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Motkuri, Venkatanarayana

Freelancer

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Are Self-Employed no better than Wage Labourers in Rural India: A Quick Analysis of Wages and Earnings in India based on PLFS 2017-18

Venkatanarayana Motkuri[‡]

Abstract

An analysis of PLFS estimates shows that earnings of self-employed are no better than that of casual labourers in rural areas. Market wages are higher than the wage earnings in public works including MGNREGS.

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The first annual report of Periodic Labour Force Survey (PLFS) 2017-18 is recently released and it has been in the headlines of media before it was released, for its finding on high unemployment rates that Indian economy co-exists with high rate of growth. This note is a quick analysis of its estimates and carries preliminary observations on wages/salaries and earnings of casual labour (CL), regular wage/salaried employees (RWS) and self-employed (SE) workers.

About the Survey and Method of Analysis

The PLFS 2017-18 is conducted by National Sample Survey Organisation (NSSO) as part of its periodic surveys on labour and employment situation in India. The PLFS of NSSO is to replace its quinquennial Employment and Unemployment Surveys (EUS) that it has been conducting since 1970s. The last EUS was conducted in 2011-12. Unlike the quinquennial EUSs which has a considerable time lag (at least five years) in survey periods, the PLFS are designed to get annual estimates for rural and urban areas along with quarterly estimates specifically to urban areas. Although, it broadly adopted the sampling method of the earlier quinquennial EUSs, it has certain differences. Like that of earlier surveys, it adopted a multi-stage stratified sampling. All the rural areas in a district constituted the rural stratum in the early surveys, but in the PLFS all the rural areas of the NSSO's agro-climatic region constituted the rural stratum. In the second stage stratum (SSS), households were stratified in the earlier surveys, based on their economic status (MPCE) into two categories: affluent and other. In the PLFS the second stage stratum is based on number of household members who have completed secondary education into three categories of household: those having two or more members completing secondary education, those with only one such member and all others. The PLFS conducted to get economic activity status of a person based on usual status (i.e. during the last one year) and current weekly status (last seven days). It has omitted the current daily status that was probed in the previous EUSs. Something new to PLFS is that for the first time NSSO made an attempt to capture the earnings of self-employed which has been a big gap in the earlier surveys (i.e. EUS). Also, it has enumerated the actual number of

[‡] Venkatanarayana Motkuri, PhD, is a Research Consultant in Development Studies, currently working as Senior Research Analyst at Commission of Inquiry on Socio-Economic and Educational Conditions of Muslims in Telangana, Government of Telangana, Hyderabad. He may be reached at: venkatanarayan@gmail.com

hours worked for the three broad categories of workers (self-employed, regular wage/salaried and casual labour).

In the annual report of the PLFS (2017-18), the wages and earning of regular salaried, self-employed and casual labourers were estimated and presented quarter-wise for four quarters of the survey. The survey period (a year) is sub-divided into four quarters. For each quarter of the survey period, 25 per cent of annual sample is allocated. Hence, a simple average of the four quarterly estimates presented in the report, is suffice for the present analysis, without going for weighted average, to get annual average. The wages and earnings collected for persons working in three categories (RWS, SE and CL) in the current weekly status (CWS). The gross earnings of the self-employed (SE) in a month (30 days) and wage/salary earnings of the regular wage/salaried (RWS) in a calendar month, preceding the survey, were collected. For the casual labour (CL), their daily wage earnings for the last one week (7 days) were enumerated. The monthly earnings of regular wage/salaried (RWS) and self-employed (SE) are transformed to derive earnings per day to make it comparable with the daily wage earnings of casual labour. Along with the earnings, the PLFS collected the information from workers in the current weekly status, their number of hours actually worked during the last one week. Hourly earnings are derived using number of hours actually worked in a week (CWS) by these three categories of workers (RWS, SE and CL) and their daily wages and/or earnings in a month. The analysis also looked into gender and rural-urban gaps in the earnings of the three categories of workforce in India. The gender gap is measured in terms of ratio of female to male and the rural-urban gap is measured in terms of ratio of rural to urban. One may read the ratios as higher the ratio i.e. when it approaches 1, lesser the gap and vice versa i.e. when it is near to zero.

Observations

The main observations one could quickly grasp and record from the estimates presented in the annual report of PLFS (2017-18) are, firstly, the highest ever unemployment rate that the country has never been witnessed since independence. Secondly, for the first time there is decline in workforce participation rate (WPR) of male when compared to the last survey (EUS) of NSSO along with that of females which has shown a declining trend since late-1990s.

To move to focus of the note, the estimated average monthly wage or salary earnings of regular wage/salaried (RWS) employees in India in 2017-18 was Rs. 12642.00 and Rs. 17213.00 respectively in rural and urban areas. For the self-employed (SE) workers their average monthly gross earnings were Rs. 8430.00 (rural) and Rs. 14792.00 (urban). If these monthly earnings are transformed to earnings per day, for regular wage/salaried (RWS) it is Rs. 421.00 (rural) and Rs. 574.00 (urban). For the self-employed (SE) it is Rs. 281.00 and Rs. 493.00 in rural and urban areas respectively. Whereas the estimated average daily wage earnings of casual labourers (CL), was Rs. 247.00 (rural) and Rs. 304.00 (urban).

One could also transform the last one month earnings of regular salaried and self-employed and last week average daily wage earnings of casual earnings into their hourly earnings based on the number of hours actually worked during the last week. The average number of hours actually worked in a week for the regular salaried was 56 in rural and 58 in urban areas, for the self-employed it was 48 (rural) and 56 (urban), and for casual labour it was 44 (rural) 46 (urban). The hourly earnings one could derive as: for regular salaried is Rs. 52.00 and Rs. 68.00 in rural and

urban areas respectively, for self-employed it is Rs. 41.00 (rural) and Rs. 62.00 (urban) and for casual labourers it is Rs. 40.00 (rural) and Rs. 47.00 (urban).

Self-employed earn no better than casual labourer!

One can make from the above analysis is that the wages and salaries of regular salaried employees are higher than the gross earnings of self-employed and the wages of casual labourer, either on the daily or hourly basis of earnings computation, in both the rural and urban areas. The gross earnings of self-employed in the countryside are no better than the wage earnings of casual labourers. Daily wages of female casual labourers are higher than the daily gross earnings of self-employed females in rural India (see Table 1). Even for males, the daily gross earnings of self-employed males are higher than the daily wages of male casual labourers, the difference between the earnings per day of these two categories of male workers is very low. In urban areas, there is a considerable difference between average daily earnings of casual labourers and self-employed wherein the later are having higher average daily earnings.

The average number of hours actually worked in a week was higher in urban areas when compared to rural areas, it is so across all the three categories of workers (RWS, SE and CL). The average number of hours actually worked in a week was the highest in regular salaried (RWS) followed by self-employed (SE) and the least among casual labourers (CL), it is so in both the rural and urban areas. One could also observe that the rural-urban differences across three categories of workers and differences between these three categories (RWS, SE and CL) in respect of their hourly earnings are lower when compared to such differences based on their daily earnings. It means that a part of gender gap and rural-urban gap along with the differences across three categories of workers in terms of their daily earning seems to be due to the differences in the number of hours they actually worked in a week.

Market Wages are higher than Statutory Wages!

It is interesting to note that daily wage earning in the labour market for casual labourers (i.e. CL engaged in activities other than Public Works) are higher than the wage rate of those (CL) engaged in public works in rural India, either the wages earned under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) or the other Public Works (see Table 1).

Labourers engaged in Public Works in rural area would be paid Statutory Wages set by Government of India. Prior to the inception of MGNREGS, although rural wages (of rural labour market) have been registered a momentum (growth) but it was at a slow pace and they have never been matched with any statutory or minimum wages. The faster rate of growth in rural wages coincided with the implementation of MGNREGS since 2004. There was a debate on such fast rate of growth in rural wages in India during the first decade of 21st Century whether it was the impact of implementing MGNREGS or the impact continuing high growth of Indian economy witnessed during the post-reform period (Berg *et al.*, 2010; Gulati *et al.*, 2012).

Table 1: Wages/Salaries/Earning of Regular Salaried, Self-employed and Casual Labour in India: PLFS (2017-18)

Indicator	Rural			Urban			Gender Gap		Rural-Urban Gap		
	Male	Female	Person	Male	Female	Person	Rural	Urban	Male	Female	Person
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>	<i>11</i>	<i>12</i>
Regular Wage/Salaried (RWS)											
Average Earning in a Month (Rs.): RWS	13533	8939	12642	17990	14560	17213	0.661	0.809	0.752	0.614	0.734
Average Daily Earnings (Rs.): RWS	451	298	421	600	485	574	0.661	0.809	0.752	0.614	0.734
Average number of Hours Worked in a Week: RWS	58	50	56	60	53	58	0.867	0.874	0.956	0.948	0.959
Average wage per Hour Worked (Rs.): RWS	54	41	52	69	63	68	0.763	0.926	0.786	0.648	0.765
Self-Employed (SE)											
Average Gross Earnings in a Month (Rs.): SE	8955	4122	8430	16067	6994	14792	0.460	0.435	0.557	0.589	0.570
Average Gross Earning per Day (Rs.): SE	299	137	281	536	233	493	0.460	0.435	0.557	0.589	0.570
Average number of Hours Worked in a Week: SE	51	39	48	59	41	56	0.764	0.708	0.863	0.931	0.862
Average wage per Hour Worked (Rs.): SE	41	25	41	64	39	62	0.602	0.614	0.646	0.633	0.661
Casual Labour (CL)											
Average Daily Wage (Rs.): CL (other than public works)	268	173	247	324	192	304	0.647	0.593	0.826	0.901	0.812
Average number of Hours Worked in a Week: CL	45	38	44	46	40	46	0.843	0.869	0.978	0.949	0.960
Average wage per Hour Worked (Rs.): CL	41	32	40	49	33	47	0.767	0.682	0.844	0.950	0.845
Average Wage per Day: CL in MGNREGS	154	142	147	-	-	-	0.925	-	-	-	-
Average Wage per Day: CL in Other Public Works	151	135	145	-	-	-	0.891	-	-	-	-
Ratio of CL to RWS and SE: Daily Earnings											
Ratio of CL to RWS	0.593	0.581	0.585	0.540	0.396	0.529					
Ratio of CL to SE	0.896	1.259	0.877	0.604	0.824	0.616					
Ratio of CL to RWS and SE: Hourly Earnings											
Ratio of CL to RWS	0.766	0.770	0.764	0.713	0.525	0.692					
Ratio of CL to SE	0.998	1.270	0.963	0.763	0.847	0.753					

Notes: 1. Simple averages of all the four Quarterly estimates; 2. ‘-’ Not applicable; 3. Gender Gap is ratio of female to male and Rural-Urban Gap is ratio of rural to urban.

Source: Author’s calculation based on Annual Report of Periodic Labour Force Survey 2017-18.

Also, a surge in the real estate and construction sector in rural and urban areas since mid-1990s further facilitated the mobility rural labour and opportunities for them. One could observe a high rate of growth in employment in the construction sector between late-1990s to late-2000s (see Papola, 2012). As a result the percentage of the rural male workforce engaged in construction sector had trebled while increasing from 4.5 per cent in 1999-2000 to 13 per cent in 2011-12. Gradual harmonization of wage rates in construction sector between rural and urban areas might have become reference/reservation wage in the rural labour market.

However, one has to note some technical nuances in respect of differences in daily wage earnings under public works and those other than public works. Wages paid under public works especially those under MGNREGS are largely based on *time and motion* method. Although statutory wages set per day, wages paid depend on the extent work done in a day. In many instances especially agricultural seasons, rural labourers engage in MGNREGS works in the early morning and in labour market works in the normal day time. They may not be earning full-day-wages under MGNREGS works done in a day, but a part of full-day-wage because they have done a part of standard-day-work.

Rural-Urban and Gender Gaps

It is obvious that urban and male earnings/wages are higher than their rural and female counterparts respectively. However, rural-urban wage gap appears to be disappearing for daily wage labourers. Such a gap in average daily earnings among casual labourers is very low when compared to earnings of the other two categories of workers (RWS and SE). By gender, rural-urban gap in case of daily wage earnings of casual labour are least for females when compared to that of their male counterparts. Changing situation from the past in terms of rural-urban de-linking to emerging rural-urban continuum through improved transport and communication facilitating the mobility of labour might have been resulted in harmonizing rural and urban wage earnings of casual labourers.

Rural-urban gaps and gender gaps are higher in earnings of self-employed especially those in the rural areas. The average daily earnings of self-employed in rural areas constitute half of what their counterparts in urban areas could earn.

Gender gap/differences in daily wages of casual labourers and daily gross earnings of self-employed in urban areas appear to be higher than that of rural areas. In urban areas gender differences in earnings of regular employers appears to be much lower than that observed among self-employed and casual labourers. In rural areas, gender differences in earnings appear to be higher among self-employed and least among the casual labourers particularly those engaged in Public Works: MGNREGS and other Public Works.

Hourly Earnings: Bringing down the Wage gaps/differences

When we take the number of hours actually worked into account and derive wages/earnings per hour worked from their monthly earnings of regular salaried employees and self-employed and the daily wages of casual labourers, most of the differences (gender and rural-urban gaps and difference among the three categories of workers) observed above appears to be lessened. First,

the number of hours actually worked is higher among the urban and male workers when compared to their counterpart rural and female workers respectively across all the three categories of workers (RWS, SE, and CL). It is highest among the regular salaried employees followed by self-employed and least among the casual labourers, it so by location (rural/urban) and gender (male/female). The rural-urban differences in number of hours actually worked are higher for self-employed males and least in case of regular salaried and casual labour.

Less number of hours actually worked in a week in case of casual labour can be taken as because of lack of employment opportunities rather than out of their choice where the casual labourer would have chosen to work less number of hours as they get enough earnings from their wages.

Concluding Remarks

What one could observe from above analysis based on estimates of PLFS is that average daily earnings of self-employed are no better than the wage earnings of casual labourers in rural areas. Wage earnings in labour market are higher than wage earning of in public works including MGNREGS. Wage earnings of casual labourers in rural and urban appear to be harmonizing as their rural-urban wage gap is very low. Wage-gaps across categories of workers (RW, SE and CL), by gender and location in the hourly earnings are lower than such gaps based on the daily earnings.

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