



Munich Personal RePEc Archive

Real Wages of Casual Labourers in Shillong (India)

SK Mishra and JW Lyngskor

North-Eastern Hill University, Shillong (India)

20. December 2003

Online at <http://mpa.ub.uni-muenchen.de/1810/>
MPRA Paper No. 1810, posted 16. February 2007

Real Wages of Casual Labourers in Shillong

SK Mishra
JW Lyngskor
Dept. of Economics
NEHU, Shillong.

1. Introduction: The present study aims at an investigation into the real wage rates of casual labourers in Shillong, the capital city of Meghalaya. Labourers are defined as a collection of workers exchanging their labour power for material – usually monetary – rewards awarded by their employers, who use the labour power for productive activities or for final consumption. Casual labourers are those workers who work for a very short duration (for a few hours, a day or at most a few days under a single contract) for an employer, and who are (usually) paid for their labour either at the end of the contract or at the end of a day. In the agriculture sector, casual labourers are employed at every stage – tilling and preparing the land for sowing to harvesting and marketing the products. In manufacturing sector, most of the factories employ skilled labourers or white-collar labourers. Intermediate goods that need application of unskilled menial or even semi-skilled labour are often entrusted to contractors who work for the factory. These contractors employ casual labourers at the jobs. In construction, transport, commerce and other service sectors also a large number of casual workers are employed.

Casual workers are often unskilled or semi-skilled; they usually do not own any other factors of production (such as land, capital or implements needed to perform the job) except their labour power; they earn their livelihood by selling their labour power and often regenerate their labour power by ‘*investing*’, so to say, a very large part of their wage earning. In case of a casual labourer, the dichotomy of consumption and investment collapses into a single category. A casual worker’s household does not usually store the kitchen goods or provisions, the wage earning of the day is spent on purchase of the provisions needed for the dinner and the next day. That gives the name ‘*wage goods*’.

Wage Goods as a Category: Wage goods are those consumption goods, which are indispensable for wage-earners’ sustenance. As a collectivity or as a consumption basket, it is also known as ‘kitchen goods’ as it is mainly confined to the kitchen for preparation of daily food. This is the lowest category among the food baskets; which is meant for the lowest class of people, i.e. the working class. According to Ricardo “all agricultural products are wage goods and all manufactured products are luxuries never consumed by workers”. (Blaug, 1982). Wage goods are the composite of those goods, which are essential for “consumption necessities” required for subsistence and performance of work (Brahmananda, 1978, p. 95). Viewed as such, a certain minimum of clothes also should be considered as wage goods. After a whole day’s work the workers must take rest to regenerate labour power to be offered on sale the next morning. For this consideration, a certain minimum of housing also may be included. Sraffa (1960) draws a fundamental distinction between a ‘basic’ commodity, which enters directly or indirectly into the production of every other commodity in the economy, including itself, and a ‘non-basic’

commodity which enters only into final consumption. If we treat labour itself as a produced means of production, wage goods would constitute examples of such 'basic' commodities, on the assumption that they are technically required to cause households to produce the flow of labour services.

Due to low level of consumption, casual labourers are often poor performers – their efficiency is low. The market forces often impose on them the vicious circle of inefficiency – low wage rates – deficient consumption - inefficiency.

2. Objectives of the Investigation: This investigation is directly related to an analysis of price behaviour of wage goods in relation to the cost of living (or real wages, so to say) of *unskilled* casual workers in Shillong. Therefore, it necessitates studying expenditure on various consumption goods (especially the wage goods) as a prerequisite, since relative expenditure on various goods are used as weights in construction of the cost of living index. A study of consumption expenditure necessitates a study of income of the casual worker households. The percentage of income spent on consumption (of wage goods in particular) gives meaning to the cost of living index. The organization of this paper, therefore, has followed this logic. First, we would inquire as to how and how much do the casual workers earn. How many days in a month does a casual labourer get a 'job' and at what wage rate ? What are his family size and dependency ratio ? How many members in a casual labourer's household work ? Are they educated and does education matter ? How does the market discriminate between a skilled (usually semi-skilled) worker and an unskilled worker ? Is there any discrimination between genders ? Does the market discriminate between communities from which casual workers hail ? What is the monthly income of a typical casual worker household ? and so on.

Next, we aim at studying the expenditure pattern of a casual worker household. We know from our day-to-day observation that a casual worker spends - nay, can afford to spend - just enough to keep his own and his family members' bodies and souls together. Extremely poor and unhygienic housing conditions, slum dwelling, reveal his standard of living. We want to see as to how much this commonplace observation and impression based thereupon bears the test of empirical scrutiny.

Prices of various consumption goods including the wage goods have been increasing over time. Inflationary rise in prices is anybody's experience. Workers in the organized sector are more or less compensated by regular increase in their wages/salaries on account of the changing rates of dearness allowances. However, casual workers depend solely on market forces. They belong to no labour union that fights for them and the government updates their (statutory) minimum wages at an interval of five years or so. Whether the statutory minimum wages are observed by the employers or not is a serious concern of none. Then, it is said that *wages always lag behind prices*. Hence, casual workers' real wages suffer the inflationary pressure. We aim at investigating into this aspect.

Having studied the problems of casual workers in Shillong, we would make an attempt to visualize as to the remedial measures that may ameliorate their condition. Our study suggests some such policy guidelines.

3. The Study Area: Our study area is Shillong, the Capital city of Meghalaya. It is a class-I town with a total population of 2.68 lakh persons (134416 M and 133465 F as in Census

2001). It is mainly a service town, rendering administrative, educational, transport, recreational and to some extent commercial services to the North Eastern Region. It is a hill town of tourists' interest well known for pleasant temperate climate and scenic beauty.

The original inhabitants of this place are the Khasis who are known for their cleanliness and simplicity. This town emerged out of the transfer of the British East India Company from Sohra (known as the wettest place on the earth) to the more centrally located place near the Shillong peak. This took place in 1866, during the British rule. It is important to note that the sustenance and growth of the urban economy of Shillong is not due to the presence of industrial houses, or as the centre of trade and commerce, but from the fact that it is a state capital for more than a century and it is known in the North Eastern Region for its educational institutions. After the British had left, it was made the capital of Assam and since the birth of the state of Meghalaya on the 21st January, 1972, Shillong is the capital of Meghalaya. Shillong at present serves as the regional headquarters/headquarters of many central offices like NEC, ICAR, NEEPCO, Income Tax, etc. It is also the headquarters of the Airforce for the entire North Eastern Command. Besides, there are also quite a good number of other military base and paramilitary forces namely, Gurkha Training Centre, Assam Rifles, Border Security Force, etc.

Shillong has a very good road network within the city. It is also well connected to other places in Meghalaya as well as other states in the North Eastern Region. Meghalaya is a power surplus state and exports almost 36 percent of power generated by it. However, it has the least percentage of villages electrified (47.50%). In 1980, only 29 percent of its rural population was covered by electrification, which was only higher than Arunachal Pradesh (24.2 %) and Mizoram (22.7 %). On the other hand, per capita power consumption in Meghalaya is the highest (108 Kwh in 1992). It appears therefore that rural to urban disparity in power consumption is very high in Meghalaya. That Meghalaya is a power surplus state is only due to unavailability of power to a great many people living in the rural areas.

As it has been mentioned above, Shillong is the centre of learning for the whole of North Eastern Region. Though it does not make any dent by housing the institutions offering professional courses such as management, engineering and medical sciences, yet it attracts a large number of students to study the general courses of Arts, Commerce, Sciences, Law, etc. in various, well known, colleges and a University. For school education, Shillong is the most sought after town in the North Eastern Region.

There are a number of reasons why many students from the northeast are concentrating in Shillong for their studies - the good climate of the place, the comparatively peaceful atmosphere, hospitability of the people, good standard of English teaching, the central location of the place and various other reasons. As a result, a wealth of millions of rupees is flowing into the urban economy of Shillong every month to cover the monthly expenses of the students coming from outside the state. This has a direct impact upon the economy of Shillong. Many people are employed directly or indirectly in various schools and colleges being set up every year. The house-owners are enjoying a regular demand for rooms at a high rental, the transport operators, the food caterers, the boarding houses and many others are benefited.

Simultaneously, Shillong is also growing as an important commercial centre in the state. Interestingly, local traders and businessmen are only a few and far between. The non-locals such as the Marwaris, the Bengalis, etc. are handling most of the trade and

business. This may be due to lack of the skill and expertise in trade and entrepreneurship or due to the lack of investible resources. At the same time we find that there is a shortage of supply of workers/coolie in risky areas like mining and construction, in dirty jobs as well as in those types of job that require heavy head-load. The local people do not take up these jobs, maybe due to their easy access to jobs, abundant land resources to support them and their being sparse in population in ratio to their land, or simply due to their habit of being averse to hard work.

Lewduh or Barrabazzar is the main centre of trade and business in Shillong. All the agricultural and the non-agricultural goods are brought from the rural areas to be traded in this biggest market of the state. Goods from other states also come here for redistribution to the different villages of the state. Meghalaya produces potato, tomato, betel nut, ginger, timber, tezpatta, turmeric, broomstick, etc. abundantly to be sold to other states. Barrabazzar has the key role in this business. The state has to import almost all manufactured goods (save cement and perhaps coal) from outside. It imports fish and meat as well. Then these goods are distributed to various places in the state. Barrabazzar has a key role in this business as well. The state is rich in mineral resources and exports coal, limestone, etc. to Bangladesh and other places. It is important to note that among those who run trade and business in Shillong, there are many women, which reflects their matriarchal society.

As mentioned earlier, there are no major industrial houses in and around the city, and therefore, it does not have any significant numbers of industrial workers. Yet, there are people working in small scale and cottage industries in and around the city. They are employed in the auto-servicing and repairing workshops, sawmills, steel-fabrication, printing press, furniture, body-building for trucks and buses, cement-block making, etc. Majority of these workers are employed in automobile workshops scattered all over the localities. Earlier there were also quite many sawmills the town, but now they suffer a setback because of the Supreme Court's ban on felling of timbers. Many sawmills have been closed down. As a result, a large number of people in the rural and urban areas are thrown out of employment. This has created immense hardship for the labourers who used to earn their livelihood from the timber trade either directly or indirectly. Consequently, many labourers from rural areas have migrated to the city and other places in search of livelihood. For their survival, these ejected labourers are willing to do any kind of work available to them such as coolie in market place, serving as cobbler, cleaning jobs, working in mines, etc.

Shillong, being the State Capital, houses most of the administrative offices of the State as well as the Central government. The employees of these govt. organizations reside in Shillong. Then there are the people engaged in semi-govt. organizations and the private establishments, etc. There are self-employed people working either as taxi or bus operators or in small trades and petty businesses like shop keeping, food catering, hawkers, etc. The percentage of people working in transport services is quite large because of the high concentration of cars per population in the city. The remaining lot of workers are engaged as casual workers at construction sites, as salesmen and saleswomen, maid-servants, drivers and helpers, bus managers, carpenters, muster-roll, teer (arrow) gambling business, vendors, coolies, and so on.

Over the years, population of Shillong has been increasing. A year before the carving out of Meghalaya state from the then Assam, the population of Shillong was about

1.23 lakhs. After it became the State capital of the newly born state of Meghalaya, it experienced a steep rise in population. The decadal growth rate of population during 1971-81 was 42.32 percent. This is the time when many people migrated into Shillong. In 1981, the population of Shillong was about 1.75 lakhs. It increased to 2.23 lakhs in 1991. At present, the annual average growth rate of population in Shillong is about 2 percent.

The literacy rate of the people of Shillong is 77.69% (M = 80.20% and F = 75.16% as reported in the Census, 2001). A few years ago, the number of educated people were not many and as such the scope of employment in govt. offices was high; but in recent years, due to an increase in the literacy rate, there are many educated unemployed in the town. There are meager opportunities of a job in the Govt offices. Therefore, many educated people, especially those who are not technically trained, are unemployed or only partly employed. A great many of the educated youths join as teachers in the private schools/colleges either as part-time or as full-time workers. Every year new schools and colleges are being opened and they appear at every nook and corner of the city. Due to the surplus number of educated manpower in the city, these school and college teachers are paid at the minimal rate. They are exploited thoroughly by the commercial institutions, which on the other hand charge a very high admission and tuition fees from the students. Private schooling and college education is a roaring business in the city. It may be unbelievable that a teacher's pay in some private institutions is less than the wages of the daily labourers, but this is a gruesome fact.

4. Data Base of Investigation: This work is based on the data obtained by us through primary sources (surveys). Some procedural details of data collection are given below.

Choice of the Constituents in the Category of Wage Goods: Since our study concentrates around the workers of the lowest rung whose purchasing power is very limited, we are aware that their consumption is concentrated mostly on the basic necessities of life. Further, as the area that we are covering consists mostly of the tribal population who are meat eaters, we have included two types of their favourite meat namely, pork and beef in their consumption basket. The other important constituents of daily food are rice, dal, sugar, tea, potato, onion, mustard oil, atta, *biris/cigarettes*, fish, kwai (pan + betel nut) and vegetables, and to cook food fuel is needed. An interesting point to note here is that in this particular area, the people are very fond of chewing kwai or pan and it is a part of their custom and tradition. Whenever their guests, friends or neighbours visit them, they welcome the guests by offering kwai. As a result, kwai claims a significant proportion of their expenditure.

Choice of the Markets of Wage Goods and the Casual Workers: We have chosen Barrabazaar market for collecting data on wage goods. This is the main market that supplies all types of goods and commodities. However, we have taken care to see that the prices of wage goods are being collected only from the retail sellers within the same market. That is because the casual workers are retail buyers who buy the wage goods in the evening while they come back home from their work. We hold that wholesale prices are inappropriate for our purpose. To avoid (retail) price variation among different shops and among different qualities of goods, we have recorded both the lower side and the upper side quotations of prices of the goods. The average obtained from these (low and high) price quotations will give us a better picture.

Regarding the market of the casual workers, we have collected data from a number of localities of the Greater Shillong and its suburbs where we could find plenty of unskilled labourers. We have not surveyed the casual workers from the main city areas of Laitumkhrah, Mawkhar, Jaiaw, Lachumiere, Nongthymmai or Laban because they (casual workers) are few in numbers there and most of the inhabitants in these localities are in the govt. services. Majority of workers stay in the outskirts of the city since there they pay a lower house rent and in the backyards they can cultivate some vegetables in small gardens and also keep some chickens or cattle like pigs.

Choice of Periodicity in Data Collection: The price data have been collected twice a month (once in a fortnight) from the retail price shops in the Barrabazzar market. The price data were first recorded on November 15th, 1996 and the last data was recorded on the 4th of February, 2000 during a span of over three years. Altogether 77 times/rounds of data are collected. As for the income (wage, employment, etc.) and expenditure data, the surveys have been conducted once every six months. On an average, it took four to five days to collect these data in one round of the survey. The data have been recorded in the month of December and January in winters and July-August during summers. The first set of data on income-expenditure was recorded in December 1996 and January 1997 and the last data were recorded in January 2000. Altogether there were seven rounds of survey that covers a period of a little over 3 years.

The Design of Survey: The source of data that we use in our study is based on the surveys conducted by us, and it is related to time series of income, expenditure, wages, prices and cost of living of casual workers during a period of three years. We framed our questioners in such a way that it matches with our scheme of work.

There are two sets of questioners that we have designed. The first is a simple chart or table where we recorded the prices of important wage goods by taking both the lower and the higher range at different dates, twice a month.

The second set of questionnaires deals with income-expenditure of the casual workers. These data were collected twice a year, i.e. once every six months. On the income side, we have designed the questioner in such a way as to collect information about the various sources of income of the labourers, the types of labour, age, sex, educational qualification, no. of working days and the wage rate per day/month. Besides, we record the total no. of members in the family. We also enquired of their additional sources of income such as income from part time job, and the imputed income from cattle rearing, kitchen garden, etc.

On the expenditure side, we collected information regarding the expenditure of the household per week or per month on different wage goods including the house rent. Majority of the respondents report their expenditure per week, which is easier for them to remember and to calculate. To extract information about income is quite a sensitive issue. It is difficult for the respondents to remember and calculate their weekly/monthly expenditure. To overcome these problems, we inquired of the minimum and maximum wage rate earned by the worker per day at different point of time. Then we multiplied the average wage rate by the average no. of working days to arrive at the total income per month. In case of expenditure if they could not tell proper amount of consumption we adopted the same method of taking an average consumption of a particular commodity in quantity either per week or per month and then multiply by the price (prevailing at the time and considered most appropriate) of respective commodities to arrive at the total

expenditure per month. Some respondents, however, could give a proper account of their income and expenditure.

In order to identify the family/household of the labourers during the course of survey from different places, we have tried to judge from the condition of the house. We would enter into such houses which looked old and worn out or in those long houses in the slum areas where there were many tenant households staying in small rooms - usually two rooms to three rooms houses. In some cases, they stay in a single room houses. Another technique of identifying them was to go and find them in the outskirts of the town because in those places, the house rent is less and many of the casual labourers are found in such places. Only a few of the households have their own houses. Our survey is also designed in such a way as to include various communities living in the town and its suburbs. We included labourers from Nepalese, Assamese, Bengali, Bihari, Bodo and Khasi communities, etc.

During the survey we have intentionally avoided those households who are having many members working as self-employed, govt. services, teachers, etc. though in one or two cases we have included even those households that have one or two members engaged in govt. services like peon or teachers in private institutions. Here and there, we have included one or two households whose members are running a small retail shop.

Altogether there were seven rounds of data collection for the income and expenditure of the labourers. Our aim was to collect 20 to 21 households per round of survey. However, it was found that out of 20 to 21 households some of them, occasionally, had to be rejected because the respondents could not provide proper information. Finally, we could collect expenditure data from 127 households.

It is important to note that those households that have been interviewed in those seven rounds are not the same people/households, as in each round new households were being taken. This practice gives us a more consistent information and wide covering.

The types of labour that are included in our study are carpenters, mechanics, drivers, agricultural labourers, carriers, cleaners, house-maids, tea-sellers, bus conductors and helpers, sawmill workers, plumbers, porter in market place, coolie in construction work, dhobi, muster roll, etc.

5. Main Findings: In analyzing the casual labour market in Shillong we have seen that in case of the general casual labour market, the supply curve is almost parallel to the horizontal (wage rate) axis while the demand curve is steeply falling. In case of unskilled casual wagers the supply curve is gently rising in response to the increase in the wage rate of unskilled casual wagger. These are the supply and demand curves faced by a typical casual wagger household. It is to be noted that in general a casual wagger household supplies around 45 labour-days per month. There are 266 casual wagers in 140 households (surveyed by us), which means that an average household supplies two (1.9 when not rounded off) casual wagers, each working for about 22.5 days in a month. With the average household size (of the casual wagger) being 5.4 persons, the dependency ratio is about 3.4 persons per two workers or 1.7 persons per wagger.

We found that wage rate (of a general casual wagger) is about Rs. 60 per day, which in case of an unskilled worker is about Rs. 47 only. With each of the two working members getting some job for 22.5 days in a month, an average casual wagger

household would earn Rs. 2700 (=22.5*2*60) per month, which is an upper bound on the wage earnings. This works out to be Rs. 500 per capita per month. More exactly, average earning would be Rs 2565 (Rs. 475 per capita per month). For an average unskilled casual wageworker household these figures are Rs. 2000 and Rs. 372 (per capita). Thus, casual wageworkers in Shillong earn only a subsistence wage.

It is worthwhile to invoke the standard (and internationally accepted) definition of 'subsistence wage'. ILO (1996) defines it as *the hourly wage sufficient to buy 1 (one) kilogram of the lowest-priced staple cereal*. As ILO notes, the median time to earn this subsistence wage (internationally) is 37 minutes and that is the time in India as well. From our survey we have found that price of 1 kilogram of rice (the staple cereal in the study area) varied between Rs. 8.5 to Rs. 10.0 during 1996-1998. The range was Rs. 10 to 11.5 in 1998-2000. The upper limit of daily wage rates of unskilled casual workers was Rs. 50. Work hours (per day) were 7 to 8 hours. From these figures, the hourly wage rate works out to be Rs. 7.0 or less, which cannot buy 1 kilogram of rice. Additionally, casual labourers in Shillong have no claim to ILO's Social Security (Minimum standard) Convention, 1952 (that is, medical care, sickness and maternity benefits, family benefits, unemployment benefits, employment injury, invalidity and survivors' benefits, and old age benefits).

The following two tables abridge our findings on the patterns in consumption expenditure of casual workers in the study area. Consumption function and propensities to consume also have been estimated. The average propensity to consume is 0.75.

Table 5.1: Mean Household Consumption Expenditure (Rs./month) on Wage Goods Items(Incurred by a typical Average Casual Wage Worker Household)

Rice	500.20	Atta	24.68	Soap	37.78
Dal	39.48	Cigarettes	41.15	Fuel	167.17
Sugar	65.09	Fish	71.23	House rent*	304.26
Tea	41.25	Beef	186.89	Milk	31.32
Potatoes	76.98	Meat	78.27	Miscellaneous	6.57
Onions	22.28	Pan + Nuts	122.02	Adj for H rent*	(50.31)
Mustard Oil	84.20	Vegetables	79.32	Total Expenditure	1980.16**

Table 5.2: Income and Family-size Elasticities
(based on linear regression analysis)

Goods	Constant	Coefficients		R ²	F Value	Elasticities	
		Income	Fam-size			Income	Capita
Atta	16.330 (1.722)	0.00018 (0.058)	1.390 (0.877)	0.008	0.50	0.0186	0.3131
Beef	44.007 (1.127)	0.02394 (1.89)	15.145 (2.32)	0.113	7.80	0.3221	0.4437
Dal	15.377 (1.703)	0.004275 (1.460)	2.162 (1.432)	0.057	3.66	0.2838	0.3125
Fish	28.660 (1.614)	0.01215 (2.110)	1.941 (0.654)	0.057	3.72	0.4384	0.1525
Meat	0.01318 (0.001)	0.03597 (4.373)	-2.247 (0.530)	0.149	10.68	1.1573	-0.1574
Milk	34.267	0.001387	-1.081	0.001	0.07	0.1102	-0.1870

	(1.893)	(0.236)	(0.357)				
Mustard oil	41.983 (3.097)	0.01275 (2.900)	1.691 (0.746)	0.098	6.64	0.3859	0.1114
Onion	9.181 (2.832)	0.00256 (2.434)	1.217 (2.245)	0.136	9.60	0.2896	0.2998
Potato	29.801 (2.045)	0.00672 (1.422)	5.528 (2.269)	0.091	6.09	0.2200	0.3940
Rice	93.965 (3.074)	0.04339 (4.377)	54.137 (10.597)	0.633	104.99	0.2187	0.5940
Sugar	-6.194 (0.864)	0.009385 (4.035)	8.728 (7.281)	0.487	57.95	0.3618	0.7327
Green Vegetables	52.598 (3.780)	0.01683 (3.730)	-2.830 (1.217)	0.104	7.05	0.5346	-0.1958
Cigarettes	15.095 (0.901)	0.01681 (3.092)	-3.184 (1.137)	0.073	4.80	1.0610	-0.4376
Pan+Nuts	16.377 (0.895)	0.0171 (2.882)	11.113 (3.634)	0.235	18.70	0.3579	0.5064
Tea	14.156 (2.414)	0.005216 (2.743)	2.578 (2.630)	0.172	12.65	0.3175	0.3417
Soap	9.385 (2.620)	0.00223 (1.915)	4.167 (6.959)	0.390	38.95	0.1486	0.6044
Fuel	99.404 (3.441)	0.01217 (1.299)	6.629 (1.373)	0.049	2.13	0.1846	0.2189
House-rent	186.091 (4.948)	0.01089 (0.893)	6.612 (1.052)	0.027	1.662	0.1101	0.1456
Miscellany	-9.478 (1.000)	0.003427 (1.115)	1.360 (0.859)	0.027	1.72	1.2983	1.1219

Figures in the parentheses are t values.

As it may be seen in table 5.1, rice and house rent are the first two major claimants, accounting for a little over 40 percent of the total expenditure on wage goods. Beef, fuel and pan (+betel nuts) are the next significant claimants accounting for an additional 24 percent of the total expenditure. Potatoes, onions and vegetables together claim for some 9 percent of the total expenditure. Sugar, tea and milk together account for about 7 percent of the total expenditure. Fish, beef, meat (includes pork and mutton), potatoes, onions, vegetables and mustard oil together claim for a little over 30 percent of the total expenditure. These groupings are mainly for denoting a meaningful consumption sub-baskets.

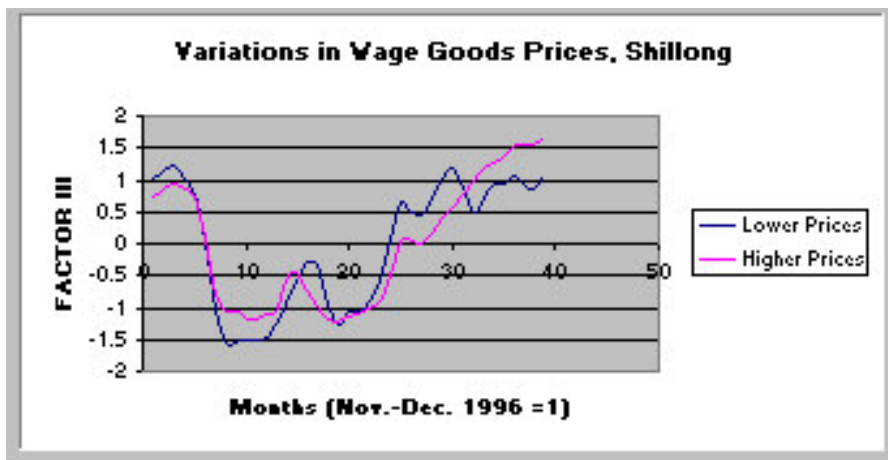
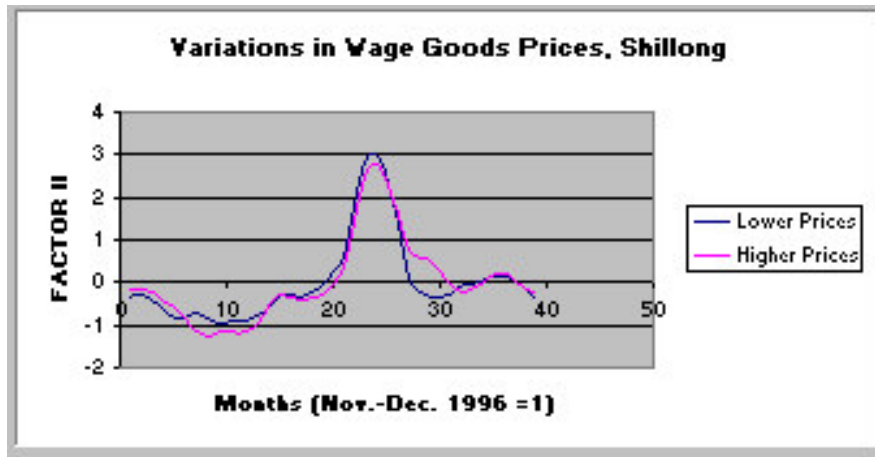
We have found that the average family/household size of a casual wage worker is 5.4 persons. Thus, the per capita expenditure on consumption of wage goods works out to be a little over Rs. 360 per month or Rs 12 per day. We found that the monthly average earning of a typical unskilled casual wage worker household is Rs. 1920.31 (median = Rs. 1650), while that of a skilled casual wage worker is Rs.2098.43 (median = Rs. 2000). A number of households have skilled as well as unskilled casual wage workers. The monthly average income of an unspecified casual wage worker household is Rs. 2389.34 (median = Rs. 2182.50). The monthly average income of an unspecified casual worker household is more than the specified (skilled as well as unskilled) casual wage worker household, for in the former (unspecified) category there are many households with more than one earning member, some skilled and others unskilled. In view of these figures, the monthly average expenditure on wage goods (that does not include expenditure on medicines, education of

children, clothes, small consumer durables, etc.) is quite a substantial percentage of income. Unless a casual wage worker household has more than one earning member, it may have serious difficulties in subsistence. We have computed income and family-size elasticities of demand for wage goods, as presented in table 5.2, which indicates inelastic demand for wage goods as a whole.

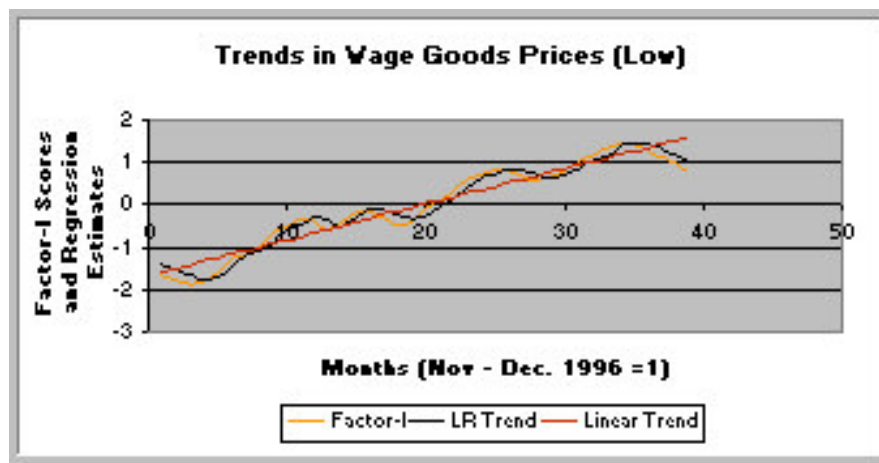
Next we study the trends in wage goods prices and cost of living index of casual workers in Shillong. Among the wage goods we have included 33 commodities which have been classified into comprehensive categories such as atta, rice, dal, sugar, tea, potatoes, Vegetables, Meat, fish and beef, onion, mustard oil, stimulants (biri, cigarettes and Pan & betel nuts), etc. Movements in the prices of these goods have been analysed. The increase in the cost of living has also been compared with the increase in wage rates of casual workers during the study period of this investigation.

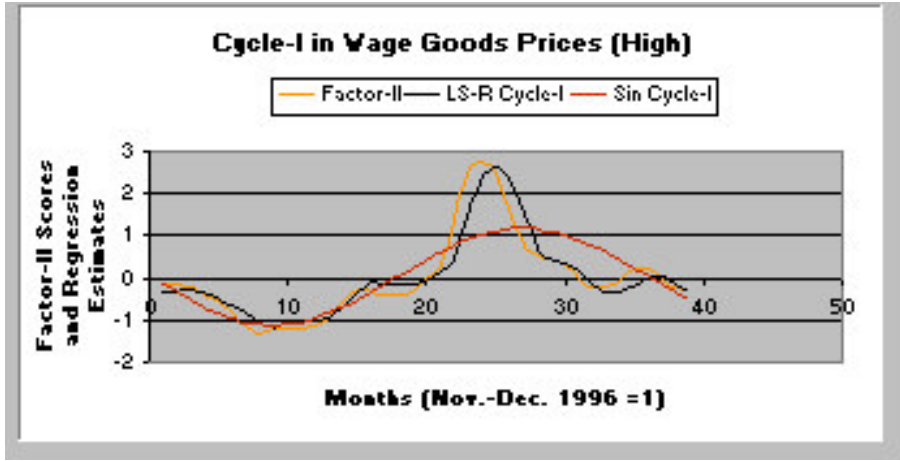
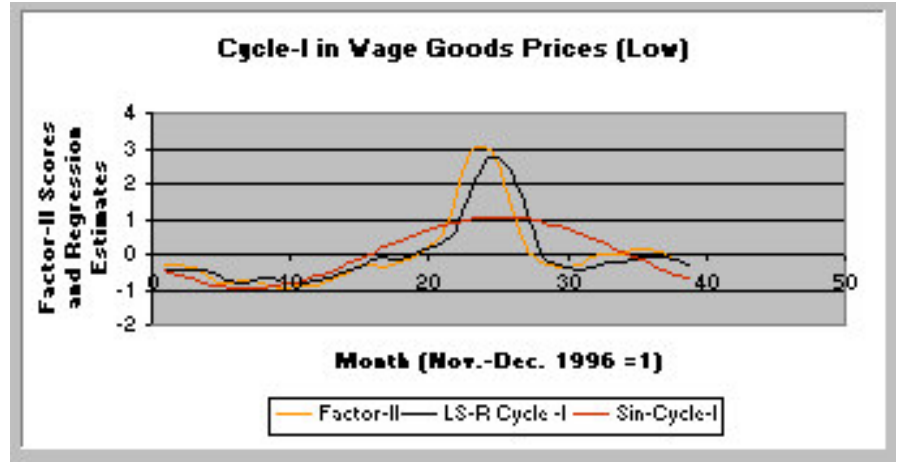
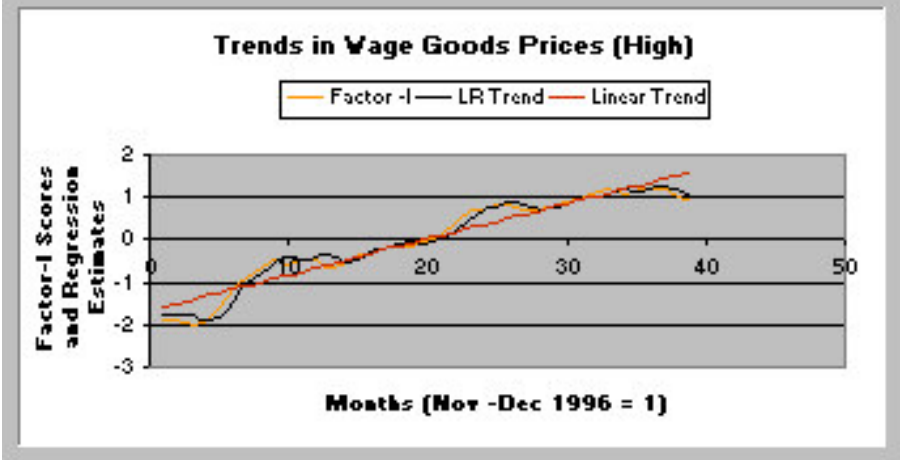
We apply Factor Analysis to analyze the components of movement in prices of the wage goods and extract three factors. Among the three factors derived, the first factor most closely relates to trends in the movements of prices. The second factor is likely to measure a cycle. It has been observed since the olden days that during summer prices are lower (while the cost of living of labourers is lower) and during the winters the prices are higher. However, the abnormal and sudden rise in the index during July-September 1998 attaining the peak in the winters of 1998-99 followed by an equally violent nose dive afterwards reminds us of the months during which the prices of several wage goods (onion, potato, mustard oil, etc.) skyrocketed to instill shocks of terror among the minds to the people in general and the labourers in particular. The third factor closely resembles three-year cycles, the shortest among the cycles that are common in agricultural products. It is to be noted that most of the wage goods are of an agricultural origin.





To simplify the trend component in the wage goods prices we apply regression analysis on Factor-I (Score vector) as a dependent variable and time (measured in months, starting with Nov.-Dec. 1996=1) as the explanatory variable. The regression exercises are carried out for low as well as high prices and all the three factors. For both the prices (low and high) the models fit very well.





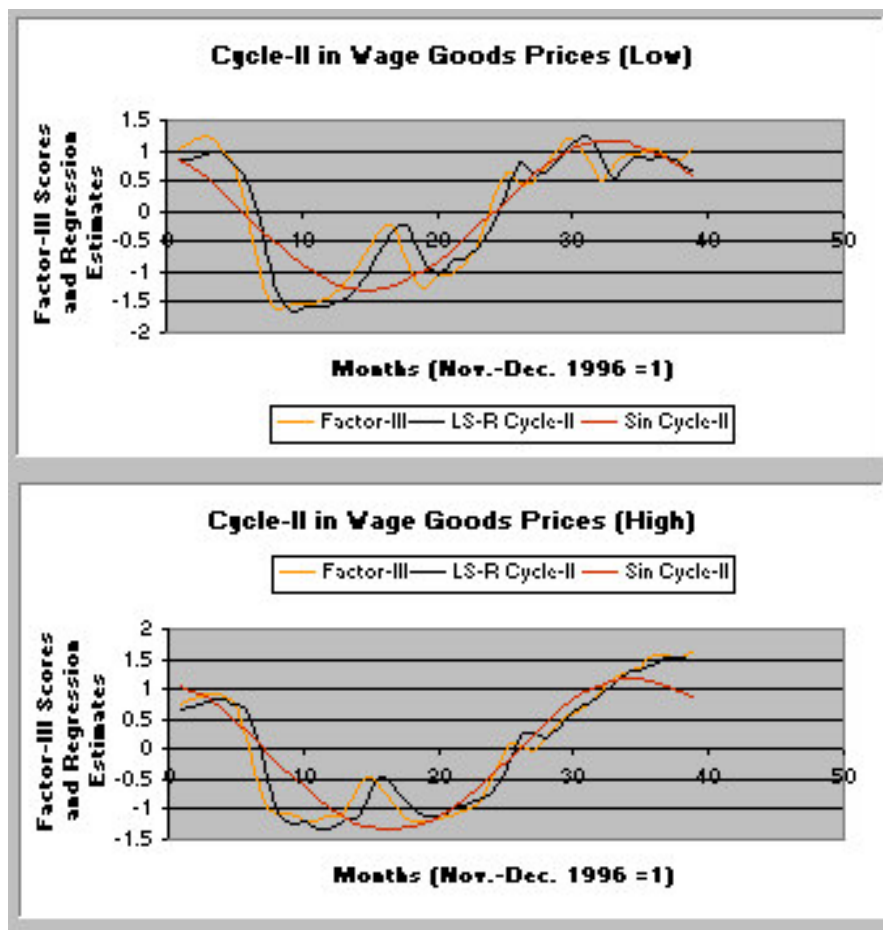


Table 5.3: Lower, Higher and Average Cost of Living Indices in Shillong

Nov. 1996 – March 1997 = 100	$\sum_{i=1}^{16} Q_{Li} P_{Lit}$	$\sum_{i=1}^{16} Q_{Hi} P_{Hit}$	$\sum_{i=1}^{16} Q_{Mi} P_{Mit}$	Cost of Living Indices		
				I_L	I_H	I_M
Nov.1996=1	Per Hhold	Per Hhold	Per Hhold	-----	-----	-----
2	1616.07	1599.55	1607.81	100.99	99.96	100.48
3	1611.04	1615.03	1613.04	100.68	100.93	100.81
4	1600.48	1603.53	1602.01	100.02	100.21	100.12
14	1696.11	1724.34	1710.23	105.99	107.76	106.88
15	1722.39	1734.45	1728.42	107.63	108.39	108.01
16	1752.32	1759.00	1755.66	109.50	109.92	109.71
26	1975.16	2097.88	2036.52	123.43	131.10	127.27
27	1890.38	2015.20	1952.79	118.13	125.93	122.03
28	1830.77	1963.78	1897.28	114.41	122.72	118.57
38	1894.75	1977.44	1936.10	118.41	123.57	120.99
39	1848.30	1939.70	1894.00	115.50	121.21	118.36
40	1802.41	1907.19	1854.80	112.63	119.18	115.91

Finally, we have constructed the cost of living indices (for low as well as high prices of wage goods). A summary of the cost of living indices is given in table 5.3. Overall, during our study period of three years, a 20 percent increase in the cost of living index is observed. The Figure shows the trends in cost of living. Five-Month Moving Averages of Cost of Living Indices provide a better picture of the trends in movement of cost of living during Nov.-Dec. 1996 to Feb. 2000, the study period). Clearly, during a little over 3-years' period, there is a 20 percent rise in cost of living of casual wage workers in Shillong. This comes to (about) 6.25% compound annual rate of increase or about 6.67% average annual rate of increase in cost of living.

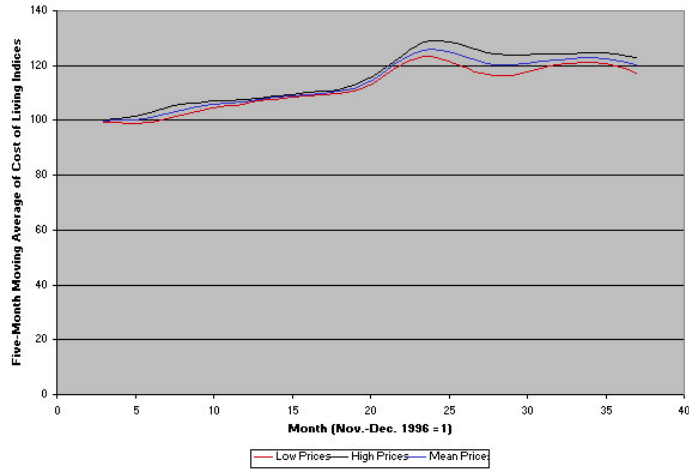
**Table 5.4: Five-Months Moving Average
Cost of Life Index of Casual Wage Workers in Shillong.**

Month	MAI _L	MAI _H	MAI _M	Month	MAI _L	MAI _H	MAI _M
3	99.516	100.112	99.818	21	116.72	119.238	117.98
4	99.238	100.722	99.984	22	120.278	123.592	121.936
5	99.082	101.514	100.302	23	122.604	127.2	124.904
6	99.326	102.934	101.134	24	123.218	128.968	126.094
7	100.47	104.678	102.578	25	121.798	128.682	125.242
8	101.924	105.748	103.84	26	119.446	127.214	123.332
9	103.178	106.446	104.816	27	117.452	125.53	121.494
10	104.398	107.196	105.8	28	116.372	124.31	120.344
11	105.348	107.286	106.32	29	116.514	123.794	120.158
12	106.066	107.438	106.754	30	117.494	123.984	120.742
13	106.998	108.242	107.622	31	118.832	124.214	121.526
14	107.826	108.868	108.348	32	120.208	124.162	122.188
15	108.638	109.302	108.972	33	120.888	124.288	122.59
16	109.094	110.068	109.582	34	120.982	124.598	122.792
17	109.266	110.608	109.938	35	120.802	124.578	122.692
18	109.726	111.236	110.482	36	119.568	123.898	121.736
19	110.736	112.728	111.734	37	117.456	122.898	120.18
20	113.026	115.396	114.212	-----	-----	-----	-----

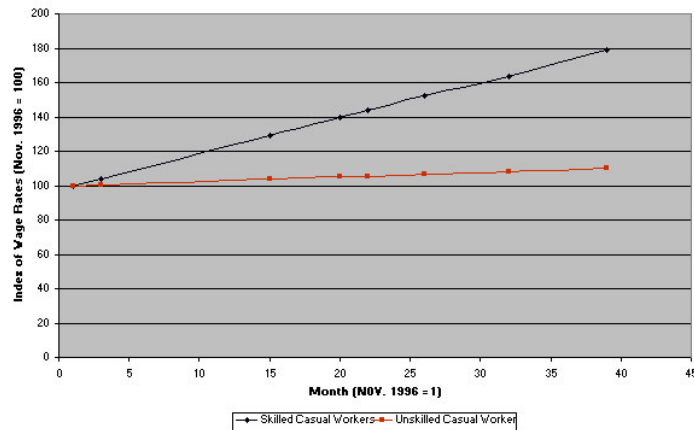
We may ask: are changes in wage rates of casual wage workers commensurate with the changes in their cost of living ? In the later half of our study period, wages of unskilled workers have systematically lagged behind the increase in the cost of living index. Wage rates of unskilled workers have increased by 11 to 12 percent while the cost of living has increased by 20 percent during the study period.

However, wage rates of skilled workers, which increases by (about) 80 percent or so, succeeded at overpowering the increase in the cost of living. Obviously, the unlimited supply of unskilled casual wage workers from the rural Meghalaya, Nepal, Bihar, Bengal, Bangla Desh, Assam, etc to Shillong has kept up an excess supply of unskilled casual wage workers much above what is demanded for in the market. However, that is not the case with the skilled casual wage workers. Additionally, it is not unlikely that urbanization, development and rise in secondary as well as tertiary sector activities in Shillong has created more jobs for skilled casual wage workers more in proportion than that for the unskilled casual wage workers. That is why the increase in wage rates are favourable to the skilled casual wage workers.

Trends in Cost of Living Indices for Casual Wage Workers in Shillong
(Five-months moving average)



Index of Wage Rates of Casual Workers in Shillong



6. Prescriptive Remarks: The Govt. of Meghalaya raises the (nominal) minimum wage rates from time to time (vide table 6.3(i)). It appears that market wage rates hover around the minimum wage rates announced by the Government, but they do not set the bottom line of wages. Nevertheless, minimum wage rates announced by the Government are subsistence wages while they could be efficiency wages. It appears that if the efficiency wages are set significantly higher than what the market would warrant, they would not be effective, unless strictly followed and monitored. It may as well happen that at the higher wages, unemployment increases. Even now, there is an unlimited supply of workers (especially the unskilled ones) ready to work at the prevailing wage rates, but failing to get the job.

Under the prevailing conditions, it would be suggested that the efficiency wages – significantly higher than the subsistence wages – are announced as the minimum wages by the Government. But furtherance of unemployment will be its cost. Thus, one is caught between the horns of a dilemma. Furthermore, while poor governance mars every

development effort and the soft state habitually drifts from one to another stand every now and then, infirmity in implementation is not a gadfly's skepticism. It would indeed be difficult to monitor the market to comply with the implementation of efficiency wages policy. There is hardly any possibility of organizing the casual labourers. They belong to diversified communities divided on many counts. There are many who have immigrated from far off lands and prefer to survive as the underdog than to indulge in the hassles of unionism. Their accommodative behaviour is in no way irrational. Risk aversion at the subsistence level of living is quite natural and rational. So organizing casual workers on the union lines that may enhance their bargaining power, and monitor minimum wages may not be feasible from the supply side as well. The employers of casual workers are a collection of unorganized, ubiquitous, randomly appearing miscellany of people who want to pay the least, but are in effect the price takers. They would not resist hikes in wage rates of the casual workers, but may reduce the demand for them.

Table 5.5: Minimum Wages (Rs. per day) notified by the Government of Meghalaya			
<i>Category of Workers</i>	Notification no. LBG.21/93/229 dt.10/7/96	Notification no. LBG.28/98/433 dt.27/10/99	Proposed to be notified
Skilled	45	62	85
Semi-skilled	40	54	75
Unskilled	35	50	70

Since implementation of the efficiency wage is difficult, some welfare measures can be taken up by the government, which would help to ameliorate the living conditions of casual labourers as it is done in Maharashtra. The govt. of Maharashtra has attempted to adopt a model code for protecting the interests of domestic servants. The domestic helpers are entitled a weekly holiday, paid holiday for 15 days and payment of travel expenses to visit native places once a year, coverage of medical expenses for full time domestic workers. The govt. can think of compulsory registration of the unorganized casual workers so that some relief measures can be extended to them like group insurance, unemployment allowance, house rent subsidies/allowance, compensation for injury during work and so on so forth. The govt. of Karnataka has recently introduced legislation for registration of employment and guarantee of working conditions providing for safety, health, welfare and security of employment of workers in the unorganized sector. It envisages the creation of a social Security Authority and also a welfare fund. If all the states in India could implement some or all of these welfare measures then the Government is true to its objectives of being a welfare state and maintaining growth with social justice.

But that would be a patchwork. Widespread unemployment is a serious structural malady. It has its origin elsewhere and can be treated only there. The roots of massive unemployment – reflected in the vast army of the unemployed ready to work at subsistence wages and yet not getting anything worthwhile – are in high growth rate of population, sluggish growth of the economy, lack of investment in manufacturing sector, poor work culture and inefficient functioning of those who are already in employment, etc. One speaks of employment multiplier. It takes on a value above unity ($k > 1$) when the

employed – a hundred in number – are paid commensurately but produce enough that would in turn employ more than a hundred of workers. When the employment multiplier of the currently employed is greater than unity, it creates surplus value. If this surplus value is reinvested, the economy expands and employment opportunities increase. However, when the currently employed (considered as a collectivity) exhibit employment multiplier far less than unity, the market can only shrink over time and no new jobs can be created. Population increases over the years and the army of the unemployed grows larger and larger. Therefore, there is a need to discipline the economy, arrest the growth of population, promote work culture and reduce wastages.

Meghalaya is known for being a power-surplus state, generating more electricity than it consumes, and therefore, it exports power to the neighbouring states. However, rural electrification in Meghalaya is perhaps the most sluggish in the whole North Eastern Region. Industrialisation without industrial consumption of electricity in the rural areas is only a remote possibility and without that, attempts to arresting the swelling mass of casual workers immigrating from the rural to the urban centers is only a wild goose chase.

As ILO (1996) pointed out, poor conditions of casual wagers in the rural sector cannot be ameliorated unless structural changes are successfully introduced. There lies the remedy of the problems of urban casual labourers also because both the problems (miseries of casual workers in rural as well as urban areas) are two sides of the same coin. Therefore, we agree with ILO in suggesting:

1. Strong labour-intensive growth in agriculture stimulated by investments in infrastructure to generate more employment in and around agriculture;
2. major drive in support of more and broader collective bargaining;
3. a sustained effort to improve working conditions, from transport to occupational safety and health, including a much reduced incidence of child labour;
4. an employment guarantee scheme of, for example, 80 to 100 days of employment per year during the low season;
5. effective application of basic labour standards;
6. extension of basic social security benefits to agricultural wage workers.

These measures will arrest the supply of unemployed agricultural workers to the urban areas and reduce the miseries of urban casual labourers.

Bibliography

- Arawal, K. G.** (1990). *Conditions of Casual Labour of Jaipur*. (unpubl. Manuscript). VV Giri National Labour Institute, Noida.
- Ayşe, O.** (1990). *International Labour Migration and Class Relations*. in Martinelli, A. and Smelser, N. J. (eds.) *Economy and Society: Overview in Economic Sociology*. Sage Publ., London.
- Bhaduri, Amit** (1986). *The Dynamics of Commodity Production*, Macmillan, New York.
- Blaug, Mark** (1978). *Economic Theory in Retrospect*, Vikas New Delhi.
- Breman, Jan** (2001). *Footloose Labour: Working in India's Informal Economy* Cambridge Univ. Press, London.
- Brahmananda, P. R.** (1978). *Planning for a Futureless Economy*, Himalaya Publishing House, Bombay.

- Byers, J. D.** (1979). Inflation and the Labour Market, in *Perspective on Inflation*, David Heathfield (Ed.), Longman.. USA.
- Byrns, R T and Stone, G W** (1989). *Economics*, 4th edn. Scott, Foresman and Co. Glenview, Illinois/London.
- Dasgupta, Biplab** (2001). Globalisation, Labour Market and Labour Standard Seminar Papers, Jadavpur Univ. Kolkata. June.
- De la Fuente, Angel** (2000). *Mathematical Methods and Models for Economists*. Cambridge Univ. Press. Cambridge, London.
- Datta, Ramesh C.** (1998). Public Action, Social Security and Unorganised Sector, *Economic and Political Weekly*. Vol. 33(22), May.
- Dobb, M.** (1928). *Wages*. Cambridge Univ. Press, London. (Reprint 1948 – Pitman Publ. New York).
- Dobb, M.** (1973). *Theories of Value and Distribution since Adam Smith*. Cambridge Univ. Press, London.
- Fairchild, Fred Rogers et al.** (1937). *Economics*, Macmillan, New York.
- Fonseca, A.** (1972). Wages and Labour Surplus, *Social Action*. Vol. 22(3), July-September.
- Furniss, E. S.** (1920). *The position of the labour in a system of Nationalism, A study in the Labour theories of the Later English Mercantilists*. Kelley Publ. Augustus, M.
- Galbraith, J. K.** (1958). *The Affluent Society*. Hamish Hamilton, London.
- Galbraith, J. K.** (1980). *The Nature of Mass Poverty*. Pelican, New York.
- Ghose, Jayati** (2003) The stark employment scene. *Frontline*, 20(6). March 15-18.
- Gothoskar, Sujata** (2000). Casualisation - Increased Control Over Labour? *Labour File* , Article 6. 2000.
- Govt. of India** (1948). *The Gazette of India, Extraordinary*, N. Delhi, March 15th .
- Govt. of India** (1993). Conditions of Casual Labour of Jaipur. *Sixth Digest of Indian Labour Research* (1988-1992), Labour Bureau, Ministry of Labour, Chandigarh.
- Govt. of India** (2001). *Abstract of Census of India 2001*, Directorate of Census Operations. Delhi.
- Govt. of India** (2003). *Reports of the National Commissions on Labour* Academic Foundation, New Delhi.
- Govt. of Meghalaya** (2000). *Statistical Handbook of Meghalaya 2000*. Directorate of Economics and Statistics, Shillong.
- Govt. of Meghalaya (1990, 1996 & 1999)**., *Labour Commission Notifications*; dt.22/5/90, 10/7/96, 27/10/99.
- Guhathakurta, S. N.** (1971).Wage Determination of Unorganised Labour in Construction Industry, *Economic and Political Weekly*. Vol. 6(42-43), October
- Guhathakurta, S. N.** (1972). Minimum Wage in the Construction Industry, *Economic and Political Weekly*. Vol. 7(11), March.
- Guhathakurta, S. N.** (1980). *Contract Labour in Construction Industry*, Firma KLM, Calcutta.
- Gupta, B. N.** (1992). *Statistics*, Sahitya Bhavan, Agra.
- Haney, Lewis H.** (1940). *History of Economic Thought*. Macmillan, New York.
- Haridasan, V.**(1992). A Study of Working and Living Conditions of Labour in Rubber Processing Factories (1988-1990), *Rubber Board Bulletin*, Kottayam.

- Hince, K.** (1965). Wages Boards in Victoria, *Journal of Industrial Relations*, Vol.7(2), July.
- Ilkaracan, I & Selim, R** (2002). The Role of Unemployment in Wage Determination: Further Evidence on the Wage Curve from Turkey. CEPA Working Paper no. 2002-11. *Center for Economic Policy Analysis (CEPA)*, New School University.
- ILO** (1960). *Collective Bargaining - A Worker's Education Manual*, Geneva.
- ILO** (1996). *Wage workers in agriculture: Conditions of employment and work*. (Report for discussion at the Tripartite Meeting on Improving the Conditions of Employment and Work of Agricultural Wage Workers in the Context of Economic Restructuring). International Labour Organisation, Geneva.
- Iyer, Radha** (1984). Labour's Due Answer, *Economic and Political Weekly*. Vol. 19(36). September.
- Jhabvala, Reena** (1998). Social Security for Unorganised Sector, *Economic and Political Weekly*. Vol. 33(22). May.
- Joshi, G. D.** (1973). *Concept of Consumer Price Index and Dearness Allowance*, S. Chand, Delhi.
- Joshi, Navinchandra** (1997). Caring for Unorganised Labour. *Shillong times* January 12th.
- Kar, Biman** (1986). Socio-Economic Implication of the Migration, in Datta Ray, B. (Ed), *Pattern and Problems of Population in NEI*, Uppal Publishing, Shillong.
- Kennedy, V. D.** (1966). *Unions, Employers and Government : Essays in Indian Labour Questions*, D.W. Bombay.
- Krishna, Pravir** (1986). *Price Behaviour in Planned Economy*, Deep and Deep, Chandigarh.
- Krishnamurty, N. S. R.** (1972). Minimum Wages in India: Problems and Prospects, *Indian Labour Journal*. Vol 13(8), August.
- Labour Bureau** (1965). Linking Dearness Allowance to the Consumer Price Index Number, *Indian Journal of Labour Economics*, April.
- Lester, Richard A.** (1941). *Economics of Labour*, Macmillan, New York.
- Luenberger, D G** (1995). *Microeconomic Theory*, McGraw-Hill, New York.
- Marx, Karl** (1965). *Capital: A Critique of Political Economy*. Progress Publishers, Moscow.
- Meier, G. M.** (1976). *Leading Issues in Economic Development*. Oxford University Press, New York.
- Mishra, S. K & Gaikwad, S. B.**(1979). Impact of Economic Development on welfare and Living Condition of People of MP, *Indian Journal of Regional Science*. Vol. 11(1).
- Mishra, S. K.** (1984). *Evaluation of Public Policies for Agricultural Development in Less Developed Regions*. IIT, Kharagpur.
- Monga, G. S. & Goel, M. M.** (2001). *Wage Goods Approach to Development*, (Edited), Deep and Deep, New Delhi.
- Morishima, Michio** (1976). *The Economic Theory of Modern Society*. Cambridge Univ. Press, Cambridge, London.
- Mukhopadhyay, Swapna** (1994). Casualisation of Labour in India: Concept, Incidence and Policy Options in *The Indian Labour Market and Economic Structural Change*, L.K. Deshpande and Gerry Rodgers (Ed.), B.R. Publishing, Delhi.
- Myrdal, Gunnar** (1953). *The Political Elements in the Development of Economic Theory*, Routledge and Kegan Paul, London.

- Myrdal, Gunnar** (1972), *Asian Drama: An Inquiry into the Poverty of Nations*. (abridged by Seth S. King), Vintage Books, New York.
- Olsen, W. K.** (1999). Social Structures and Stereotypes Influencing Casual Labour Markets: Lessons From a Case Study in India, *Development Studies Association* ; working paper for submission to Human Relations (the interdisciplinary Tavistock Foundation journal).
- Pal, Sarmistha** (2002). Segmentation of Rural Labour Contracts: Some Further Evidence. *Bulletin of Economic Research*. Vol. 54(2).
- Papola, T. S.** (1970). *Principles of Wage Determination: An Empirical Study*, Somaiya Publication, Bombay.
- Parry, J, Bremen, J and Kapadia, K** (1999, Eds.). *Working Class and Labouring Poor. The World of Indian Industrial Labour*. Sage Publ., New Delhi.
- Pissarides, C** (1999). *Equilibrium Employment Theory*. Blackwell, London.
- Pushpangadan, K** (1992). Wage Determination in a Casual Labour Market: The Case Study of Paddy Field Labour in Kerala. CDS working Paper -1991-95. [January, 1992: WP244].
- Pylkkanen, E** (2001). Modeling Wages and Hours of Work. *Brazilian Electronic Journal of Economics*, Vol 4(2).
- Rao, M. A. M.** (1976). Machinery for Wage Fixation, in J.N. Mongia, (Ed.) *Readings in Indian Labour and Social Welfare*, Atma Ram & Sons, Delhi.
- Rastogi, Sitaram** (1977). *Wage Regulation in India: A Study of Kanpur*. Popular Prakashan, Bombay.
- Reddy, P. C.** (2002). Casual labour on the rise in AP districts: Study. *The Hindu*, Aug. 13th.
- Ricardo, David** (1911). *The Principles of Political Economy and Taxation*, Everyman's Library, Dent/Dutton, London.
- Rodger, J. R** (2001). Poverty Rates Among Part-Time and Casual Workers. *Economic Working Papers* (# wp01-09). Dept. of Economics, Univ. of Wollongong, Australia.
- Rogaly, Ben** (1998). Workers on the Move: Seasonal Migration and Changing Social Relations in Rural India. *Gender and Development*, Vol. 6(1).
- Roy, A. K.** (2002). Voice of the Unorganised Sector- Workers Rally in Tamilnadu, *Economic and Political Weekly*. Vol. 36(40). October.
- Sangma, P. A.** (1994). *India in ILO :1969-1993*. (Ed.), National Labour Institute, Delhi.
- Saraswathi, S** (2002). Protection of Unorganised Labour. *Shillong Times*, May, 31st.
- Schumacher, E. F.** (1973). *Small is Beautiful*, Rupa and Co., London.
- Sen, Rajkumar** (1987). Consumption Pattern of NER in V.S. Mahajan, (Ed), Deep and Deep, Chandigarh.
- Shapiro, C and Stiglitz, J** (1989). Equilibrium Unemployment as a Worker Discipline Device. *American Economic Review*, Vol. 74. pp. 433-444.
- Sinha, P. R. N.** (1971). *Wage Determination*, Asia Publ. house, Bombay.
- Smith, Adam** (1933). *The wealth of Nations*, Everyman's Library, Dent/Dutton, London.
- Sraffa, P.** (1960). *Production of Commodities by means of Commodities. Prelude to a Critique of Economic Theory*. Cambridge Univ. Press, London.
- Sreenivas, M. A.** (1974). *Price Labour in India: 1948-49 to 1965-66*, Vora and Co. Bombay.
- Subramanian, K. N.** (1977). *Wages in India*, Tata Mcgraw Hill. New Delhi.
- Taussig F. W.** (1947). *Principles of Economics*. Macmillan, New York.

- Thorner, David** (1974). Principal Mode of Production of Karl Marx in Ashok Mitra (Ed.), *Economic Theory and Planning*, Oxford University Press, Calcutta.
- Thornton, W. T.** (1870). *On Labour: Its Wrongful Claims and Rightful Dues Its Actual Present and Possible Future*. Macmillan, New York.
- Upreti, B. C.** (2002). *The Marginal Migrants : A Study of Nepali Emigrants in India*. Kalinga Publ. Delhi.
- Van Hear, N.** (1984). ' ByDay' boys and Dariga men: Casual Labour versus Agrarian Capital in Northern Ghana. *Review of African Political Economy*. 11(31).
- Visaria, Pravin** (1998). Unemployment among youth in India : Level, nature and policy implications: Action Programme on Youth Unemployment. *Employment and Training Papers-36*, ILO, Geneva.
- Walker, F. A.** (1892). *Political Economy*. Henry Holt. New York.
- Webb, Sydney and Beatrice** (1898). *Industrial Democracy*, Published by the Authors "for the Trade Unionists of the UK". London.

Visit us at

http://www.geocities.com/nehu_economics

or

<http://www.economics.freewebsites.com>