Labour market is an important aspect of modern economy. It represents the interaction of demand and supply of various categories of labour through which prices of these categories of labour, i.e., wage rates are determined. Theoretically, the concept of labour market, like that of the markets for capital and commodities, does not necessarily refer to any physical place, but represents an abstraction of a system allocating and rewarding labour. Since labour differs from capital and commodities due to human element involved therein, the concept of labour market incorporates considerations of the complex of economic and social forces influencing the process through which employers recruit workers and workers seek employment.\(^1\)

Although labour market, like markets for commodities, existed since almost the beginning of exchange economy, its distinct identity came to be recognised only in recent stages of the evolution of economic thinking. In early stages of exchange economy, with self-sufficient household units, however, the distinction between the consumer and producer roles of an individual was very narrow and therefore labour market did not attain a separate identity in the same sense in which it operates in modern industrial economy. The treatment of 'labour market' in early classical writings reflects this tendency where labour market is treated analogous to the markets for capital and commodities. In post-Keynesian macroeconomics, labour
market is treated as a distinct market for analytical purpose. Indeed, Keynesian revolution has assigned 'labour market' a meaningful significance in economic literature. The emergence of the concept of labour market reflects growing need of human resource allocation for the maximisation of economic welfare, which is consistent with optimum production structure.

The main components of labour market are, the demand for labour, the supply of labour and the wage determination. Prima facie, they seem analogous to that of the markets for capital and commodities, but in fact, there are marked differences in their nature and responsiveness. For instance, the law of supply that if price increases supply also increases holds good only up to certain extent in the case of labour. The phenomenon of backward bending supply curve is observed to be valid to a larger extent in case of labour than in cases of commodities and other inputs. In the same way, demand for commodities is generally for direct consumption purposes, while that for labour, except in case of some personal services, is not for the direct consumption purpose. Demand for commodities influences the investment decisions and the technology in production process, which in turn determines demand for labour, reflecting the derived nature of demand for labour.

Since the main function of labour market is to match workers and jobs and to fix remuneration in a manner that ensures required quantity as well as quality of labour supply, its performance is judged by the efficiency with which labour market processes perform this function. The functioning of labour market thus depends upon the efficiency with which allocation of labour among industries, regions and occupations takes place. This is analysed through the nature of occupational,
industrial and regional wage differentials existing in the market and the nature and patterns of mobility and migrations. The information channels about the job vacancies and availability of workers play a vital role in bringing supply and demand for labour in equilibrium. In economic theory, market processes have been viewed differently in different theoretical frameworks.

A wide range of Labour Market studies have been reviewed by Marshall and Perlman, on the basis of which some broad characteristics of labour markets of developed countries can be described as hereunder:

(1) The extent of unorganised sector labour market is limited, but the quantum of casual type of labour is increasing, as students are always ready to be in the labour market to meet with their learning expenditure.

(2) Sex composition of labour market is rapidly changing as women come forward to join the labour market.

(3) There is an increasing use of formal information sources for employment search.

(4) The widening productivity spread and the constant (relative) wage spread (the social-minimum wage) has caused the creeping unemployment and labour force replacement.

Though these characteristics are quite commonly observed in labour markets of developed countries, there are wide variations among countries and among geographical regions within countries. It is because, although logic of industrialism is
same, the process of industrialization differs from one situation to another leading to
differences in nature of labour market process.  

The labour markets in developing countries differ from the corresponding
markets in developed countries because of the different socio-cultural setting and
different level of economic development and industrialization. As a result, labour
markets in these countries are likely to have greater extent of unorganised (informal)
sector and limited extent of the use of formal channels for the flow of information
about job availability and recruitment. The search behaviour of employers and
employees regarding personnel and jobs in turn is governed by traditional and
informal methods. Except in service sector of some urban centres, no significant
change in sex-composition in industrial labour force is seen. The pattern of industrial
development is so uneven that the relation between the level of education and the rate
of unemployment has not yet clearly established as in the case of developed
countries. The problem of sectoral transfer of labour from agriculture to industry on
a permanent basis is still unresolved in developing countries as the industrial workers
are not completely detached of their agricultural and rural links. The importance of
formal education and training in demand for labour is also not clearly established and
the functional requirements from the different occupational categories are almost
unspecified.

From the above discussion it may be stated that labour markets in developing
countries are in transition and they are likely to imbibe the labour market
characteristics of developed countries as they gradually industrialize. However,
hypotheses emerging from such characteristic differences and also those emerging
from the set of factors that affects labour market process in developing countries have been tested by various researchers. These studies reveal that the institutions and practices of the labour market adopted in various countries show great diversity. Whatever uniformities have been discerned is more in the nature of tendencies rather than exact theoretical results. These tendencies provide a framework, which can be used to study institutional and functional similarities and diversities of labour markets of different countries as well as of the areas with different development stages in a country like India.

REVIEW OF LITERATURE

Studies on Labour Market in India were initiated in sociological and industrial relations background. These came to incorporate problems of manpower planning in the later stage and gradually turned to analytical issues relating to such aspects of labour market behaviour as wage structure, mobility, job search behaviour and investment in human capital. A brief review of Indian labour market research is presented hereunder.

Many scholars have studied the characteristics of rural labour market in India and a very brief review of the scholarly works carried on by a few are mentioned here: Kalpana Bardhan (1977) reviewed the studies on rural labour market, which explains a main strand of the available literature in terms of their inter-linkages.

Pramod Verma (1987) opined that the forces of supply and demand influence the dynamics of labour market in any region or location or economy. The population of varying participation rates of different age groups and sexes, educational
attainments of various groups and the extent of employment and unemployment, in turn, determines the supply of labour.\textsuperscript{9}

Sheila Bhalla (1991) found that despite a significant acceleration in the agricultural growth during 1980s, annual growth rate of agricultural employment had declined, revealing a decline in employment elasticity.\textsuperscript{10}

T.N. Krishnan (1991) made an effort to offer an explanation to the phenomenon of simultaneous presence of high unemployment and high wage rates in terms of inter-related labour markets. He argued that the increased demand for labour in the construction sector leads to wage increase in that sector. Wages in other sectors follow suit and the relative parity gets re-established.\textsuperscript{11}

A study made by Sheila Bhalla (1993) shows that there has been a significant reduction in man days per hectare and observes that mechanisation was increasingly adopted partly in response to rising real wages from the mid 1970s and partly for meeting the requirement of the emerging annual crop cycle, which necessitated better time management in sowing and harvesting. Further, she found that while a number of persons who settled for work in agriculture were three times the number of persons, who obtained work in non-agriculture in rural areas during 1983-87, it increased to four times during 1987-93. Bhalla has described change in the sectoral distribution of workers in the post-1991 era as “structural retrogression”.\textsuperscript{12}

A. Vidyanathan (1994) in his study provided a statistical evidence to show that the average number of days worked by an agricultural labourer has declined over the years. This trend is accompanied by rising real wages. The shift of workers towards
non-agricultural activities was shown to be an outcome of growth and was not merely a distress phenomenon.\textsuperscript{13}

Ch. Hanumantha Rao (1994) in his study said that the rise in real wages could be partly attributed to the rise in demand for labour in non-agricultural activities notably construction and services.\textsuperscript{14}

V.M. Rao (1995) found that expansion of rural non-farm activities were perceived to have brought about the following changes: The proportion of the rural work force tended to declined, real wages improved and rural poverty registered a declining trend in the labour market during 1980s and these changes were considered to be an indication of labour market entering into new face.\textsuperscript{15}

D. Narasimha Reddy (1995) reveal that better wages for agricultural workers has been one of the major demands of labour unions and this has a salutary effect not only on wages but also prevention of atrocities on the weaker sections.\textsuperscript{16}

M. Krishnaiah (1995) observed that real agricultural wages has risen sharply during 1980s and he attributed this to the tightening of the labour market due to the withdrawal of labour from the market by the self-employed communities like Toddy tappers, Shepherds, etc.; increased demand for labour due to changed cropping pattern from subsistence to commercial crops; and increased pull of migration.\textsuperscript{17}

G. Parthasarathy (1996) found that agricultural real wages had declined or stagnated in quite a few parts of the country and the lack of improvement in real wages could be attributed to the steep-rise in food prices in the early years of 1990s.\textsuperscript{18}
A study made by R. Maria Saleth (1997) shows that since the income benefits of rural transformation are related more with asset ownership than with employment shares, employment diversification, though necessary, is not sufficient for income diversification among the rural poor. While occupational diversification contribute to income stability, its role in income enhancement is severely constrained by lower wage rates in rural occupations where the poor groups participate the most.19

A study made by Abusaleh Shariff and Anil Gumber (1999) highlights a steady decline in the share of self-employed and regular/salaried employees and an increase in the share of casual wage labour in total employment for both men and women. He also found that female workers suffer comparatively more from the process of casualisation, because of their relatively lower access to productive resources and their lack of skill.20

National Commission on Labour (2001) in its report mentioned that there is a growth in the last decade. It also observed that the number of casual workers has gone up substantially from 27.2% to 33.2%. Thus, casualisation of workers has been the trend during the last decade.21

The studies reviewed above indicate that there has been an increasing casualisation of rural labour. This is due to technological change in agriculture and growth in the non-agricultural activities involving division of labour and occupational diversification. Further, there has been an increase in the employment opportunities in the non-agricultural sector in rural areas, especially in construction, manufacturing and services. In addition, the process of commercialisation in agriculture led to the development of trading and marketing activities opening up avenues for the growth of
non-agricultural sector employment. Such changes in the rural labour market could be the result of a shift from time-rated arrangements (daily wage labour) to piece-rated contractual agreements. On account of this, rural labourers can reduce the average daily working hours; enjoy the relative autonomy of work and higher earnings. However, the benefits of these improvements in the rural labour markets have been not accessible to the rural labour households living in remote villages, which are being segregated from the urban centres such as district headquarters. It is against this backdrop that an attempt is made in the present study to examine the characteristics of rural labour markets in remote villages, which are being segregated from the adjacent villages to the district headquarters of the Rayalaseema region of Andhra Pradesh.

**Definition of Rural Labour**

National Commission on Rural Labour of India (1991) defined rural labour as: Rural labour comprises of persons living and working in rural areas subsisting partly or wholly from wage income. Besides, there are self-employed workers forming part of the petty production system who neither hire labour nor offer their services for a wage. They should also be classified as rural labour, since their living conditions are no better. Rural labour so defined would comprises of wage-paid manual workers engaged in agricultural and non-agricultural activities, small and marginal farmers, tenants and sharecroppers; and artisans.²²

**Characteristics of Rural Labour**

National Commission on Rural Labour (1991) summarises the characteristics of rural labour as follows: Rural labour constitutes the most marginalised section of our society. Agricultural labourers contributed immensely to the development of
agriculture, but their share in the gains from development has been the lowest. Rural labour engaged in household enterprises, especially female labour, has been the biggest victim of modernisation as the new industrial products displaced their traditional activities. Being unorganised and engaged in low productivity occupations, the rise in their wages and levels of consumption has been meagre. The wages for female labour continue to be lower than those for male labour. Also, technological change has affected female labour more adversely. Dependence of rural labour on big landowners and moneylenders for consumption credit quite often results in bondage. Migration of labour has been on the increase on account of the extreme unevenness of development between different regions of the country. It has also led to bondage in certain cases. Bondage which was largely confined to agriculture, is not increasingly seen in certain non-agricultural occupations such as construction, carpet weaving, match works, etc. The worst victims of the existing pattern of development are the child labourers, particularly the migrant ones among them, who are deprived of their physical and mental growth. Besides, there are groups, especially tribals, who have been dispossessed from their lands and ousted from forests by developmental projects in whose designing there was little provision for rehabilitation. The tribals continue to be alienated from their land and deprived of their customary rights on forest produce. In rural areas, social discrimination and oppression persists extensively against the disadvantaged groups like the Scheduled Castes, Scheduled Tribes and other weaker sections. A large majority of whom are in the ranks of rural labour. Besides economic and social oppression, harassment of women also characterises the life of the rural labour.
National Commission on Rural Labour (2001) further observed the following characteristics.

1. Agricultural workers get employment for less than six months in a year and they have to often migrate to the other avenues of employment like construction and similar other occupations during the off-season.

2. Agricultural workers are badly exploited and oppressed class of the rural society. Most of them are from lower castes and tribes.

3. Circumstances force most agricultural workers to borrow money from time to time from private sources. There was acute indebtedness amongst the rural and agricultural workers.

4. Though the employment in agriculture is covered under Minimum Wages Act, the minimum wages fixed by the different States ranged from Rs. 20 per day to Rs. 60 per day.\(^{22}\)

**Statement of the problem**

The rural labour market in the Rayalaseema region of Andhra Pradesh has been undergoing several changes at the macro level during 1980s and 1990s. During this period, the proportion of the rural work force employed in Agriculture tended to decline, real wages improved and rural poverty registered a declining trend. The expansion of rural non-farm activities were perceived to have brought about these changes in the labour market during the eighties and the nineties and these changes were considered to be an indication of labour market entering into a new phase. The question thus arises; can these changes be explained by conventional supply and
demand factors? What were the changes in the conditions of labour market under which demand and supply factors operate and how far did they contribute to the rise in the real wage rate even though demand for labour did not grow faster? The present study is, therefore, embarks to provide answers to these questions and to elicit information regarding the trends in the Rural Labour Market of the Rayalaseema region during the last two decades.

Need for the Present Study

The present study aims to explore some of the structural characteristics of the Rural Labour Market in Rayalaseema Region of Andhra Pradesh. Rayalaseema region is semi-arid, chronically drought-prone and located in the rain-shadow zone in Andhra Pradesh. The region is thus suffers from the locational disadvantages. It consists of four districts viz., Anantapur, Chittoor, Cuddapah and Kurnool. There are a number of studies on the incidence and dimensions of drought and the mechanisms of its relief. However, there are no studies specific on the functioning of the rural labour market under the drought conditions. More and more empirical investigations are needed to understand and to explain the emerging rural labour relations and to point out their nature and character, Landless labour households, marginal and small farmers, who constitute the bulk of peasantry; and rural artisans, who are forced to join the ranks of agricultural labour, constitute the target group for the anti-poverty programmes of the Government in rural areas. Periodical investigations on the composition of labour force and its absorption in different activities both within and outside agricultural sector provide basis for area of regional planning and rural development. Hence, this study assumes importance in the rural economy of Rayalaseema region.
Objectives of the study

The primary objective of the present study is to compare the characteristics of rural labour markets in remote villages to that of adjacent villages to the district headquarters.

The specific objectives of the present study are as under:

1. To study the structural changes in the rural labour force in Rayalaseema region;

2. To examine the trends in the rural labour market in the region;

3. To discuss the differences in work participation rates and wage rates between male and female labourers and between remote villages and adjacent villages to the district headquarters;

4. To identify the major determinants of work-participation rates and wage rates in rural labour market; and

5. To analyse the socio-economic conditions of rural labour households.

Hypotheses of the study

1. There are no significant structural changes in the rural labour in Rayalaseema Region.

2. There is no significant difference in the work participation rates and wage rates between male and female labourers and between remote villages and adjacent villages to the respective district headquarters.
3. Economic and demographic factors do not exercise significant influence on the determination of work participation rates and wage rates.

4. There is no significant difference in the socio-economic conditions of rural labour households between remote villages and adjacent villages to the respective district headquarters.

**Sampling design**

A three-stage stratified purposive sampling technique is adopted in the study.

In the first stage, two Mandals in each district of the Rayalaseema region are purposively selected in such way that one Mandal which is adjacent to the district headquarters and another Mandal which is far away from the district headquarters.

In the second stage, one village from each of the mandal is selected purposively for intensive study to assess the impact of socio-economic variables on labour households.

In the third stage, twenty-five labour households from each village have been randomly consulted to elicit required information as per structured schedule relating to socio-economic conditions of the labour households during the period under reference.

In all, the study has covered two hundred labour households for the collection of primary data.
**Methodology adopted**

In order to examine the conditions prevailing in the Rural Labour Market in Rayalaseema region of Andhra Pradesh, the present study uses both primary and secondary data. The principal sources of secondary data are Reports of Population Censuses, District Hand Books on Statistics, Statistical Abstracts and Official Records of the Office of the Chief Planning Officer of the districts concerned and Official Records of the Village Panchayats of the Rayalaseema region.

Statistical tools like percentages, averages; Gini-coefficient etc. have been used for the analysis of data. Six explanatory variables have been identified for establishing the influence of these variables on the work participation rates and wage rates. Out of these six explanatory variables, three variables have been considered as economic variables and the other three variables as demographic variables. The economic variables are cropping intensity, irrigation intensity and the ratio of agricultural workers to non-agricultural workers. The demographic variables are: literacy rate, sex ratio and the proportion of S.C and S.T population to the total population. With a view to establishing functional relationship between the work participation rates (or wage rates) and identified determining factors, the model of Multiple Regression Equation of the following form is used.

\[
WPR \ (or \ WR) = f(X_1, X_2, X_3, X_4, X_5, X_6)
\]

where

- \(WPR\) = Work Participation Rate
- \(WR\) = Wage Rate
- \(X_1\) = cropping intensity
- \(X_2\) = irrigation intensity
After a critical examination of the application of linear and log linear models for the above functional relationship, the linear model is decided as the most suitable method to be used to estimate the influence of explanatory variables on the explained variable. The above functional relationship is converted into the following linear form:

\[
\begin{align*}
WPR &= b_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + \mu \\
WR &= b_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + \mu
\end{align*}
\]

where \( \mu \) is the Stochastic error term, \( b_0 \), is the constant term and \( b_1, b_2, \ldots, b_6 \) are the regression coefficients with respect to the six variables. The regression coefficients indicate the influence of the variables on the work participation rates or wage rates. The 'Enter' Method of regression model has been used to estimate the influence of variables with the help of the designed Software Package for Social Sciences (SPSS).

**Limitations of the Study**

The study is based on secondary data collected from the Census Reports of 1981, 1991 and 2001. The provisional results of 2001 Population Census have limited to four-fold classification of workers viz., cultivators, agricultural labourer, workers in household industry and other workers. However, the provisional population figures provide some major characteristics of working population. Further, the classification process of population census in the case of workers is different from one Census Report to another Census Report. The data therefore, have not been strictly
comparable from one Census to another Census. This is the major limitation of the present study. The data on cropping intensity, irrigation intensity and wage rate are collected for the year 2000-01 only from the Records of Offices of Village Panchayat of the selected villages for this study due to financial and other constraints. The limited data drawn have been put to statistical treatment using the tools explained here above.

Chapter outline

The thesis is presented in six chapters. The opening chapter provides an introduction to rural labour market, review of literature, statement of the problem, objectives and hypotheses of the study, sample framework, methodology adopted and the limitations of the study. The second chapter presents a detailed economic profile of the Rayalaseema region. The structural changes in the labour force, which have resulted in a transformation of rural labour from agricultural activities to non-agricultural activities in India and Andhra Pradesh have been analysed in the third chapter. Growth of workers and their occupational distribution in the Rayalaseema Region of Andhra Pradesh is discussed in fourth chapter. Socio-economic conditions of rural labour households and work participation rates, wage rates and their determination including contractual arrangements in rural labour market in Rayalaseema region have been analysed and evaluated in the fifth chapter. A summary of the research findings and recommendations for the improvement of rural labour households in the Rayalaseema region is presented in the sixth and last chapter.
REFERENCES


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