy diversifies from less productive, labour intensive and subsistence crops to high yielding, capital intensive and commercial crops. The scope for diversification is enormous in industrial production and service sector and with the growth of specialised managerial and production techniques it is widening further.

2.2 Diversification in Employment Structure

Side by side with changes in production structure there also occur changes in the employment pattern and workers move from agricultural to non-agricultural employment and from rural to urban areas. This study focuses essentially on such diversification in employment structure that is in fact a narrower term than economic diversification. At the same time it is by itself a part of the latter.

An accurate measurement of the extent of diversification is a difficult task. This is mainly because of the complexities involved in categorising workers into different occupations, industries and sectors. A broader classification will bring in a lesser degree of diversification and vice versa. As this problem could be foreseen, a uniform pattern of classification of the
different employment avenues available to workers was framed before the primary survey. This classification, to a large extent is in tune with the National Industrial Classification followed by the official data-collecting agencies.

All these agencies categorise employment into occupations on the basis of the nature of work performed by an individual. Broadly they belong to different industrial divisions in the three major sectors of the economy. While occupation indicates "what the individual does", the industry and the sector in which he is occupied show "the position of the worker in the economic structure of the country" (ILO 1949). In other words, the 'industry' defines 'for whom the work is being done' and the 'sector' implies the major subdivisions in the economic process - primary, secondary and tertiary sectors. For our analytical purposes, our aim is to examine the sectoral and industrial rather than occupational distribution of the workers. The employment structure in this study, therefore, refers to the distribution of workers according to their occupations, within the industrial divisions of the three sectors.

With regard to the less developed countries where individuals engage in a variety of occupations for their livelihood, the task of defining occupations within the sector is not an easy task. For instance, a person who is occupied as a self-employed cultivator may also get reported as agricultural labourer or as engaged in livestock, fisheries etc if he is simultaneously engaged in hiring out his labour for wage work in those activities. That is especially true of rural Kerala, where owing to the land reform measures most rural households own a homestead and because of the poverty alleviation schemes like Integrated Rural Development Program (IRDP), some of them
find subsidiary occupations. It is to do away with this difficulty that we have grouped together the occupations in the three main sectors of employment and observed the changes in occupations among the sectors. This has also enabled us to have a better identification and enumeration of women workers engaged in different activities in rural areas. However, we have taken note of the acts of diversification of this nature also of those women who are pursuing more than one activity for their livelihood.

The sectoral subdivisions and the industrial categorisations adopted are as follows:

Following in general the three-sector scheme of sectoral subdivisions of Fisher (1935), the first sector in the study is also the 'primary' or agricultural sector. All activities that depend on the direct and immediate utilisation of natural resources and are primarily essential for the existence of human beings come under this sector. The occupations in the agricultural sector include livestock, fisheries, forestry and mining. Nowadays mining and quarrying are not included in the primary sector (World Bank Development Reports) as they use capital intensive production methods. In the rural areas of Kerala also the units engaged in these activities are functioning as industrial units. So our study also follows suit.

The 'secondary' sector is used to refer to the manufacturing of tangible goods implying that the creation of tangible goods is of secondary importance. Thus the occupations in all manufacturing- household and non-household and all construction activities are reported in the secondary sector.
The third sector termed 'tertiary' or 'service' sector is 'the residual of other sectors' (Clark 1940). Occupations in the tertiary sector are listed in transport, communications, banking, finance and services that help the primary and secondary activities.

For identifying the broad industrial divisions in which workers are employed the traditional Census classification of workers is adopted in this study. In the Provisional results of 2001 Census already published, workers are classified into only four categories as cultivators, agricultural labourers, household industry workers and other workers. In this the last category 'other workers' will definitely be a mixture of the primary, secondary and tertiary workers and this categorisation will not give a true picture of the non-agricultural employment. So the earlier familiar nine-way classification of workers by industry in the 1991 Census is followed. The chief advantage of using the 1991 Census classification is that in the rural areas, where the individuals are engaged in a variety of activities, it enables us to compartmentalise all categories of workers. However, a slight modification regarding workers in other services is made in this study by categorising them into two i.e. those who are employed in government services and those employed in private firms.

Thus workers are grouped in the following industrial categories:

1) Cultivators (C) 2) Agricultural Labourers (AL) 3) Livestock, Forestry, Fishing, Hunting and Plantation orchards and other activities (L.F.F) 4) Mining and Quarrying (M&Q) in the primary sector. In the secondary sector the main divisions are 5A) Manufacturing, Processing, Servicing and repairs in Household industry (MPSH) 5B) Manufacturing, Processing, Servicing and repairs in Other than Household industry (MPSOH) 6)
Construction (CT). 7) Trade and Commerce (TC) 8) Transport, Storage and Communications (TSC) and 9) Other Services (OS) again divided as Government Services (GS) and employment in Private Firms (PF) to constitute the tertiary sector.

The Clark-Fisher thesis about the relationship between economic development and sectoral shifts in employment refers to certain distinct, necessary and predictable changes in the latter as development gathers momentum in an economy. In the words of Colin Clark "A high average level of real income per head is always associated with a high proportion of working population engaged in tertiary industries... low real income per head is always associated with a low proportion of the working population engaged in tertiary production and a high percentage in primary production" (1940). A.G.B. Fisher also stresses this by stating that "We may say that in each progressive economy there has been a steady shift of employment and investment from the essential primary activities... to secondary activities of all kinds and to a still greater extent into tertiary production" (1952). It is this shift in the sector of employment that is crucial for our analytical purposes and we call it employment diversification, which is wider than the one indicated by occupational diversification.

Again, in the literal sense of the word, employment diversification can be defined as a process that transfers the workers from agriculture to non-agriculture. Individuals and households follow different strategies of diversification to earn, to stabilise and to increase their income. It is these strategies that we take into account in this study as the process of diversification.
As for the reasons behind this process, we can foresee three different situations. First, workers may diversify in response to certain specific threats. To cite an instance, nonavailability of work in the agricultural sector and inadequate days of employment are some factors that push them out of agriculture. Over and again, diversification may be in response to certain specific opportunities. Starting of household or non-household industries, within and around the villages that ensures a more or less regular employment and income are some such pull factors. Workers may also diversify as a consequence of the general changes in the production structure. Due to the general economic development of the region, they may take up jobs in the secondary and tertiary sectors and may be ready to commute longer distances on this account to urban and semi-urban areas. These shifts may change the employment status of the workers, the economic status of their households, make the labour force more flexible and adaptable, and may result in the evolution of a dynamic labour market.

The process of diversification helps us to study the sectoral composition and sectoral shifts of workers in a particular region. Such shifts in developed countries may be purposeful. But, in rural India this is not the case. A large part of the shift there may be involuntary or even forced. Poverty, inequality, unequal opportunities, heterogeneous character of the labour market, differences in skill in rural-urban environments etc, make it difficult to arrive at an accurate measure of employment diversification suiting Indian conditions. Identifying the principal and secondary sectors of activity and the extent of sectoral shift are thus found necessary for the purpose of our study. Here we have adopted the survey year as the reference period and if the workers report more number of days being employed in a particular sector that
year, it is treated as his or her principal sector of activity. Details regarding the first three activities undertaken by these workers are collected for analysis.

In Kerala, however, this process had started well before and almost all the newly employed and the potential labour force have clearly indicated their choice to be employed in non-agricultural activities. So, in our analysis, the word diversification is defined in a wider context. It captures not only the changes in the economic activities of the workers, but also their choices as well. Thus both the changes of employment from one sector to another and the choice of the sector of employment come under the concept of employment diversification in the present study. We can therefore identify two components in the process of diversification. (1) Existing workers shifting from agriculture to non-agriculture and (2) New entrants choosing non-agriculture as their sector of activity.

Most of the earlier studies have used the concept without bringing out this distinction mainly because of their preoccupation with macro level statistics. An extensive micro level enquiry in five districts of Gujarat conducted by Gujarat Institute of Development Studies (Unni 1996) has studied diversification by individual worker\household by taking the number of economic activities undertaken by them. This type of diversification is also important as the study centers on women workers especially of rural areas. So we have taken special note of this aspect also in our analysis.

Taking into account all these factors we have collected information about the workers on three distinct premises: 1) Sectoral shift of individual workers from agriculture to non-agriculture over a period of time taking a time span of the past fifteen years. 2) Choice of new entrants to different sectors,
also over a period of past five years and 3) Multiple activities undertaken by the workers at the time of the survey over the past one year.

2.3 Employment Status

In addition to the sectoral and industrial categorisation of workers we also classify them by their employment status. This is done to analyse the consequences of the diversified employment structure. Employment status or work status also termed 'personal status' or 'industrial status' by the "International standard classification of occupations" (ILO 1949) refers to the nature of employment of the individual. Two distinct categories of employment status are commonly accepted in India i.e. the Census and the NSSO. The one by Census classifies workers into 1) Employers 2) Employees 3) Single worker and 4) Family worker. This classification is rather broad and does not exactly reveal the impact of diversification. It may either be positive if the workers have benefited from the process, or negative if it has resulted in reducing their bargaining power. Since we have a definite motive of going beyond the process of diversification we follow a different classification provided by the NSSO. Accordingly workers are classified into three groups as1) Self employed 2) Regular employees and 3) Casual employees. The commonly accepted definitions of these terms are:

Self-employed: Persons who operate their own farms or non-farm enterprises or are independently engaged in a profession or trade on own-account or with one or a few partners are deemed to be self employed. They are again categorised as 1) Own -account workers who do not have any paid helpers 2) Employers who hire labourers 3) Helpers in household enterprise who receive no salary.
Regular employees: These are persons who work in other's farm or non-farm enterprises and, in return, receive a salary on a regular basis. This category also includes paid apprentices both full-time and part-time.

Casual labour: A person who is casually engaged in other's farm or non-farm enterprises and, in return, receives a wage according to the terms of the daily or periodic work contract is considered a casual labourer.

As the word meaning suggests casual jobs are 'infrequent' or 'occasional' and so lack of regularity is the main factor in this status classification. Still there are other features also that are equally important like insecurity, lack of protection by labour laws and want of an assured minimum income. In lieu of these facts a slight modification is made in the commonly accepted definitions of employment status. So a section of the reported self-employed workers who are not regular employed are treated as casual labourers in our study. Likewise a section of the regular employed who receive monthly wages but are not entitled for any other employment benefits or social security is also treated as casual labourers.

2.4 Diversification in Employment Status

If diversification in employment structure is to be regarded as an index of development in developing countries it should have resulted in a shift in their employment status also. But the development experience of most third world countries in this regard is that the shift has enabled the women workers to change their status from unpaid family workers to wage earners. They rarely move to regular jobs and in countries like India they are reduced to the
status of casual labourers (Horton 1996). This phenomenon generally recognised as the process of casualisation is thus specifically related to the change in the contractual conditions and status of labour (Mukhopadhyay 1992). In the present study the share of the casual labourers in total workforce is considered as a measure of the incidence of casual labour in the workforce.

In analysing the diversification in employment status we have taken note of the past and present employment status of workers, change in employment status consequent on the change in the sector of employment, the employment status of new entrants and of those who undertake multiple activities.

It is within this conceptual framework that the interview schedule of the primary survey was administered and the schedule is shown in Appendix IV.