CHAPTER II

REVIEW OF LITERATURE AND METHODOLOGY

In this Chapter, an attempt has been made to review the literature and also discuss the methodology adopted for the present study. For a comprehensive discussion, the present chapter has been divided into two sections as under:

(i) Review of Literature

(ii) Methodology, and

(iii) Concepts

2.1 REVIEW OF LITERATURE

In this Chapter, an attempt is being made to review some relevant studies in the field of income distribution. Such review would facilitate the researcher to have a comprehensive knowledge of the concepts used in the earlier studies and to adopt, modify and formulate an improved conceptual framework for use in the present study.

This exercise of a restrospective look at the previous studies, papers and reports shall serve eminently well as the basic source material and help the researcher to have the essential fundamental understanding of the problem at hand, to gain the necessary analytical capability, to have a better assimilation of
the issues involved, to discuss the facets of the problem with ease and accuracy and above all to have an investigative insight into the possible trends of transformation of the construction sector. Anyhow, the present study enjoys a pioneering status considering its scope, priorities and accent.

In 1973 a study was done by Rao, Iyengar and Jain.\textsuperscript{1} They had done their studies on size, distribution of income and expenditure pattern of the people in general, based on the data received from N.S.S. They have recorded the general behaviour of the people without giving specific and complete picture about the teachers (respondents). The present study is undertaken with a view to present a thorough information on income distribution and income inequality among autorickshaw drivers.

Way back in 1949-50, a study was done by Iyangar and Mukherjee\textsuperscript{2} about the distribution pattern of the workers in private sector in general. They have used data from RBI. This study deals only with distribution of workers and does not focus on income and expenditure pattern of private sector works in the study area.


The Government of India published a number of reports both before and after Independence. For example, in 1931, The “Report of the Royal Commission on Labour in India”\(^3\) was published. This was the first systematic study of the nature, conditions and problems faced by labour in India. This pre-independent report threw some light on Indian labour and the labour market from the official angle. It had listed the major labour centres and market and investigated leading issues pertaining to them. The problem of wage fixation and wage structure was not given much importance then. That report was considered to have been shaped in the light of the regulations and impositions advanced by the British administration. The aspects of labour welfare were conveniently neglected by this Report.

Another pre-independent Report\(^4\) was brought out in 1946. This Report was an improvement over that published in 1931. Details of wages paid and the terms of employment were selectively analysed by it. However the working conditions, wage differentials were not sufficiently dealt with. The acts of identification and assessment of total number of construction workers in India found some importance. Market imperfections, wage fixation trends and existence of exploitation were not adequately discussed by this report. As a

systematic second report it drew attention from labour managers and some industrialists.

An Adhoc Survey by the Labour Bureau of the Government of India in 1954 analysed the nature and the growth of the building and construction industry were analysed clearly.

The Labour Bureau conducted a comprehensive survey during 1957-61. The problems of contract labour and their wage levels were the central points of discussion in that survey. However such attempts were made at the macro levels and did not give much importance to the minute micro details.

Saxena has analysed the general problems and particular issues pertaining to Indian labour and the imbalances and imperfections witnessed in the area of achieving optimality norms of social welfare. He has rightly come out with the finding that most of the State Governments have chosen to show a step motherly treatment towards the un-organised labourers and the labourers employed in tiny, privately owned units of production and trade. However he could not come out

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with suitable remedial measures which provide practical feasibility and social acceptability.

L.K. Deshpande\textsuperscript{8} has tested many empirical cases and analysed the potentials of various groups in labour markets. The social factors which influence the process of determination of wages have been explained. This study enjoys a strong theoretical foundation.

Alan Stretton,\textsuperscript{9} another labour expert has made a study titled “Circular Migration, Segmented Labour Markets and Efficiency in 1985”. He has made very useful suggestions for the correction of imperfections noticed in segmented labour markets from the angle of circular migration. A modest comparison of the labour markets of Manila and Port Moresby was made therein. The author shows the trend in segmentation factor. He discusses certain variations to competitive forces. The author attempts to build a new model suitable to be applied to situations where a ‘closed labour market’ leads to better market efficiency. He has made use of a random sampling technique to investigate the problem in the right perspective and present a few rational solutions.


Bharathi in his study found that the bulk of labour force in the unorganised sector belongs to the category of self-employment. The absorptive capacity of the organised sector is extremely low. In fact, the trends in recent years indicated that only about 10 per cent of the increase in the labour force has been absorbed in the organised sector. The urban informal sector is mainly responsible for reducing the magnitude of urban employment. This study though it narrates the role of urban informal sector in generating employment opportunities, does mention nothing about income distribution among various workers in the informal sector. Therefore, the researcher has taken care to study the income distribution among autorickshaw drivers.

Jeyaraj has also made a study on the unorganised workers, with special reference to the cycle rickshaw pullers, in Madurai city in 1980. He found that the earning through this occupation remained very low. Their absolute meagreness of earnings made it impossible for the rickshaw pullers to meet their day-to-day expenses to have any saving for themselves or their dependants and to provide for their needs in old age or periods of sickness and unemployment. This

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condition caused greater insecurity for these workers who were in this field and their working conditions remained pathetically poor.12

Vishwapriya and Iyangar wrote that the efficiency of the worker depends to a great extent on the environment in which he has to work. Working conditions include wage structure, fixing of working hours, rest period, paid holidays, provision of canteen facilities and provision of creches for children. Working conditions further include all health, safety and welfare measures.13 This study tries to analyse the influence of such factors on the income distribution of aurotickshaw drivers in the study area.

Mohinder Paul in his study tried to make a quantitative estimation of the magnitude of income inequalities among rural households in Haryana. The author concludes that there are wide income disparities in rural Haryana. Income inequality is more pronounced among the farm households than the non-farm households. The bottom 20 per cent shares only 5.44 per cent of the total income while the top 20 per cent shares as much as 46.72 per cent. In the same manner, efforts are taken in this study to know the factors that influence income distribution among autorickshaw drivers.

In the opinion of the author although factors like family size, number of earners in the family, age of the chief earner and his level of education tend to positively influence the household incomes, it cannot be reckoned that the increased income is solely due to these factors alone. There are other factors like greater total wealth, larger holdings and lesser ratio of young and old members to total family size and their influence on higher income household brackets which are by no means negligible.\textsuperscript{14}

Suresh Kumar Taneja focuses his study on distribution of income of rural households in Punjab. For this purpose households are sub-divided into homogeneous groups on the basis of certain socio-demographic characteristics like the activity status of the chief earner, number of earners, size of households, age of the chief earner and the education of the chief earner and the distribution of income within each sub group.

The author concludes that income inequality is more pronounced among the three categories like farm, non-farm and labour households of rural Punjab. The income disparity between farm households and non-farm households is greater than that of labour households.\textsuperscript{15} The present study attempts to know


\textsuperscript{15} Suresh Kumar Taneja, “Distribution of Household Income in Rural Punjab”, \textit{Artha Vijnana}, 30(2), June, 1988, pp.179-198.
about income disparity among the households of owner-drivers and drivers of autorickshaw.

S.R.Hashim examines the pattern of Income distribution and poverty. The author is of the opinion that the economic structure and the pattern of development influence income distribution in India. Emphasis on agricultural development and food security, support to small and marginal farmers and participation of informal sector in productive activities and exports are the main factors that result in maintaining a more egalitarian income distribution in India. In the same manner the factors that influence the income distribution in the study are to be identified.

Markus Jantti analyses the role of demographic shifts, markets and Governments policies, the levels of and change in the distribution of income in five industrialised countries namely, Canada, Netherlands, Sweden, the United Kingdom and the United States of America.

To measure the income inequality in these five countries, various measures of income inequality like Gini co-efficient, Squared co-efficient of variation, Lorenz curve, Mean Logarithmic Deviation, and approximate ‘t’ ratios are used.

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It appears from this study, that income inequality had increased in countries like Sweden, the United Kingdom and the United States. It remained more or less stable in Canada and Netherlands between early and mid 1980’s. Increased inequality of household head’s earnings and increased shares of spouse’s earnings in family income account for much of the observed increase in income inequality.

The paper does not choose to explain the reason for increased inequality, or for the increased variation in household heads’ earnings. 17

Ashoka Chandra et al 18 have worked on labour, employment and human development in South Asia in the light of globalisation and economic reforms. They have analysed new dimensions relating to labour market, employment and poverty a little seriously and extensively. After tracing the fast development of the theories of labour, they have discussed the trends of changes in labour market and employment. The labour conditions in several countries like Pakistan, Nepal, Bangladesh and Sri Lanka were compared with those of India. Issues relating to labour productivity, wage disparity and increasing female work participation were

examined with objectivity and clarity. The impact of social and political institutions had also been highlighted. The dichotomy of organised and unorganised segments was explained with its repercussions. A few solutions for the recent challenges presented by the policy of liberalisation have been advanced.

Rolf Schinke examines the extent and consequences of income inequality in Latin America. For this purpose World Bank income distribution data are used. To measure income inequality, measures like Lorenz curve, Gini coefficient, Regression analysis and Quintile relationship are used.

It is clear from his study that over the period from 1950’s to the present day, income distribution in Latin America has been extraordinarily unequal. This applies to the whole continent. Even within Latin America there are considerable differences in the degree of inequality.

The author opines that the land ownership structure, monopolistic freedom of entrepreneurs to fix-prices, inadequate formation of human capital, and changes in distribution can explain the extent of inequality in Latin American countries.\(^\text{19}\)

The paper by B.Sudhakar Reddy deals with regional economic imbalances among the various regions and the intra regions in India as existed in 1980’s.

In India, some states like Punjab, Haryana, Maharashtra and Gujarat are highly developed and the other states are less developed. Thus inter-state economic imbalances are prevailing, besides intra-state economic imbalances. For example, Western Uttar Pradesh is relatively more developed than the Eastern Uttar Pradesh. From this study it is clear that there exists regional disparity in India.

Richard H. Adams, Jr and Harold Alderman view the source of income inequality in the developing world with reference to rural Pakistan. This paper also seeks to identify the contribution of different sources of income - agricultural, livestock, rental and non-farm to total income inequality.

His study reveals the fact that of the given sources of total rural income, agricultural income makes the largest contribution and livestock income makes the smallest contribution to overall income inequality.

The author concludes that policy makers need to pay more attention to the components of other agricultural income such as returns from labour and crop profit, if the goal is to reduce income inequalities in rural Pakistan. Besides some means are needed to be found to narrow the disparities in human capital

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(including managerial and technical skills) between different agriculturists.\(^{21}\) This study also finds that there exists income disparity in rural region where the population is unorganised.

A certain degree of inequality is unavoidable whether between occupations or within occupations even under any rigorously worked out and implemented income policy and therefore that degree of inequality is regarded as legitimate. It is only that part of the inequality which is more than that of legitimate degree which is the subject of concern of the scholars.\(^{22}\)

The Planning Commission’s view that income inequality is far greater than consumption inequalities is incorporated by the World Bank estimates of income inequalities. The World Bank estimates are based on the results of a joint project of the World Bank and the International Labour Organisations.\(^{23}\)

K.Chandrasekar and K.J. Geetha affirm that even after two centuries of the Industrial Revolution, most parts of the world remain relatively poor and suffer a low standard of life. It is disquieting that the gaps between the rich and the poor


nations have been steadily widening. The rich countries enjoy a larger income base. Even if the poor countries were to grow at a higher rate, the gaps cannot be bridged and the per capita income of the rich countries would continue to remain higher with their fast development. The problem is aggravated with the unequal distribution of income internally within the poor countries.

In 1971 Amarjit Singh and Harmol Singh examined the expenditure patterns of the households in Punjab. Their study analysed Engel Elasticity for various items of expenditure. The elasticity coefficients of various commodity groups are calculated for both rural and urban areas. Mean values of the variables are used for the estimation of elasticities. They found that linear form is suitable to estimate expenditure elasticities of goods like pulses, milk products, meat, egg, fish and clothing. The semilog function is found to be a relatively better fit for edible oils, sugar, fuel and lighting. And the doublelog function has been selected for cereals food items and non-food items.24

Kalirajan, G.V.S.N. Murthy, and B.P. Pana Patte in their work studied the consumption pattern in Tamil Nadu by using three forms of Engel’s functions namely Linear, Semilog and Doublelog forms. They used per capita formulations by assuming economies of scale in household consumption. The parameters of the Engel’s curves are estimated by the Weighted Least Square Method. The

function which showed highest $R^2$ value was considered as the most suitable one. They concluded that Linear form is appropriate for goods like milk and milk products, wheat, egg, fish, vegetables and fruits. They also concluded the semilog form as suitable for oils, sugar and fuel and lighting and doublelog form for the commodities like cereals, food items and non-food items.\(^{25}\)

Surender Singh investigated all the six forms of Engel’s functions. He estimated expenditure elasticities of different commodity groups from each and every form. He selected the best fit by comparing the co-efficient of determination ($R^2$) associated with each form. He took the per capita total expenditure as independent variable and per capita expenditure on particular item as the dependent variable by assuming economies of scale on household consumption.\(^{26}\)

In 1972, Devendra Gupta conducted a study of inter-regional variations, by using NSS data. He examined all the six functions and also the suitability of a number of functions for different regions in India. He investigated the assumption of homogenity of consumption pattern between the states Uttar Pradesh and Tamil Nadu. He observed that there was significant regional difference in consumer


behaviour as far as food grains and other essential commodities were concerned. He also examined the effect of household size and age of head on household consumption. He grouped the households into three categories on the basis of the age of head, and analysed their consumption patterns. He arrived at the conclusion that expenditure on non-food items is greater in the case of young households.\textsuperscript{27}

The term ‘saving’ is defined as the accounting difference between current income and consumption. Personal savings or the savings of the households sector constitute the most important component of total savings. In India, analysis of gross domestic savings reveals that the household sector accounted for 79.2 per cent of total gross domestic saving in 1997-98. Physical savings of the household sector accounted for 34.6 per cent and financial savings for 44.6 per cent. The savings of the public sector were barely 4.5 per cent and the share of the corporate sector was 16.3 per cent. Obviously, the biggest contributor to saving was the household sector.\textsuperscript{28}

Various research works conducted at different periods of time since independence with regard to saving, debt and investment are given below:

Coale, A.J. and E.M. Hoover conclude that in rural areas, savings of the bigger agriculturists and farmers would account for a substantial part of personal savings. Much of the investment by smaller farmers takes place in a non-monetized form. It has been estimated by Coale and Hoover that direct non-monetized investment in the rural areas of India in the form of land improvements, irrigation works, construction of dwellings etc., would amount to about 1.5 per cent of the national income in the years 1950-53 or a little less than one fifth of the aggregate investment.\textsuperscript{29}

Garvey, George and Heller, W.W., in their study conclude that no proportional relationship can be established between the size of income and savings and that statistical evidence supports the view that disposable income is the most important single variable which determines the amount of savings.\textsuperscript{30}

Friend and Irwin conclude that there is normally a lag between income group and the levels of consumption. This lag is greater when the change in income is in the downward direction than when it is in the upward direction. Thus when a family’s income rises, consumption expenditure rises haltingly, so that the savings margin is to widen to some extent. On the other hand, when income

declines, consumption expenditure tends to remain at the existing level for sometime or declines only slightly so that there may not be an appreciable decline in the savings of the family. Hence the view is that consumption depends only on the permanent income of an individual or family and is invariant for temporary changes.\textsuperscript{31}

Klein and Lawrence also have the same opinion of Friend and Irwin. An increase in income influences the proportion of income saved.\textsuperscript{32}

A research study of the National Council for Economic Development states that apart from the size and changes in income, some demographic and social factors also affect the rate of personal savings. The age and composition of the population have a bearing on the rate of savings. The savings class in the community mostly belongs to the age group 35 to 55 or 60. Those in the age group, 18 to 34 and above 60 are dissavers.

The paper states that consumption expenditure of larger families is greater than that of the smaller ones and so savings margin for the first will be narrower. This is of particular significance in a country like India where the average income is very low and propensity to consume on the average is high. This would mean

that the effect of larger families on savings will be greater. There is some evidence of decline in the savings-income ratio with increasing family size.\textsuperscript{33}

In his paper Tirthankar Roy analysed the changes in the saving rate and their implication for growth. He indicates certain general features on savings. They are (i) aggregate saving ratio had gone up till the end of the seventies and either stagnated or fallen marginally since then. (ii) Household saving over GDP is the largest component in the saving ratio. (iii) Within household savings there has been a shift from physical to financial assets, accelerated in the eighties and (iv) public sector’s savings ratio has fallen since the mid-seventies.

The author concludes that new investments encourage positive effect on demand which induces further investments. Thus due to increase in savings, investment increases.\textsuperscript{34}

Pradip Maiti, Robin Mukkerjee, Subrata Sarkar and Subhendu Chakkarabarthi offer an analytical description of the economic performance of Indian states as reflected in their per capita (net) State Domestic Product (SDP).


The Paper is analytical and descriptive. It has undertaken interesting and challenging exercise to establish the divergence or convergence among the states. There is a clear tendency for the states to diverge during the period under review, as far as per capita SDP goes. The shares of different sectors have overall converged towards the national averages. The structural parameters also show convergence though per capita SDP does not.\textsuperscript{35}

K. Chandrasekar\textsuperscript{36} emphasises that the present economic development policy should be reoriented to tune the efforts to distribute the benefits of economic development to reduce poverty. In the earlier economic projects this aspect stood ignored. The 73\textsuperscript{rd} Amendment of the Constitution provides for a uniform three tier Panchayat Raj System with local bodies at village, block and district level empowered to make decisions relating to agriculture, village and small-scale industries, health, education, sanitation, drinking water supply, roads, street lights etc. With due concentration on these, it is possible to quicken the pace of development processes in rural areas.

Gautham Purkavatha has made a detailed survey of household debt in rural Assam and has recorded his assessments in his paper. He notes an upward rise in

\textsuperscript{35}Dipankar Dasgupta, Pradip Maiti, Robin Mukkerjee, Subrata Sarkar and Subhendu Chakkarabarhi, “Growth and Interstate Disparities in India”,\textit{ Economic and Political Weekly}, 35 (27), July 1, 2000, pp.2413-2422.

rural debt in Assam. He attributes that there is increase in accessibility to credit agencies.

Most of the households borrowed loans from non-formal source and only a small number borrowed from formal agencies. With regard to the non-informal sources, friends and relatives gave loan to the highest number of borrowers. As for outstanding loans, the commercial banks have the largest percentages followed by friends and relatives and money lenders.

Repayment of loans to the formal agencies by the rural folk of Assam has not witnessed any major change compared with previous years, while repayment of loans to friends and relatives has shown a satisfactory trend.37

In a paper the authors Basata K.Pradhan, P.K.Roy and M.R.Shanta Venkatram examine the differential impact of macro adjustment policies across different groups at the micro level. This study is based on the most recent primary household level data obtained through Micro Impact of Macro and Adjustment Policies (MIMAP) survey on income, expenditure, poverty measures for 1994-95 and human development indicators for 1996 in rural and urban India.

The MIMAP survey results provide the answers to some questions. Of the total estimated income, the share of rural income accounted for 55.6 per cent with

74.6 per cent country’s population which stood at 66.8 per cent with 79.1 per cent of population in the previous period. The share of rural income has further declined during the last two decades, thus resulting in wider disparities. On an average, one in every 25 households in rural area had an income of more than Rs.72,000, while every fourth household in urban area reported a similar income. The consumption expenditure per household in urban area from MIMAP survey was found to be higher by 1.97 times than the rural household. The authors concluded that household income disparity in respect of urban as well as rural household existed, and called for major reforms to flatten it.\(^3\)

Aysit Tansel considered the covered and uncovered wage earners and the self-employed. The analysis is carried out for men and women workers separately. 1994 Turkish Household Expenditure Survey was used first to examine how individuals were selected into the covered and uncovered wage earner and the self-employed categories. Next, selectivity corrected wage equations were estimated to examine wage determination in these sectors. Oaxaca-Blinder decomposition of sector of work and male-female wage differentials were carried out. It was observed characteristics and sample selection, for men, covered wage earners earned more than the uncovered wage

earners and the self-employed. For the covered wage earners, men’s expected wages were about twice higher than the women’s wages. For the uncovered wage earners, men’s wages were near in parity with those of women. These results suggest segmentation for men along the formal and informal lines and substantial discrimination for women in the covered private sector.\(^\text{39}\)

Maciej Grabowski in his paper viewed on data on informal labour market and informal economy, its main reasons, characteristics and methods of estimation, and changes during economic transformation. Poland was taken as a case study for this purpose. The nature and mechanism of the informal economy was changing parallel to deregulation, liberalization and growing competition during the period of economic reforms.

Informal labour obviously represents only a part of the underground (or informal) economy. Methods used to estimate informal labour includes Labour Force Surveys, special polls, census, and discrepancy analysis of income and expenditures, and analysis of discrepancies in value-added in sectors. Review of estimations are provided for 1994-1999, including description of the reasons for being in informal labour market, regional and season characteristics, and income estimation. Critical assessment of available data is provided.\(^\text{40}\)


Ciro Avitabile analysed the general equilibrium implications of reforming a pay-as-you-go pension system in an economy with heterogeneous agents and two sectors: the formal sector, that is more efficient and it complies with the social security legislation, and the informal one, that is, less efficient and it allows workers not to comply with social security duties. It shows that increasing funding delivers a higher capital and formal labour in the steady state only if the legal enforcement is sufficiently good. The increase of formal sector due to the reform has reduced the net wage premium between formal and informal sector. The effect on the labour supply of males is negative but not statistically significant.  

Robert Ikoja, Odongo and Dennis N. Ocholla reported that the results of a study aimed at identifying the information needs and uses of the informal sector in Uganda. The demographic and business characteristics of these entrepreneurs are highlighted and empirically tested with regard to their information needs. This study has largely employed qualitative research methodologies, such as the critical incidence technique for interviews with 602 informal sector entrepreneurs from a variety of trades. Observations of the entrepreneurs’ work environments and historical methods were also employed. The results suggest that modern/exotic models of information transfer based on textual media and ICT

\[\text{Ciro Avitabile, “PAYG Parametric Reforms and Labour in the Informal Sector” University of Salerno, Preliminary Version, July 2003.}\]
exhibit less impact on the entrepreneurs’ information needs and use at macro levels because of poverty, illiteracy and poor information infrastructure. It is however noted that most ‘elite’ models share a platform with information behaviour of entrepreneurs at the micro levels. The study concludes that an appropriate model for information behaviour for the information poor community must be grounded on oral traditions and indigenous knowledge and be sensitive to poverty, infrastructure and illiteracy. Recognition is also made of the need for information repackaging and the use of appropriate media for information provision.  

Sha, Kar and Baskaran in the Indian context, defined in the informal sector and employment Indian context are then on measured by labour and input methods based on the results of periodically conducted enterprise surveys. But owing to problems of coverage, it is difficult to work out the exact share of the informal sector in domestic product. Nevertheless, a close approximation of this component derived from the available national accounts aggregates shows that about a third of the GDP is contributed by the informal sector. Confined to the non-agricultural segment, the share of informal sector is found to be 44 per cent. An estimate of the contribution of informal employment, derived by apportioning the wage earnings of the casual workers, reflects that in the non-agricultural

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segment (excluding paid domestic workers) in formal employment has a share about 45 per cent.

The shares of employment in informal sector and informal employment in total employment, measured as number of jobs, have been worked out from the data on type of enterprises collected in the ES of the 55th Round (1999-2000) of the NSSO. Notwithstanding the quality of reporting of type of enterprises in a household survey, these indicate that large proportions of the employment in different industries of the non-agricultural sector are in fact of informal nature. It is also seen that there is little difference between the shares of informal sector and informal employment for most of the non-agricultural activities. Only for the construction industry, the difference is found to fairly wide, owing to high incidence of casual employment in formal enterprises.43

C.P. Thakur and C.S. Venkata Ratnam stated that the several commissions have studied and recommended ways and means of improving conditions of work in the unorganised sector in India. However, definitional problems still persist with regard to the sector, identification of employer and worker in the sector and even about conditions of work. Given the failure of legislation to effectively cover the physical conditions of work and social protection even to the seven per cent workforce in the organised sector, there are doubts about whether extending

legislative coverage will prove adequate or merely increase the transaction costs and stifle the job creation potential of the unorganised enterprise, however much less undesirable the conditions of work and social protection in the sector are. The need for focusing on basic education and vocational skills is emphasised in the belief that sustainable improvement is possible when the working poor acquire skills and the State pursues simultaneously employment-intensive growth strategy.44

Debi S. Saini in her study stated that the growing size of the unorganised / informal sector in the era of globalisation is a cause of concern for the advocates of social justice. The workforce in this sector faces many serious problems; but the State has shown indifference to their woes. The Self-Employed Women’s Association (SEWA), based in Ahmadabad, Gujarat, has made unique efforts in organising and empowering a large number of women workers in the informal sector, who face a number of difficulties in dealing with state agencies, market realities, and contractors. It has also used the self-help group (SHG) model to involve them in linking with the concerned state agencies. This has facilitated a more effective securing of working class rights by the women workers. This Paper analyses the structure and working of SEWA, which combines the twin features of a trade union as well as workers’ co-operative and envisages a

community support model of social protection to workers in the informal sector. It is further argued that for the effective working of a poverty alleviation model like that of SEWA, some of the necessary conditions include: proactive state support for such efforts, provision of need-based services to members, availability of sagacious leadership and democratic management structures. It also suggests new legal forms of organisation for responding to the poor people’s needs.\textsuperscript{45}

D. Rajasekhar, J.Y. Suchitra and R. Manjula in their study concluded that the both agarbathi and garment industries are highly labour-intensive industries, although the extent of capital used in the garment sector is much higher. However, in the total value of the production in both these sectors, the share of labour, and particularly that of women, is exploitatively low. The reasons for this vary across the two sectors.

In the agarbathi industry, over 90 per cent of the workers are women and most of them are involved in the rolling process. Much of the value addition to the product takes place after the rolling is complete. In other words, the value is added largely in the scenting and packing processes. While the scent or the perfume used in the agarbathi is the unique selling proposition of each brand, which means that capital takes much of the returns, even the labour involved in the scenting process constitutes only male workers, which implies that women are

completely marginalised. Even the labour-intensive packing process that employs a large number of men as compared to the rolling process, adds more value to the finished product as compared to the rolling.

In the garment industry, there are two aspects of production process which marginalise the role of women. First, women are involved in the lower end of the value chain-being relegated largely to tailoring and stitching. Men workers, on the other hand, undertake the more skillful and higher-paying tasks of cutting, sizing, etc. The second aspect is more important. Women workers are unable to stay in the industry long enough to acquire better-paying skills simply because the working conditions are so horrendous that they are forced to leave. In particular, the strict imposition of targets and the dire consequences of not meeting these targets practically drive women workers out of the industry at young ages.\textsuperscript{46}

Above listed reviews on various research studies relating to income distribution, income inequality, studies relating to expenditure, savings and debt gives a thorough understanding about the concepts and nature of the problem to be analysed in this research work. An attempt has been made in this study to explore further all these aspects and assess the conditions as of now.

In the present study, an attempt has been made to analyse the nature of income distribution, the extent of inequality in the distribution of income and determinants of income among informal sector workers in Madurai city. Further, it makes an attempt to discuss the pattern of distribution and the economies of scale in the household consumption expenditure, savings and debt position of the sample informal sector workers households.

2.2 METHODOLOGY

The research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In this study various steps that are generally adopted by a researcher in studying his research problems along with the logic behind them are carefully followed. It is necessary for the researcher to know not only the research methods/techniques but also the methodology.

Methodology adopted for the present study include choice of the study area, sample design, collection of data, period of study, method of analysis and tools of analysis.

2.2.1 Selection of the Study Area

Madurai district is the second largest district in Tamil Nadu. Madurai district being a large one attracts people from neighbouring places. People with
high hopes of getting employment come to Madurai and engage themselves in any one of the unorganised industries. Hence Madurai district is chosen as a study area to ascertain the economic profile of the informal sector workers. (A detailed profile of the study is given in the next chapter).

2.2.2 Sample Design

Madurai district has been divided into seven taluks, namely Madurai North, Madurai South, Melur, Vadipatti, Peraiyur, Usilampatti and Thirumangalam. The number of total workers in Madurai South taluk was 4,28,253 as per 2001 Census, which constituted the highest number of workers among the other taluks of Madurai district. So the researcher has chosen all the seven taluks for the present study.

In order to make an explorative study of employment generation in urban informal sector in Madurai district, the productive activities have been classified into the following segments and sample workers were selected on the basis of the following activities:

1. Construction Workers
2. Vegetable Vendors
3. Street Vendors
4. Workers in Shops and Hotels
5. Rickshaw Pullers
6. Tailors
7. Washermen
8. Hairdressers
9. Housemaids
10. Loadmen

Convenient random sampling technique has been adopted to select 700 sample workers of informal sector among the ten categories such as, construction workers, vegetable vendors, street vendors, workers in shops and hotels, tailors, washermen, hairdressers, housemaids and loadmen. 100 respondents in each category were chosen from each of the seven taluks in Madurai district.

2.2.3 Collection of Data

In the proposed study the use of both primary and secondary data are envisaged. The present study is concerned with the employment generation in urban informal sector in Madurai district. Though there is no dearth of information of data regarding employment generation in the sector at the national level, at state level, very scanty information is available due to lack of published data. Therefore to know the position of employment generation in urban informal sector of Madurai district, the proposed study is also based on primary data also. The primary data were collected by using well structured interview schedules
designed by the researcher after duly consulting researchers, academics and labour welfare officers of Tamil Nadu Government.

2.2.4 Period of Study

The field survey was carried out from April 2007 to September 2007. The data collection pertains to the year 2007.

2.2.5 Classification for Analysis

Keeping in view the objectives of the study, 700 sample respondents were stratified into ten categories, namely construction workers, vegetable vendors, street vendors, workers in shop and hotels, tailors, washermen, hairdressers, housemaid and loadmen.

2.2.6 Tools of Analysis

Correlation and regression analysis lend support to study the relationships between per capita income, per capita expenditure and its determinants. In order to examine the relationship among the per capita income and per capita expenditure with selected determinants, correlation co-efficient \(^{47}\) are computed with the help of the following formula

\[^{47}\text{S.P. Gupta (1981), Statistical Methods, Sultan Chand and Sons, New Delhi, pp E10-E16.}\]
\[
\begin{align*}
\rho &= \frac{N \sum dx dy - \sum dx \sum dy}{\sqrt{[N \sum dx^2 - (\sum dx)^2][N \sum dy^2 - (\sum dy)^2]}}
\end{align*}
\]

where

\[
\begin{align*}
dx &= X - A \\
dy &= Y - B \\
N &= \text{Number of pairs of observations} \ A \ \text{and} \ \ B \ \text{are assumed mean of} \\
&\quad \quad X \ \text{and} \ Y \ \text{respectively.}
\end{align*}
\]

To test the significance of calculated correlation co-efficient, the following t-test \(^{48}\) was employed.

\[
t = \frac{\rho}{SE_{\rho}}
\]

where,

\[
SE_{\rho} = \frac{1 - \rho^2}{\sqrt{N}}
\]

If the calculated value of \(t\) exceeds the table value (\(t_0\) -05) at 5 per cent level, the correlation co-efficient \(\rho\) is significant.

In order to determine the wage structure of the workers, the following multiple log linear regression model was used.

\[ \log Y = \beta_0 + \beta_1 \log X_1 + \beta_2 \log X_2 + \ldots + \beta_5 D_1 + \beta_6 D_2 + u \]

Where,

\( Y \) = Wage rate (in Rs./day),

\( X_1 \) = Age (in years),

\( X_2 \) = Experience (in years),

\( X_3 \) = Hours of work per day,

\( X_4 \) = Standard of living index (index developed)

\( D_1 \) = 1 if workers working under contractor/owner

\( = 0 \), otherwise

\( D_2 \) = 1 peak season

\( = 0 \), otherwise.

\( U \) = Disturbance term.

In order to identify the determinants of per capita income, the following multiple log linear regression model was made use of.

\[ \log Y = \beta_0 + \beta_1 \log X_1 + \beta_2 \log X_2 + \beta_3 \log X_3 + \beta_4 \log X_4 + \beta_5 \log X_5 + \beta_6 \log X_6 + u \]

Where,

\( Y \) = Per capita income (Rs.)

\( X_1 \) = Family size
\[ X_2 = \text{Number of earning members} \]
\[ X_3 = \text{Level of employment (in days)} \]
\[ X_4 = \text{Average wage rate (Rs)} \]
\[ X_5 = \text{Productive assets (Rs)} \]
\[ X_6 = \text{Dependency ratio.} \]
\[ U = \text{Disturbance term.} \]
\[ \beta_0 , \beta_1 , \beta_2 , \beta_3 , \beta_4 \ldots \beta_6 \text{ are the parameters to be estimated.} \]

In order to identify the determinants of per capita household expenditure, the following form of multiple log linear regression model was fitted by method of least squares.

\[
\log Y = \beta_0 + \log X_1 + \beta_1 \log X_2 + \beta_3 \log X_3 + \beta_4 D_1 \beta_5 D_2 + \beta_6 D_3 + u
\]

where

\[ Y = \text{per capita consumption expenditure per annum (Rs.)} \]
\[ X_1 = \text{Annual disposable income (Rs.)} \]
\[ X_2 = \text{Family size (in nos.)} \]
\[ X_3 = \text{Number of earning members.} \]
\[ D_1, D_2 \text{ and } D_3 \text{ are dummy variables that represent age of the head of the households.} \]

If \( D_1 = 1 \) upto the age 25 years
\[ = 0 \text{ otherwise} \]
D_2 = 1 age from 25-50 years
    = 0 other wise

D_3 = 1 age 50 and above
    = 0 other wise

u = disturbance term

\beta_0, \beta_1, \ldots \beta_6, are the parameter to be estimated.

In order to identify the factors which determine the savings of the household in the study area, following multiple log linear regression model was put to use.

\log Y = \beta_0 + \beta_1 \log X_1 + \beta_2 \log X_2 + \beta_3 \log X_3 + \beta_4 \log X_4 + \beta_5 \log X_5 + u

Where,

Y = Volume of savings in rupees per annum,

X_1 = Annual family income (in Rs.),

X_2 = Asset value (in Rs.),

X_3 = Educational Status
    (X_3 = 1 for upto primary school,
     X_3 = 2 upto higher secondary school,
     X_3 = 3 graduation/technical education)

X_4 = Family size (in number),

X_5 = Number of earners (in number)

U = Disturbance term.
In order to identify the main problems of the informal sector workers, Garrett’s ranking technique was adopted. The sample respondents in the study area were asked to rank the problems faced by them as per priority. The rank assigned to each constraint by the respondents was converted into percentages by using the following formula:

\[
\text{Per cent position} = \frac{100 \ (R_{ij} - 0.5)}{N_j}
\]

where,

\[R_{ij} = \text{Rank given by the } j^{th}\text{ individual for the } i^{th}\text{ factor, and}\]
\[N_j = \text{Number of factors ranked by the } j^{th}\text{ individual.}\]

The per cent position thus obtained was converted into scores by referring to the Garrett’s ranking table. The scores of all respondents for each factor were added together and then divided by the number of respondents experiencing that particular problem. The mean scores of each factor were arranged in descending order and the corresponding ranks allotted.

2.2.7 Concepts

Wages:

The term ‘wage’ denotes all payments for labour services irrespective of the form or shape in which they are received such as hourly basis, daily basis,
weekly basis, bi-weekly basis, monthly basis and salaries, fees, commissions, bonuses, boarding and lodging and other payments in monetary or real terms.  

**Wage Fixation:**

Wage fixation is a highly intricate problem requiring a deep study and understanding of each job. Under Indian conditions, wages, more than any other single demand of workers, have been responsible at all times for the largest extent of labour unrest. Labour never feels satisfied with the wages it receives. Their ever rising expectations often surge ahead of immediate possibilities.

**Wage Parity:**

Wage–parity is another much used concept. It is a hypothetical equilibrium between effort and pay on a given level of expectations. So, wage disparity is that which arises from non-parallel movements of the components of effort value. Disparity arises also when wages and efforts move in opposite directions. Marsh says that wage disparity is the very centre of individual conflicts.

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**Minimum Wages:**

Minimum wage\(^{52}\) is an expression used often and in a number of circumstances in which a worker’s remuneration is not allowed to fall below a given amount. In other words, it is a guarantee of wage that can support a decent living of labourers.

**Labour mobility:**

The term “labour mobility”\(^{53}\) is generally used to denote the movements of workers among locations, occupations and firms in response to changes in labour market conditions. Mobility takes the following three forms:

a. Inter-sectoral mobility;

b. Horizontal mobility; and,

c. Vertical mobility.

Inter-sectoral mobility refers to movements among sectors such as agriculture, industry, construction and transport.

Horizontal mobility refers to movement of workers in similar grades within an industry from enterprise to enterprise or from area to area.

\(^{52}\textit{Ibid.}, p.196.\)

\(^{53}\textit{Ibid.}, p.175.\)
Vertical mobility implies movement along the promotional ladder in the context of employment in a given industry or firm or organisation.

Very often the term ‘past mobility’ is found. It is mobility made in the past before entering the current job.

There is also another category called regional mobility. It refers to movement from one place (called origin) to other places (called destinations), seasonally or permanently in search of jobs of same or higher grades and for finding income equal to or excess of minimum expectation. When the movement is semi permanent or permanent it takes the name migration.

(iii) Migration:

Migration is an expression commonly used by economists to refer to individuals who move from place to place. The labourers who migrate are called ‘migrant workers’ or ‘guest workers’ as differentiated from ‘local’ or ‘native workers’. Migration may be between urban and rural areas or within rural areas. Repeated and routine migration between rural and urban areas is called semi-permanent or circular migration. Here the workers commute to the place of work either daily or seasonally. Agricultural labourers are noted for such ‘circular migration’. Circular migration takes place between agriculture and construction work.
Another factor that influences the number of days employed and the wage rate is the types of employment with different degrees of job security.

**Types of Employment:**

The terms ‘permanent’, ‘temporary’ and ‘casual’ workers are coined on the basis of the type of recruitment. They indicate the employment status of the labourers also.

Permanent labour force consists of skilled workers and who have security of job and are also attached to one enterprise or employer. For them muster rolls are prepared and benefits like provident fund and insurance are provided. Usually a formal or informal contract assures them some degree of security of job.

Temporary work force refers to skilled and semi-skilled workers hired whenever required and are not attached to one employer. They may be attached to a site till their completion of their work. They do not have any security of job. However, when the market demand is good, they can bargain for high wages. There is another category called casual workers.

A casual worker\(^{54}\) often abbreviated to ‘casual’ is a worker employed in casual work which is intermittent in character and lacks continuity or regularity of

employment or security of job. Casual workers are mostly unskilled. Their earnings are comparatively low and irregular. Those workers are not attached to any site or employer. Usually they are hired for a period of time or for a particular piece of job. They do not have any job security. The benefits available for them are almost very negligible. The permanent solution for sufferings of the casual labour lies in decasualisation of such labour. It has been argued for quite some time that such a measure shall pave the way for an environment of regular employment opportunities even for casual labourers in several areas like agriculture, construction and printing.

**Seasonal Unemployment:**

Another widespread problem in certain sectors is the presence of seasonal unemployment,\(^{55}\) which arises in particular trades and industries as a result of seasonal variations in demand for the products/services of these industries such as construction, cultivation and catering.

**Trade Unions:**

In the Communist Manifesto, the origin of trade unions\(^{56}\) is described thus: with the development of the industry, the proletariat not only increases in number;

\(^{55}\text{Ibid.}, p.269.\)

\(^{56}\text{Karl Marx and Frederick Engels, "Manifesto of the Communist Party," (Moscow: Progress Publishers, 1952), pp.54-55.}\)
it becomes concentrated in greater masses, its strength grows, and it feels that strength more... the collusions between individual workmen and individual bourgeois take more and more the character of collusions between two classes. Thereupon the workers begin to form combinations (trade unions) against bourgeois; they club together in order to keep up the rate of wages; they found permanent associations in order to make provision before one hand for these occasional revolts.

The British Ministry of Labour has defined trade unions as “all organisation of employees including those of salaried and professional workers, as well as those of manual wage-earners which are known to include among other functions that of negotiating with employers with the object of regulating conditions of employment”.57

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