

Income and wages in Kerala: A comparative picture

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The inaugural issue of Kerala Economy spotlighted on the most recent estimates of labour force and employment in Kerala. The number of men and women in the working age-groups and composition of labour into the employed, unemployed and those outside the labour force came up for discussion. Share of workers in different sectors of the economy - agriculture, industry and services - and their distribution into status groups of the workforce such as the self-employed, regular employees and casual labourers were reviewed. We noted that the unemployment rate of women was much higher in Kerala compared to that of men and the ratio tended to rise as women attained better educational qualification. The state would face a massive challenge if it were to reap a demographic dividend by absorbing more women into regular paid employment.

The employment created, income derived, and consumption realised in any state are closely interconnected. The total income of a state is the direct outcome of employment therein. When any state attains economic growth and social progress, it leads to a shift of population between sectors, from agriculture to industry or services, or between regions, from rural to urban areas. People acquire such mobility mainly for securing work or income in the emerging sectors of the economy. It comes along with changes in the structure of employment, productivity, wages and income of workers.

What is the evidence on such changes occurring in Kerala? This note assembles some empirical data for comparing Kerala with the whole of India. The relevant figures are in two columns of Table 1; the first one gives the averages for Kerala and a second column for the all India level.

The best available indicator of income is the gross domestic product per capita (GSDP-PC), which is the monetary value in current prices of all the goods and services produced for the market per head of the population. The average income of Kerala is about 60 per cent more

than the all India average and higher than the income of all big states of India (with population more than 5 million) except Haryana and Karnataka (Row 1, Govt. of India 2020). The better GSDP-PC of Kerala is linked to the higher sectoral shares of manufacturing and service industries in the state. As written in the first issue of this journal, more than 80 per cent of the labour force of Kerala has already moved into the manufacturing and service sectors having higher values of output per worker (Jose, 2020a).

The GSDP is a measure of the income generated within the boundaries of the state. It excludes the income earned by workers as residents or migrants elsewhere. How do we account for the remittances, which add to the income of many households in the state? In 2018, Kerala accounted for 19 per cent of the total remittances to India, and the amount received was Rs 1.12 trillion (Economic Times, 20 July 2019). It implies that per capita income of Kerala is higher by 15 per cent at Rs 260,000, equivalent to USD 3500. In this regard, the state qualifies for inclusion in the league tables of the middle-income countries. The presumed league membership can be a "feel-good factor"; but it carries the risk of being caught in a middle-income trap. With a surfeit of labour-intensive industries that need modernisation, Kerala is already in the midst of an income trap.

Higher per capita income shows up in a high monthly per-capita consumption expenditure (MPCE) of the state. The MPCEs in rural and urban areas of Kerala are higher by 87 and 30 per cent respectively than the corresponding all India averages (Rows 2 and 3). Neither the income nor the consumption level is enough to suggest a glossy picture of the state. Here, we have simple averages of income and consumption per head, which can conceal vast inequalities in income distribution between people and regions of the state.

Kerala society has harboured many glaring inequalities right through its history. Social reform movements since the middle of the 19th century have had a crucial role in altering the structure of a deeply divided and unjust society. Many public policy interventions of the state since 1950s helped to mitigate the inequality in income and consumption. Such interventions raised the state's social spending on health, education and housing of the low-income groups and strengthened the public distribution of consumer goods at reduced prices. The redistributive transfers have profoundly influenced the structure of disparity in Kerala for the better.

The transfers helped to strengthen the links between income and consumption through raising employment and earnings of the people. Increase in income goes hand in hand with growth of product per worker. The latter is the most important determinant of wages in any industry or region. An increase in productivity naturally influences consumption expenditure. The high per capita income and spending reported in Kerala are the results of higher productivity and wages prevalent in the state. Some illustrative figures which support this argument are in Table 1.

Table 1. Some comparative estimates of income, worker productivity and wages in Kerala and All India

Sl.No		Kerala	India
1	Per capita GSDP at current prices in 2018-19 (Rs)	225483	142719
2	Monthly per capita expenditure Rural, 2011-12 (Rs)	2669	1430
3	Monthly per capita expenditure Urban, 2011-12 (Rs)	3408	2630
4	GVA per worker, all non-Agr. establishments 2015-16 (Rs)	191667	152703
5	Annual emoluments per worker, all non-Agri.est.2015-16 (Rs)	126163	87977
6	Average Monthly Earnings of the Regularly Paid Men (Rs)	21091	16859
7	Average Monthly Earnings of the Regularly Paid Women (Rs)	15237	12487
8	Average Monthly Earnings of the Self-Employed Men (Rs)	14484	11171
9	Average Monthly Earnings of the Self-Employed Women (Rs)	5540	4845
10	Average Monthly Earnings of Casual Workers Men (Rs)	11231	7009
11	Average Monthly Earnings of Casual Workers Women (Rs)	4852	4110

Sources: Row 1: Government of India (2020a) GSVA/NSVA by economic activities
 Rows 2-3: Government of India (2020) Vol 2, A-29, A-169; Row 4: Government of India (2017) Statements T 19 p 147; Row 5: Govt. of India (2017) T 23 p 151; Rows: 6 to 11: Worked out from Tables 42-45 in PLFS (2018-19). They are simple average of earnings of three status groups reported in four quarters of the PLFS. As for casual labour, the daily wages were multiplied by the days worked per month.

As per findings of the 73rd Round of the National Sample Survey held in 2015-16, the gross value added per worker in un-incorporated non-agricultural establishments of Kerala was Rs 191,667. These are the micro, small and medium enterprises (MSMEs) which use hired labour. The value added in Kerala was 25 per cent more than the all India average (Row 4). The same survey has revealed that the annual emolument per employee in non-agricultural establishments was Rs 126,163. It was the highest figure among bigger states of India and the average for India was Rs 87,977 (Row 5).

Similar estimates of the monthly earnings of different status groups, such as regular paid workers, self-employed and casual labour, separately for men and women are in Rows 6-11 of Table 1. They refer to the average earnings in Kerala and India, as compiled from the Periodic Labour Force Survey (PLFS) 2018-19 of the Government of India. In most cases,

the earnings of each status group in Kerala is 20 per cent plus more than the corresponding India average. The difference is much higher in the case of male casual workers, which partly explains the massive influx of guest workers from other states into Kerala.

The earnings differential of men and women in different status groups needs closer study. For instance, the self-employed and casual labour show substantial gender disparities in earnings. Quite significantly, variation is the least among regular paid workers; one possible reason why women are visibly present in such jobs. Women also wait out to avail themselves of regular job opportunities. There are several such topics for in-depth study that can lead to policy interventions for promoting paid employment of women (Jose 2020b).

To sum up the discussion, this note explored the corollary of an observation made in the inaugural issue of this journal that the labour force of Kerala has diversified better into the secondary and tertiary sectors of the economy than in many other states. Such diversification gets reflected in the higher levels of per capita income, consumption expenditure, productivity and earnings per worker. These are commendable achievements for a state, which has an impressive track record in promoting social consumption through redistributive spending.

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