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THE SHARE OF LABOUR WAGES AND DISTRIBUTION OF INCOME IN THE GLOBALISED INDIAN ECONOMY

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ABSTRACT:

India introduced the policy of liberalization, privatization and Globalization in 1991 which got further fillip with founding of WTO and India became its founding member. At ideological level in the main stream economics greater acceptance became pronounced for free market, dismantling controls and regulations, privatization or public sector enterprises, free movement of capital, commodities and services all leading to efficient allocation of resources. The distribution of income in a country is complex process in nature.

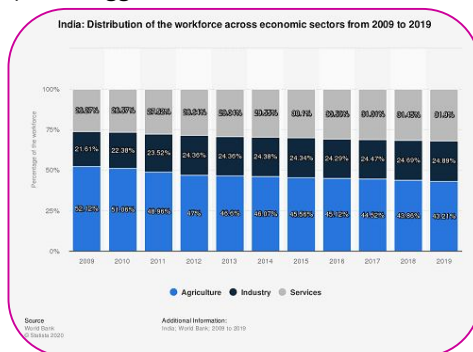
KEYWORDS: India introduced , policy of liberalization, privatization and Globalization.

INTRODUCTION:

It is not determined by purely economic factors like ownership and control of productive resources, technology, skill and education level of working people but also by political processes especially bureaucratic and political support, membership or social groups such as cast, community and religion. Political and social factors also contribute positively as well as negatively in distribution of income and wealth in the society. A multiple but inter-related factors are at play simultaneously to determine distribution of income across sector, sub sectors and among classes and group in the society. That's why the David Ricardo wrote in his book on the principles of political Economy and Taxation distribution is the principle problem of political economy.

OBJECTIVES :

- 1) To understand the process of globalization and its effect on national income.
- 2) To focus on distribution of income
- 3) To understand the wage and distribution of income.
- 4) To study the situation of wages in organized and unorganized sector.
- 5) Government and political views about the distribution of income and wages.
- 6) To suggest some measures to meet the problem of un-equality through the wages.



Changing in income distribution share or employment and income in the Agriculture sector:

The new economic policy implemented in India in 1990-91 and the totally change the cenavio or the Indian Economy. The new economic rgime has accelerated the pace of GDP growth which is led by service sector. The manufacturing sector growth rate has not accelerated and its share in GDP has remained around 15 percent and employment share has also

remained between 11 – 12 percent during 1983 to 2004 – 05. The share of agriculture has shrunk at a fast rate in GDP from 37.1 percent in 1983 to 30.0 percent in 1993 – 94 and 20.2 percent during 2004 – 05 while decline in the share of employment has happened at a relatively slow pace. The share of agriculture in GDP has fallen further to 15 percent while this sector employees 53.2 percent of country's workforce in 2009 – 10. That's result the income of working class in agriculture and allied sectors is low compare to Industrial sector and service sector. At sectoral level there has been continuous shift away from agriculture to non agricultural activities.

Decreasing share of wages in National Income of unorganized sector:

The early studies in India point to declining share of wages had fallen in India during 1900 – 1950. The scholar in the early past independence period concentrated on movement of wages and profits in the manufacturing and agricultural sectors separately rather than the economy as a whole. A study on manufacturing sector concluded that the share of wages declined and that of profits increased. Another study covering manufacturing sector and agriculture sector worked out declining share of labour in manufacturing and agricultural income.

Share of income distribution of organized and unorganized sectors in India :

Year	Organized sector (GDP in %)	Unorganized sector (GDP in %)
1993 – 94	36.8	63.2
2000 – 01	41.4	58.6
2009 – 10	45.0	55.0

Source : National Account statistics CSO Govt. of India various issues.

The above data shows that the shift of income distribution from agriculture to service sector is further reflected in shift away from unorganized to organized sector. The unorganized sector contributed around 63.2% of income during 1993 – 94 which has declined to around 55% during 2009 – 10. The share of organized sector has increased from around 36.8% of GDP during 1993 – 94 to around 45% during 2009 – 10. Further there is shift of income within organized sector away from public sector and towards private organized sector. The share of public sector in the GDP was above 23% during 1993 – 94 which declined to 20.1% during 2009 – 10. There is a massive increase in the share of private organized sector from 13.1% in 1993 – 94 to 24.8% during 2009 – 10. This is the outcome of the policy or liberalization of procedures for private corporate sector, privatization of public enterprises and promotion of collaboration of private capital with global capital. The private companies in organized sector (1009 – 10) corner nearly 25% of GDP. These companies working for profit maximization through externalization of costs and internalization of profits. They are making all efforts to take overland of poor peasants for non-agricultural purposes and also forest lands for mining, manufacturing and business of various varieties.

Percentage distribution of workers in organized and un-organized sectors and changing share of wages:

As per NSSO, 55th round and 61st round statistical data in year 1999 91.2% workers are working in unorganized sector and 8.8% in organized sector and in 2004 – 92.4 unorganized sector and 7.6 in organized sectors. The figures in percentage shows that the percentage of workers in organized sector decline and in unorganized sector increasing. The sectoral shift of share of income from agriculture to service sector, from unorganized sector to organized sector and from public sector to private sector has implications for the share of wages in the net National Income. Taking compensation to employees as a proxy to share or wages. Some idea can be gathered about changes in distribution of income among different classes of the society. In the organized sector the income is divided into compensation to employee and operating surplus, the latter including rent, profit and interest occurring to the employers. In the unorganized sector the income is divided into compensation to employees.

The data on compensation to employees bring out that the share of wages at the national level had shown a rising trend upto 2001 – 02 from 1993 – 94 when it rose from 33.8% during 1993 -94 38% during 2001 – 02 but declined subsequently around 30% during 2008 – 09 to 2009 – 10. At sectoral and sub-sectoral

level different trends are observed. This share in the unorganized sector has almost remained constant and varied around 11 – 12% of the net income generated in the country. Although this sector accounts for major share of workforce and also the largest proportion of labour / wage workers. This proportion the workforce has been growing and it has increased from 91.2 percent in 1999 – 2000 to 92.4% in 2004 – 05 and it is expected to grow in the subsequent period. The face fact is that the share of country's workforce in organized sector decline by 1.2% during 1993 to 2005. Thus, decline in share of compensation to employees is higher than the decline of share of workforce (92.4%) continued to be employed in the unorganized sector. Agriculture alone account for 53.2% of the workforce in 2009 – 10 and is a major employer in the unorganized sector. The share of income of this sector has fallen to 15.3% in 2009 – 10 the shift of the workforce is taking place at a very slow pace compared to decline in its share in income causing a lot of the misery manifested by suicides of the peasants and agricultural labourers. The rural areas also host most of the poor and under nourished population in the country. The employment expansion is taking place in secondary and tertiary sectors but largely in the unorganized sector of the economy. The organized sector is stagnating in terms of employment but growing very fast in terms of income causing inequality income distribution among sectors and classes of population.

CONCLUSIONS :

- 1) The income distribution outcome of neo-Liberal reforms leading to increasing income inequalities in the country.
- 2) There is need for change in the attitude of the state machinery towards working class organizations.
- 3) The private sector will not allow sharing of fruits of development to the working poor.
- 4) The working of economic system in India in the post liberal reforms era has brought high growth rate of income accompanied by inequality in distribution of income. It has led to fall in the share of unorganized sector in the national income. In the unorganized agricultural sector is the largest sub sector which has suffered sharp decline.
- 5) Trade union plays an important role in wage determination and are the key players in sustaining wage share.
- 6) The political views behind the policies of wage rate and needs of common people.

SUGGESTIONS:

Adopting liberalization and process of globalization after 1991 the problems of inequalities and unbalanced sectorial development common man facing many problems to solving the problems following measures helpful for that –

- 1) Government should implement wage policies strictly as per law.
- 2) Try to distribute equal share in national income in land, labour, capital and organization et.
- 3) Preference should be give to the hard workers and implement the policy more the work more wages in the wage policy.
- 4) Redistribution of sources of income is very need to take measures and take step to income redistribution system.

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