

# Can Regulated Labor Market Reduce Income Inequality?

## Experience in Kerala State, India

By

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**Abstract:** This paper dwells on the premise that income inequality has its roots in the variable income earning capability of sellers of labor services in the labor market. Rapid structural transformation in a developing economy paves the way for labor to earn higher income in the Secondary and Tertiary sectors, compared to the Primary. Labor market deregulation should spur more employment opportunities in Kerala State, because of the expectation that more investment will be attracted there to absorb a talented and educated labor force, at present (in 2012-13) suffering from the highest unemployment rate in India.

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### 1. Introduction

An attempt to explain the complex relationship between high unemployment rate and income inequality in Kerala, one of the most beautiful and most literate States in India is the subject matter of this paper. Second section of the paper dwells on selected thoughts on income inequality; followed by section three on Labor market and four, on structural transformation in the economy from a global perspective. Section five is on the Kudumbasree project (with protected labor market) in Kerala, a socio-economic experiment worthy of emulation by interested parties as a panacea for the ills of the economy and achieve the twin results (lower unemployment; and earn regular income to help reduce income inequality) at one shot. Conclusion is given in the last section.

### 2. Inequality

Differential wage exists due to various reasons, including shortage of specific skilled labor which requires very high cost of training for a long period of time, highly stressful environment of work even involving the risk of losing one's own life, supply restrictions of labor through artificial barriers of entry into the given type of labor market, and efficiency wages necessitated by the reality show on the output screen; all of which warrant really high compensation above the market wage rate. This explains why some type of labor that do not fall into the above categories receive, only the market wage rate or even less. One of the reasons for income inequality is the difference in earning power of individuals in the labor market. When highly educated- skilled labor can earn higher income as they trade their labor services with the employer, low skilled illiterate and less educated labor earn less. In other words, differences in the human capital explain the reason for income inequality by differentiating the annual income earned by each individual.

Table. 2.1 Inequality in the world economy: Lorenz curve<sup>1</sup> compared\*

Households(percentages)	Percentage of total income		
	Brazil&SouthAfrica (B&SA)	USA	Finland and Sweden (F&S)
Lowest 20	2	5	8
Second 20	5	10	14
Middle 20	10	16	20
Next highest 20	18	22	23
Highest 20	65	47	35

\*Source: Parkin, 2014, Economics, eleventh edition figure 19.6, p.451

Table 2.1 shows the most unequal distribution of income in B&SA and the most desirable in F&S, USA being in the middle. It is reported that the distribution of income in the globe has graduated to more equality between the years 1970 and 2005, when

measured by the Gini Ratio<sup>2</sup>. Globalization along with relentless technological advance enhance the capability of those who have got the relevant skill set, resulting in a vertical propulsion in income earning power, the have-nots in the same arena are left in oblivion to struggle in lack, if not in poverty. Parkin (2014) sketches a comparable scenario of inequality as measured by the Lorenz curve in three sets of geographical areas in table 2.1.

Table. 2.2 India's Gini Coefficient

Year	1983	1987	1994	2005	2010
Gini Index	31.1	31.9	30.8	33.4	33.9

\*Consumption expenditure is used as proxy for income in constructing the Gini coefficient.

Source: World Bank Country Survey FY 2012: Gini Index in India

Juxtaposed with USA, India's Gini coefficient unfolds a picture of medium Income inequality relative to (B&SA) and (F&S). Table 2.2 (World Bank, 2012: Gini Index in India, The World Bank Country Survey FY 2012 Report of Findings) vindicates the prediction of economic theory in the labor market. In India, (Somesh Jha, 2013)| New Delhi August 10, 2013 reported that: "Inequality computed from the National Sample Survey on household consumption expenditure (proxy for income) for 2011-12, is measured by the Gini coefficient. In rural areas, the coefficient rose to 0.28 in 2011-12 from 0.26 in 2004-05 and to an all-time high of 0.37 from 0.35 in urban areas. Inequality within rural areas has risen for the first time since 1977-78, when there was a rise in the coefficient from 0.27 in 1973-74 to 0.34 in 1977-78. The previous occasion when it touched 0.28 in rural parts was 1993-94." The Times of India on Dec 7, 2011, also believed that : "Inequality in earnings has doubled in India over the last two decades. The top 10 per cent of wage earners now make 12 times more than the bottom 10 per cent. The main driver has been an increase in wage inequality between regular wage earners-contractual employees hired over a period of time; by contrast, inequality in the casual wage sector-workers employed on a day-to-day basis has remained more stable".

Gender gap in wages, among other things, is attributable to employers' perception and or bias on occupational preferences by two genders, differences in worker skills and productivity, gender pay gap for higher paying occupations and perhaps mere ignorance on the part of the employer about the latest reforms on the gender front in the country. Another trigger is the discrimination based on all conceivable invalid notions at the workplace and society at large. It will be superfluous to reiterate all types of discriminations across the nations. India is not different and it is pertinent to cite a prize winning essay in the context of gender discrimination (Sunny, 2009, Gender Issues in India, WBI, and Washington DC). "In the Twenty first century, India is the home of the largest English speaking people in the second-most populous, the largest democracy, and the seventh largest country by geographical area in the world. Growth rate in GDP in constant prices (IRS) has gone up from 3.6 percent in 1980 to 9.7 in 2007. A rank of 98 among 115 countries and a value of 0.627 in gender gap index (GGI) reflect India's high gender inequality (WEF, 2007). India has witnessed gender inequality (GI) due to her specific socio-economic-cultural-regional-political and religious practices that led to a wide gap between the position of men and women in the society; and areas of GI encompass the whole spectrum of the Indian way of life. Since the effect of increasing average human capital attainment by one year is to raise the GDP growth rate by 0.5 per cent points; and each one percent drop in growth could trap another twenty million in poverty (WB, 2008), the importance of eliminating GI in education cannot be overemphasized. It is estimated that GDP would go up by 8 percent if the ratio of female to male workers increased by 10 per cent signaling the growth-suppressing potential of GI. Modern India has long been at the forefront of reducing GI and has articulated the importance of raising the wellbeing of her citizens with a positive gender-sensitivity of the growth process itself and the country is poised to double the growth rate through systematic full utilization of the better half of her human capital."

### 3. Labor Market

In a competitive labor market, the market forces of demand for labor and supply of labor determine the equilibrium wage rate. The demand for labor depends on the value of the marginal product of labor ( $VMP_L$ ) and if the  $VMP_L$  equals the marginal cost.

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1 The Income Lorenz Curve graphs the cumulative percentage of income against the cumulative percentage of households.

2 The Gini coefficient (Ratio) equals the ratio between the Lorenz curve and the line of equality divided by the entire area beneath the line of equality.

(wage rate) of hiring the additional unit of labor, the employer (producer) has no disincentive to keep the existing number of workers. What is desirable from the workers' and employers' perspective is to ensure that  $VMP_L \geq$  wage rate to ensure the sustainable successful operation of the economic activity. In situations where the labor unions succeed to get paid membership of most, if not all workers, the wage rate is no more determined by the market forces of demand and supply. Labor union acts as the single supplier (Monopolist) of labor and if faced with a single employer of labor (Monopsonist), wage rate is determined in a Bilateral Monopoly environment. In the context of the local labor market within Kudumbashree in Kerala, entry requirements are regulated by the government. Parkin (2014) explains regulation and deregulation as follows: "Regulation refer to rules administered by a government agency to influence prices, quantities, entry and other aspects of economic activities a firm or industry. Deregulation refers to the removal of the above restrictions. There are two theories about how regulation actually works: first, Social interest theory explains that political and regulatory process relentlessly seeks out inefficiency and introduces regulation that eliminates deadweight loss and allocates resources efficiently; second, the Capture theory is of the opinion that regulation serves the self-interest of the producer, who captures the regulator and maximizes economic profit, at the expense of individual consumer. (p.313)". Ramification of these two theories will be taken up in the actual working of the Kerala Kudumbashree Program where the entry into the special category of labour is restricted to women, only from the below poverty line (BPL) families.

Different tiers of labor like skilled - highly educated versus unskilled- less educated; and contract labor versus casual labor cause disparities in the income-earning capability of each individual worker. Income inequality is not by policy design as such, but seems to be the result of the individual drive and motivation to succeed in life weathering all unknown odds that life throws at each one (variables are many, yet family and social safety nets go a long way to help reach a desirable shore). The productivity of each worker is the catalyst that differentiates the earning power of labor and therefore one deduces that differences in human capital result in income inequality. Technological advances spur labor productivity resulting in a higher investment of capital per worker that further enhances labor productivity. One could peek at a positive circle of prosperity for the skilled-well educated component of the labor force, leaving the unskilled- less educated portion behind, in a vicious loop of low income earning power. It is not a surprise to witness the widening gap between high- income earning segment of the labor force and the low income earners.

#### 4. Structural Transformation

Development literature is replete with the assertions that rising gross domestic product (GDP) and per capita income (PCI) will result in certain broad changes in the structure of production and industrial distribution of the working force. Due to differences in income elasticity of demand for different groups of goods and services, a rise in PCI will lead to increased demand for manufactured goods and services of various kinds in relation to agricultural products. Colin Clark (1951) pointed out "the most important concomitant of economic progress, namely the movement of population from agriculture to manufacture and from manufacture to commerce and services". Colin Clark has empirically (on the basis of cross-section and time series analysis) demonstrated that with economic development, the proportion of the working force in Primary production diminishes and obversely, the proportion in Secondary and Tertiary sectors increases. With the help of a better technique of analysis, Kuznets (1971) came out with similar results. Kuznet's analysis substantiates the hypothesis that with economic development and rising PCI, the proportion of workers in agriculture and allied activities falls markedly, and those in manufacturing industries and services rise correspondingly. Chenery (1960) believed that "development is an identifiable process of growth and change whose main features are similar in all countries". Chenery's model of structural change focuses on the process through which the economic, industrial and institutional structure of a less developed economy is transformed overtime to permit new industries to replace traditional agriculture as the main source of income and employment. The common thread that binds the Clark- Kuznets-Chenery hypotheses, seems to be the structural shift of the workforce between the agricultural, industrial and tertiary sectors of a developing country, and such a shift in India will at least partially, shed light on the explanation and analysis of change in income inequality over a period of time.

Data for the analysis is collected from the RBI's Handbook on Indian Economy for the period 1950-51 to 2012-13. Table 4.1 presents the share of Agriculture in total work- force in selected countries (mostly the present day developed countries in their traditional stage). India's comparative position in the table is unique in the initial period (75.7 per cent in 1961), but the nature of shift to the terminal period 2011 (only 50 years) with an absolute change (-39.3 per cent) exceeds the shift in other countries except USA within a span of 126 years. If workers from Agriculture are able to migrate in droves to the Industrial and Services sectors between the initial and the terminal period, it is really a commendable achievement signalling the capability and potential of India to catch up with presently developed countries.

Table 4.1 The Share of Agriculture in Total Work Force in Selected Countries

Country	Per cent of workers in the Agriculture(A) Sector				Absolute Change
	Initial period	per cent	Terminal Period	per cent	
Finland	1880	71.2	1960	35.6	-35.6
Italy	1861/71	57.5	1964	25.2	-32.3
Japan	1872	85.8	1920	54.6	-31.2
Canada	1871	52.9	1964	27.6	-25.3
USA	1839	64.3	1965	5.7	-58.6
Australia	1901	33	1961	14.5	-21.9
New Zealand	1896	37	1961	14.5	-22.5
India*	1961	75.9	20/11	56.6	-39.3

Source: Kuznets, 1971 *Economic Growth of Nations*, Table 38

\* RBI's Handbook on Indian Economy and *Databook for DCH; 3rd June, 2014, Table 118* CSO, India, 2011 Census data

Kuznets has shown that all the presently developed countries had a higher proportion of workers in Manufacturing before they entered the phase of modern economic growth. Because certain economic Activities like mining and quarrying, construction of buildings are closely related to manufacturing, there is a convention of grouping manufacturing with allied activities, as adopted by Kuznets under the Industrial sector (I) sector, which is broadly similar to Colin Clark's secondary sector. Let us compare the relative size of the I sector in India with the same in other industrially advanced countries (Table 4.2), where manufacturing accounted for a lion's share of the work-force in the I sector in the initial period. The share of the I sector in total workforce in 1961, the initial period in India (11.5 per cent) is the lowest in the list of countries in their initial period; and her 17.7 per cent in the terminal period (2011) is below all countries in their terminal periods. In terms of absolute change between two periods, India overtook only Italy.

Table 4.2 Share of the I sector in Total Work- Force in Selected Countries

Country	Per cent of workers in the Industrial(I) sector				Absolute Change between 1&2 (Percentage point)
	Initial period 1	per cent	Terminal Period 2	per cent	
Finland	1861/71	25.8	1964	46.4	20.6
Italy	1911	37.4	1965	41.1	3.7
Canada	1839	16.2	1869/79	29.0	12.8
USA	1869/79	29	1965	38.0	9
Australia	1901	33.9	1961	48.9	15.0
New Zealand	1896	34.5	1961	46.8	12.3
India*	1961	11.5	2011	17.7	6.2

Source: *Economic Growth of Nations*, op.cit, pp.250-252

\*RBI: Handbook on Indian Economy, and *Databook for DCH; 3rd June, 2014, Table 118* CSO, India

The share of the Services (S) sector, comprising Transport and communication+ Trade, Hotels and restaurants +Financial sector+ Real Estate, Ownership of Dwellings and Business services+ Public Administration and Other Services in the total work force in India was 12.5 per cent in 1961. Significantly enough, the proportion of workers in the S sector in India in the initial period was considerably above that of Japan on the eve of her entry into the era of modern economic growth. This is shown in Table 4.3. In 2011, the terminal period, the share of the work force in India (25.7 per cent) is almost the same as that of Finland.

Table 4.3 Share of the services sector in total work- force in selected countries

Country	Proportion of workers in the Services (S) Sector				Absolute Change between 1 and 2 (Percentage points)
	Initial Period 1	per cent	Terminal Period 2	per cent	
Finland	1880	15.5	1960	26.6	11.1
Italy	1861/71	16.7	1964	28.4	11.7
Japan	1872	8.6	1964	35	26.4
Canada	1911	25.5	1965	49.4	23.9
USA	1839	19.5	1965	56.3	36.8
Australia	1901	33.1	1961	40	6.9
New Zealand	1896	28.5	1961	38.7	10.2
India*	1961	12.5	2011	25.7	13.2

Source: *Economic Growth of Nations, op.cit, pp.250-252,*

\*RBI: Handbook on Indian Economy and [Databook for DCH; 3rd June, 2014, Table 118](#) CSO, India

Table 4.4 INDIA: Sector contribution to GDP and Total workforce for selected years.

Period/ Sectors	Primary Sector (Agriculture)	Secondary Sector (Industry)	Tertiary Sector (Services)	Primary Sector (Agriculture)	Secondary Sector (Industry)	Tertiary Sector (Services)
	Percentage share in GDP (INDIA)			Percentage share in total workforce		
1950-51	51.9	18.6	29.5	-	-	-
1960-61	47.6	21.8	30.2	75.9	11.5	12.5
1970-71	41.7	25.1	33.3	-	-	-
1980-81	33.9	27.5	38.6	-	-	-
1990-91	29.9	27.5	42.6	-	-	-
1993-94	27.8	27.7	44.5	63.8	15.5	17.2
1999-00	22.6	27.3	50.5	59.9	16.3	23.7
2004-05	18.3	28.0	53.7	56.6	18.7	24.6
2009-10	14.6	28.3	57.1	53.2	21.5	25.28
2011-12	14.0	27.3	58.8	56.6	17.7	25.7
2012-13	13.9	26.0	60.1	-	-	-

Source: RBI Statistics \*RBI: Handbook on Indian Economy and [Databook for DCH; 3rd June, 2014, Table 118](#) CSO, India, 2011 Census India, Planning Commission of India, 2014

Contribution by the Primary sector to the GDP has steadily decreased over the years from 1950-51 to the present period 2012-13. This trend is in consonance with the expected theory of structural transformation of a developing economy. Structural transformation of the Indian economy ensures the economy's ability to catch up with the present day developed countries and

India awaits just a hop from BRICS to DC. The tremendous contribution to the GDP by the tertiary sector especially through cutting-edge technological services is very encouraging (Table 4.4).

Table 4.5 KERALA: Sector contribution to State Domestic Product at factor cost and Total Workforce for selected years.

Period/ Sectors	Primary Sector <sup>1</sup> (Agriculture)	Secondary Sector <sup>2</sup> (Industry)	Tertiary Sector <sup>3</sup> (Services)	Primary Sector (Agriculture)	Secondary Sector (Industry)	Tertiary Sector (Services)
	Percentage share in GSDP			Percentage share in total workforce		
1960-61	55.6	15.6	28.8	60.7	21.0	18.5
1970-71	45.6	20.4	34.0	56.0	19.5	24.0
1980-81	40.2	20.7	39.2	53.2	25.0	25.0
1990-91	32.7	26.6	40.7	48.0	19.3	32.4
1993-94	32.8	26.9	40.3	42.4	19.8	37.8
1999-00	30.1	29.2	40.7	33.2	24.1	42.7
2003-04	17.1	19.3	64.6	5.22	44.1	50.7
2007-08	14.8	22.9	62.3	5.4	46.1	48.4
2008-09	15.0	21.3	63.7	5.1	46.5	48.5
2009-10	13.7	21.3	65.0	5.0	47.6	47.4
2010-11	14.5	21.6	63.9	4.9	49.8	45.3
2011-12	14.3	21.3	64.4	-	-	-
2012-13	9.0	24.0	67.0	-	-	-

Source: RBI Statistics. Kerala Development Report 2008 by PCI, New Delhi. Government of Kerala, Department of Economics and Statistics, Kerala Development Report by Government of India, Census of India various years, Kerala Economic Survey 2012-13, Statistical Tables.

It is a different story in the economy of Kerala (Table 4.5). Share of Agriculture in State GDP changed by – 46.6 percent (55.6-9) between the initial period (1960-61) and the terminal period (2012-13), when all India figure stood at -33.7 (47.6-13.9) per cent, implying the speedy decline of agriculture in Kerala, signaling a rapid development potential emanating from rising demand for manufactured goods and services as the PCI increases. Percentage decline in work force participation in the Primary sector follow suit with that (-55.8 per cent decline from 1960-61 to 2010-11) of decline in product contribution. Per capita income in Kerala has almost tripled between 2004-05 and 2011-12. Rate of economic growth in Kerala is reaching almost (nine per cent per annum). The share of the I sector in GDP increased by 8.4 per cent during the same period, when all India figure is 7.4 per cent. In Kerala, decline in the Agriculture sector's contribution to domestic product is well documented and some of the causative factors may include: aversion towards field work and more employment opportunities in the tertiary sector for the highly educated labor, non-feasibility of paddy cultivation arising from the high cost of production (the culprit being the escalating wage rate of casual labor in the state) and sometimes the attitude towards comfortable way of life without soiling hands in the land. The I sector in Kerala is supposed to contribute more to State Domestic Product, if it is not for the unwarranted obnoxious behavior of some labor unions in the State. Workforce participation in the I sector for the available years depict an encouraging picture (change is 28.8 percent over a period from 1960-61 to 2010-11). The panacea for the ills of the industrial sector in the State is to start advocacy programs to educate workers on the benefits of industrial development of the State. The need of the time is a business friendly environment in which labor understands their responsibility to deliver just in time in order to attract future investors into new ventures that create high pay jobs for skilled and responsible workers. Service sector in Kerala, with 38.2 per cent (67-28.8) increase in the share of State Domestic Product during the given period exceeds the increase at the all India level with only 30.6 (60.1- 29.5) per cent during the given period. Worker participation rate in the Tertiary sector has increased by 26.8 percent during the period from 1960-61 to 2010-11 for which data is available in Table 4.5. Comparable figure for India is 13.2 (25.7- 12.5) for the period 1960-61 to 2011-12.

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1= Agriculture+ Forestry and Logging+ Fishing, 2= Mining and Quarrying+ Manufactured (registered and unregistered)+ Utilities+ Construction, 3= Transport and communication+Trade, Hotels and restaurants +Financial sector+ Real Estate, Ownership of Dwellings and Business services+ Public Administration and Other Services. Some data shows I sector also with Transport included.

## 5. Kudumbashree Program in Kerala State

Inaugurated on 17 May 1998, Kerala Government's Kudumbashree Program has gone a long way in achieving some of its objectives such as the economic and political empowerment of marginalized women in the State. The successful slogan of this drive is; "reach out the family through women and reach out the community through family". (Shihabudheen, 2013).

According to Lakshman (2013), "Indian National Rural Livelihood Mission (NRLM) has decided to replicate the Kerala Government Kudumbashree program of nurturing self-help groups, to eradicate rural poverty through sustainable livelihood opportunities. The main principles of the NRLM are universal social mobilization through formation of self-help groups (SHGs) and creation of SHG federations in a cluster of villages, block and district levels. The NRLM aims to ensure that at least one member from each identified rural poor household, preferably a woman, is brought under the self-help group network in a time bound manner. NRLM would reach out, mobilize and support 7 crore BPL households across 600 districts, 6,000 blocks, 2.5 lakh Gram Panchayats, in 6 lakh villages across the country into their self-managed self-help groups. It would support them financially and institutionally in all their efforts to get them out of poverty. The poor would be helped to achieve increased access to their rights, entitlements and public services, diversified risk and better social indicators of empowerment."

Sunny. G (Gracy.C.C, 1974) found out that "unemployment in Kerala has its roots in the peculiar socio-economic background of the state. These include: population explosion emanating from relatively high birth rate and steadily declining death rate; one-half of the population either being too young or too old to be included in the labor force; educated unemployment mainly due to accelerated educational expansion in the state; pockets of poverty and low standard of living; and an overburdened agricultural sector with relatively underdeveloped industrial and tertiary sectors. The high level of literacy and education as well as a favorable natural endowment with relatively advanced infrastructural facilities available in Kerala hold immense promise for rapid economic development of the state. The industrial distribution of working force in Kerala seems to support the Clark-Fisher hypothesis that per capita income is positively associated with the shares of 'Manufacture and Services' and negatively with the share of 'Agriculture', but on a closer scrutiny, this hypothesis fails to apply in Kerala with its high density of population and stagnant per capita income. The magnitude of unemployment in Kerala is more serious than elsewhere in India; it is fairly high even in rural areas. A large proportion of the unemployed is young and fresh entrants into the labor force. Most of them are educated, about one-half being matriculates and above. Over one-fourth of them have been waiting for more than two years. Thus, the situation is explosive and calls for a speedy solution"

Against this backdrop, recent economic development in Kerala seems to be averse to employment creation resulting in a jobless growth. National Sample Survey 2011-12 recorded the highest unemployment rate in Kerala relative to other states in India. According to Current Daily Status (CDS) approach, in Kerala unemployment rate (UR) for persons of age 15-59 years is 16.5 per cent in 2011-12; and 10.2 per cent in 2012-13 as estimated by the Labor Bureau, MOL&E, GOI published in September 2013. Another finding by Economic Survey, (GOK, 2013) is that rural UR exceeds urban UR and in that again female UR in rural areas exceeds the same in urban areas.

Even though India is developing fast, the entrenched social traditional value and belief still remain intact enhancing the perceived worth of boys over girls, as boys bring an income to the family and provide old age security to parents, besides carrying on the family name. This repressive social norm has led to the sex-selective abortion (choosing to abort the female fetuses) which in part accounts for the "Missing Women" in India. Poverty breeds gender inequality pushing down the downtrodden women into the abyss of loss of self-worth and helplessness and Jain's study has identified BIMARU states in the right center of the map of India where women are at the bottom of a black hole of gender inequality (Jain, 2007).

One 2003 study (Rustagi) entitled "Gender biases and discrimination against women" using gender disaggregated statistical indicators, has highlighted disparities in gender development across different States in India. Data on survival indicators revealed the extent of the influence of socio-cultural and economic factors on the demographic imbalances. Negative sex ratios (0.93) are worst in prosperous States of Haryana and Punjab. Better sex ratios with dignity of women exist in southern states, especially in Kerala with a female-male ratio of 1.06. Based on data sourced from the Census of India, Sample Registration System, National Sample Survey, National Family Health Survey and the National Crime Records Bureau, Rustagi makes a link between shrinking state resources and unavailability of health and education services to women. A multifaceted solution is needed to ameliorate GI, in the absence of which the gender activist's experience will be analogous to the description of an elephant by a blind person who happened to touch its tail.

Recognizing the enormity of the GI in a given society, Sen (2001) urged the adoption of a plural view of GI and a new agenda of action to combat and defeat that anomaly in India. Sen cites seven types of GI (in: mortality, natality, basic facility, special opportunity, professional, ownership and household) emphasizing the first two as instrumental in unfolding the depth of GI. Despite the enactment of gender equality (GE) promoting legislative measures such as: Dowry Prohibition Act, National Policy on Empowerment of Women, Women Reservation Bill, Declaration of the year 2001 as the Women's Empowerment Year, Right to Information Act, National Policy on Old Age Persons, Protection from Domestic Violence Bill, The National Plan of Action for Girl Child, National Commission on Women, Pre-Natal Diagnostic Technique (Regulation and Misuse) Amendment Act to stop female foeticide; current discriminations against women compel one to believe that some remnants of the old culture that depicted Indian woman as a symbol of sacrifice are still alive. Sometimes officials who are supposed to enforce the law seem to flout it partly because of the failure to uproot the age-old prejudice against women especially in the remote rural areas. Therefore, the success of reducing GI lies not in getting the laws passed, but in getting it effectively implemented.

According to Demographic and Health Survey's (Gender in India 2005-2006 DHS) gender disaggregated data, female illiteracy is 100 percent higher than that of men and employment of women is 56 per cent less than that of men. Although equality exists in the under-five mortality rate, a difference of six per cent is discernible in all required vaccinations; and a difference of 84 per cent in household headship reaffirms the importance of men in India's family structure. The child development index provides a mixed performance in India, when one studies the work by Mishra et al, (2004). At the national level, gender-gap (GG) in primary, secondary and tertiary education enrollment stands at 0.07, 0.20 and 0.32 respectively; the ratio of literate women to men in 15-24 years old shows a GG of 0.20; percentage share of women in wage employment in non-agricultural sector shows a 0.82 gap; and the highest percentage gender gap (0.90) is reported in the proportion of seats held by women in the National Parliament (Asian Development Bank, 2008).

My vision of women empowerment (WE) in India is one of gradual convergence of the all-India WE indicators to that of Kerala State in order to help unleash the latent potential (underutilized talents of women) of India transforming the nation into a lighthouse on every front to the rest of the world. There are no Missing Women in Kerala State, where a girl is as precious as a boy to the family and society. In terms of human development index (HDI) as a composite of life expectancy, education and income; and gender equality index (GEI), Kerala's performance is the best compared to that in all other states in India (1998-1999 Indian National Family Health Survey). Kerala has sustained gender equality because of the following factors: Matrilineal system among Nairs, the advent of Christianity in the first century and the successive governments' progressive reforms that emphasized GE in every aspect of life of a Keralite. With a 100 per cent literacy rate, high level of education of girls at par with boys, below replacement level fertility rate, low dependency ratio, absence of sex selective abortion, reasonably well female ownership of property, good female involvement in economic and social affairs outside home with high labor force participation ratio and greater participation in decision making and an open society with religious harmony as the foundation of peaceful and harmonious life, Kerala State is relatively an acceptable model in gender equality and women empowerment for interested Indian States to emulate. This does not mean that women in Kerala State are completely insulated from all forms of GI.

Among several studies on the pros and cons of The Kudumbashree program in Kerala, most worth mentioning are: What is right and wrong with Kudumbashree: the field Experiences by Shihabudheen N, International Journal of Humanities and Social Science Invention ISSN (Online): 2319 7722, ISSN (Print): 2319 7714 www.ijhssi.org Volume 2 Issue 5 | May. 2013| PP. 09 21 www.ijhssi.org '9 P a g e & A study on Kudumbashree project; A Poverty Eradication Programme in Kerala: Performance, Impact and Lessons for other States by Jacob John, Kerala Development Society, (KDS-Delhi), May 2009, Sponsored by Planning Commission of India.

What is impressive about the project from the perspective of reducing the incidence of unemployment among the rural women in Kerala is the advent of microenterprises to create gainful employment opportunities for women from BPL families with the objective of improving their income and living conditions. Lease land farming by the group hold much potential for growth if only proper vision for the coordinated functioning of the village government and the community based organizations (CBOs) in the target area is maintained. In a similar vein, special employment program for the educated youth; S3 (self-sufficiency, self-reliant and sustainability) projects; and GRQ (Goat-Rabbit-Quail) projects are capable of ensuring a steady flow of income to the family entrepreneurs. In this programme, government regulation of the specific segment of the labor market for women from only BPL families preventing others' entry into that job arena reflects the Social interest theory which tries to remove inefficiency of excluding this vulnerable group from the labor market. Despite the regulation, it is reported that many from BPL families get rejected from this opportunity due to the high handedness of those from above poverty line (APL) families who find a way to capture the regulators to forge the documents for entry and this is the text book model of capture theory in the labor market.

Is it not viable and conducive to add a few more economic activities to the existing list of micro enterprises to be undertaken by the women CBOs? This potential list, of course among others, could include:

Restaurants (as women are expert cooks in Kerala) at every feasible location, so that at the end of the work day, families can relish take away healthy meals and save time on home cooking; Laundry and dry-cleaning outlets; Computer maintenance and learning centers; Home cleaning crew; and Maid service repositories. The critical factor is the training in the skills required to run these enterprises successfully. Despite initial birth pangs, Kudumbashree program has got the potential to surpass all our imagination, as the better half of the labor force in the State is going to bloom and blossom in the near future, provided some of the deficiencies of the current functioning of the entity, already documented (Jacob John), are rectified. A case in point is to also attract all unemployed women irrespective of their family status, religion or rainbow shades, thus deregulating the current restrictions on entry into this labor market. Kerala Economic Survey (2013) reveals the plight of women from the Nair and Christian families in the labor market with the highest incidence of unemployment rate among Kerala women. Social norms may dictate against certain types of participation forcing this particular group to suffer in silence. One has to sacrifice pride for a decent sustenance and dignified income earnings from work.

In order to calculate the multiplier effect of additional rural income created as a result of the Kudumbashree project, macroeconomic analysis is to be built into the system of evaluation. Based on the theory that when  $\Delta C = \Delta Y$ , for the daily wage earners, the highest increase in final income is possible, as  $1/1-b = \infty$ . But this prediction is out of question because women, who have 100 day guaranteed work, get paid only at the end of the year. Hence the multiplier effect of earned wage income will be low, although present consumption spending is positively influenced by the expectation of future income. It is possible that the receipt of the year-end lump sum income from work could be utilized for consuming durable goods and not for current non-durables and thus earned income from work will not act as a trigger to reinvigorate local consumer goods market. There is a development delay from a lower value of expenditure multiplier in the rural economy; and it is no wonder to note Jacob's observation that these groups suffer from lack of demand for the items they produce on the one hand, and are afraid to face competition from established producers outside the Kudumbashree projects. Positive policies to help women micro entrepreneurs in Botswana are summarized by Sunny. G (1993). "To help women, policies designed to assist the micro and small enterprises (MSEs) should revolve around a dual strategy; - to strengthen and assist those MSEs that have the potential to expand and create new jobs; and - to ensure the provision of assistance to those activities that need help to improve the income levels and standard of living of their operators, even when such activities seem to provide little possibility for expansion. Women entrepreneurs face a number of problems such as: training activities are burdensome to women, who are busy at home, creating new projects by women who lack experience is very costly, the scale of operation is very small because of lack of enough demand, organizational or managerial weakness and inadequate funds prevent their ventures from reaching a large audience, private voluntary organizations (PVOs) projects identify the key constraints of micro-enterprises as individual access to credit and lack of skills on the part of the individual micro-entrepreneurs."

## 6. Conclusion

Structural transformation of the economy is a long term process and with a favorable income elasticity of demand for more manufactured goods and services over agricultural output, higher income earning jobs will be available to the jobseekers which in turn will bring down income inequality in Kerala State. Enormous deficiencies confront the existing practices in the Kudumbashree program; yet it is good to remind oneself that these problems are not perpetual in nature and this project as a pioneer endeavor in the Nation to empower women in Kerala is a work in progress and always there will be room for improvement to attain perfection. Unregulated labor market in the project areas will not help ameliorate income inequality for the target group although, at a macro level when all unemployed women participate in income generating activities, the multiplier effect of higher wage income will automatically reduce income inequality.

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