Impact of Wage Rate and Employment days on Labour Productivity in Dairy Industry in India: An Empirical Analysis

**Abstract:** India the largest consumer as well as producer of milk in the world, accounting for nearly 25 per cent share in overall world’s milk producers. The dairy industry in India creates huge employment opportunities whether direct or indirect engaging family members in rural areas. There is a growth of 6.6% in dairy Industry over last decade. One of the most important factors which are responsible for growth in dairy industry, particularly in rural areas is labour productivity. Previous studies indicated that labour productivity is much higher in Indian Dairy industry than in the agriculture sector in India. Thus, there is a need to examine the growth of labour productivity in Indian dairy Industry and its possible determinant factors. Hence, the present study is an attempt to study the growth in labour productivity, employment and wage rate in Indian Dairy industry in India. Further, the study aims to explore the impact of wage rate and employment days on labour productivity in aforesaid industry. The secondary data from ASI provided by MOSPI from 2011-12 to 2020-21 of 3- digit NIC 2008(Code- 105) has been taken to achieve the fore mentioned objective. Results indicated that there has been positive association between wage rate, labour productivity and employment in Indian Dairy Industry. Further, it was found that wage rate act as significant factor which determines labour productivity. However, employment was not found to be significant determinant of labour productivity. The study will be helpful for future researchers and policymakers as Dairy industry is one of the main employment generator and poverty reduction measure especially in rural India. Govt. has also been promoting/ supporting it through various schemes. It can be a better alternative for up liftment of rural people and remove disguised unemployment in agriculture sector.

**Keyword: Real Wage Rate, Employment days per employee and Labour Productivity and Real NVA**

**Introduction**

India the largest consumer as well as producer of milk in the world, accounting for nearly 25 per cent share in overall world’s milk producers (Landes *et* al., 2017). Dairy industry provides food security, employment and development of rural and drought prone areas (Jaiswal et al., 2018). There is a growth of 6.6% in dairy Industry over last decade[[1]](#footnote-1). Productivity and returns of labour in dairy farming are approximately 2.5 times higher than that of agriculture sector[[2]](#footnote-2). Hence, dairy industry provides subsidiary employment and income to small farmers. Thus, there is a need to further develop the productivity in dairy industry for development of rural areas in general and dairy farmer and labour in particular. Thus, the present paper has been aimed to find the association between labour productivity, wages and employment. Further, the efforts have been made to find the extent by which wage and employment determine labour productivity in dairy industry.

**Initiation and development of dairy sector; and rural development**

India’ first five year plan (1951-1956) included Indian dairy industry as one of the major development measure. The priority of first five-year plan is to modernize Indian dairy industry. The Goal of such inclusion was to make India self- sufficient in milk production and making available the quality milk to urban population as well (Bannerjee, 1994). Dr.Varghese kurien is known as father of white revolution who was founder of the operation flood. This operation was aimed to enhance the milk production, develop the rural economy by providing milk available at affordable prices for consumers. The white revolution started in 1970 with the implementation of National Dairy Development Board (NDDB) initiated in 1956 which was covered in three phases from 1970 to 1995 (Armentano *et* *al*., 2006). Indian dairy sector has mostly smallholder production system at village level, having one to three milking animals. Most of the production (40%) is consumed by dairy producers themselves and distribution channel is informal[[3]](#footnote-3). Cooperative societies combine millions of smallholders by collecting milk at formal market. India has shown a significant growth in milk production and self-sufficiency in spite of large population increases. Indian dairy industry has high potential for growth; efforts should be made to not only increase milk production, but also to improve the formal marketing channels. Government policies should consider the comparative advantage of fluid milk.

**Growth in employment, wages in Dairy Industry and rural development**

Dairy industry plays a major role in rural development of India. Majority of rural population depends on agriculture which has been diversified and supplemented by dairy industry. Dairy industry provides food security, employment, income and hence enhances the standard of living of rural people. Dairy sector provides direct and indirect employment to rural people in the form of managers, workers and helpers performing cattle rearing, feeding, milking and transforming and transporting dairy products. Productivity in dairy sector is approximately 2.5 times higher than that of agriculture. Thus, it can be a better source of income and opportunities for growth of rural people. Hence, it is need of the hour to develop dairy industry by enhancing labour productivity. The factors which affect the productivity of dairy sector are wage rate, employment, adoption of new technology and proper distribution channels, interaction of experts with farmers etc. The present study is particularly focused on finding the growth of labour productivity, wage rate and employment in Indian dairy Industry and the relationship between productivity, wage rate and employment days which play key role in in the development of rural areas.

**Review of literature**

**Devi *et al.* (2022)** asserted that labour productivity of dairy industry has been increasing over the years. Labour productivity is directly associated with size and negatively associated with experience.

**Toor and Kaur (2022)** asserted that dairy farming provide sustainable income and livelihood to dairy farmers. It improved the income distribution and remove income inequalities which raised the standard of living of milk farmers.

**Daharwal and Mishra (2021)** found that labour productivity determine the growth rate of manufacturing industries. They identified that growth in total emoluments viz. wages and salaries have not increased the labour productivity. Thus, they suggested the other non-financial incentives along with financial incentives should be provided to motive human resources to enhance their productivity and thereafter growth of firms.

**Kumar and Abdulla (2021)** highlighted that growth in production has positive relation with growth in labour and energy. However, Total Factor Productivity (TFP) increases with increase in technology.

**Bharathy and Selvakumar (2013)** found that there is growth in direct and indirect employment in dairy industry in India which contribute to GDP and hence economy. Further, the demand of milk has been increasing with increase in population. Thus, there is a need to increase productivity to bring second white revolution.

**Ohlan (2013)** elaborated that the total factor productivity in dairy industry has increased. Moreover, there is need to improve the logistics system to supply milk to processing centres to further enhance the productivity.

**Objectives of the study:** This study has following specific objectives:

1. To find the growth in real wage rate, employment days per employee and labour productivity in dairy industry in India.
2. To explore the association between real wage rate, employment days per employee and labour productivity in dairy industry in India.
3. To identify the impact of wage rate and employment days on labour productivity in dairy Industry.

**Research Methodology**

The data source for present research paper is Annual Survey of Industry (ASI) provided by Ministry of Statistics and Programme Implementation (MOSPI), Govt. of India from year 2011-12 to 2020-21.The industry included in the study has been 3 digit NIC 2008 of code “105” representing “Manufacture of Dairy Products” which comprises processing and packaging of milk, curd, butter, ghee and cheese; ice-cream and other dairy based products.

Wages has been converted in real wages by deflating these wages with “Consumer price index for industrial workers (CPI- IW) base 2001 =100. Wage rate is determined by dividing Total Emoluments by Total Number of people engaged (Ahlawat and Renu, 2018; Kumar and Khurana, 2009)

$$Wage rate=\frac{Total Emoluments}{Total Number of people engaged}$$

Labour productivity represents deflating Net Value Added at current prices by CPI- IW base 2001=100. Labour Productivity has been calculated by dividing the real Net Value Added by Total number of people engaged (Ahlawat and Renu, 2018).

$$Labour Productivity=\frac{Net Real Value Added}{Total Number of people engaged}$$

“Man days employment per employee” provides intensity of employment viz., average days of work available to an employee. It further distinguishes between overemployment and underemployment.

$$Mandays employment per employee=\frac{Total Mandays employed}{Total Number of people engaged}$$

**Results and discussion**

Table 1 shows the growth rate of productivity, real wage rate and mandays employment per employee.

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| Table 1: Growth rate of productivity, real wage rate and mandays employment per employee |
| Year | Productivity | Real wage rate | Mandays per employee | Growth in productivity | Growth in real wage rate | Growth in mandays employment |
| 2011-12 | 218.59 | 88.92 | 343.89 |   |   |   |
| 2012-13 | 205.22 | 91.69 | 323.55 | -0.061 | 0.031 | -0.059 |
| 2013-14 | 257.43 | 115.13 | 339.9 | 0.254 | 0.256 | 0.051 |
| 2014-15 | 221.62 | 95.47 | 337.89 | -0.139 | -0.171 | -0.006 |
| 2015-16 | 208.51 | 96.09 | 335.56 | -0.059 | 0.006 | -0.007 |
| 2016-17 | 219.39 | 93.72 | 334.39 | 0.052 | -0.025 | -0.003 |
| 2017-18 | 227.04 | 99.55 | 336.29 | 0.035 | 0.062 | 0.006 |
| 2018-19 | 198.31 | 98.16 | 333.11 | -0.127 | -0.014 | -0.009 |
| 2019-20 | 169.79 | 87.87 | 329.39 | -0.144 | -0.105 | -0.011 |
| 2020-21 | 167.02 | 93.04 | 327.96 | -0.016 | 0.059 | -0.004 |
| Source: Compiled from Data taken from ASI issued by MOSPI |

Table 1 shows that labour productivity shows negative growth in 2012-13 then slight positive growth (0.254) in 2013-14. Further, negative growth rate (-0.139 in 2014-15 and -0.059 in 2015-16).Slight growth in labour productivity has been observed in 2016-17 (0.052) and 2017-18 (0.035). Thereafter, negative growth rate in labour productivity in -0.127 in 2018-19, -0.144 in 2019-20 and -0.016 in 2020-21. Similarly, growth rate of real wages is slightly increasing in 2012-13 i.e.0.031 to 0.256 in 2013-14.It shows -0.171 in 2014-15 further slight improvement of 0.006 in 2015-16, then a positive increase from-0.025 in 2016-17 to 0.062 in 2017-18.In 2018-19, growth rate was -0.014 and afterwards -0.105 in 2019-20 to 0.059 in 2020-21. Overall, productivity and wages showed fluctuating increasing and decreasing growth rate.

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| **Table 2: Inter-correlation matrix of growth in labour productivity, real wage rate and employment** |
|   | Growth productivity | Growth wage rate | Growth employment |
| Growth productivity | 1 |   |   |
| Growth wage rate | 0.877\* | 1 |   |
| Growth mandays employment | 0.699\*\* | 0.532 | 1 |
| Source:Computed by researchers from data issued ASI by MOSPI |
| Note:\* significant at 1 % level of significance, \*\*significant at 5 % level of significance |

Table **2** indicates that there is significant correlation between growth in labour productivity and growth in wage rate at 1 % level of significance which means that labour productivityand wages are significantly associated. This result is in contrast to previous studies where growth rate in productivity was not significantly associated with growth rate in wages (Das et. al. 2017, Leung and Macdonald, 2022). Similarly, there is significant correlation between growth in labour productivity and growth in mandays employment at 5% level of significance. It means that labour productivity and mandays employment are positively associated which is similar to the results of previous studies (Kumar and Khurana, 2009).

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| Table 3: Linear regression in labour productivity, wage rate and employment |
|   | Constant | b | t-value of b | R2 | F-value | Sig. value |
| Wage Rate | -0.024 | 0.746 | 3.705 | 0.844 | 16.266 | 0.01\* |
| Employment | -0.024 | 1.464 | 1.703 | 0.844 | 16.266 | 0.14 |
| Source: Computed by researcher |
| Note: Significant at 1% level of significance |

Table 3 indicates that wage rate is significant determinant (significant at 1 % level of significance) of labour productivity however employment days are not found to be significant determinant of labour productivity. Results indicate that labour productivity is enhanced through increasing wage rate and vice-versa. This result is in contrast to that of previous studies where growth in wages do not necessarily determine growth of labour productivity (Daharwal and Mishra, 2021)Further, it has been fund that employment is not significant determinant of labour productivity which is similar to previous studies (Kumar & Khurana, 2009).

**Conclusion**

Indian Dairy sector have a prominent role in the world viz., India is one of the highest producer and consumer of dairy products. Majority of population lives in rural areas which consumes almost 40% of dairy produce by themselves.The results indicate fluctuating growth of productivity, real wage rate and mandays employment over the period of 2011-12 to 2020-21. However, the results indicated that there is positive association between productivity, real wage rate and mandays employment. Further, real wage rate was found to be significant determinant of productivity. Hence, the real wage rates should be increased to ensure improved growth of productivity and thus dairy industry. Government is providing various schemes to improve dairy industry. The productivity of dairy industry is two to three times higher than that of the agriculture sector. Thus, dairy industry would be a significant development measure to provide upliftment of rural people by providing them food security, wages and employment.Hence, the concerned authorities should focus on enhancing the productivity and growth of dairy industry.

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2. This information is retrieved from <https://asci-india.com/img/resources/LMIS-on-Dairy.pdf> dated 17-12-2024. [↑](#footnote-ref-2)
3. This information is retrieved from <https://ebooks.inflibnet.ac.in/ftp04/chapter/status-of-dairy-industry-in-india-and-its-future-scope/> dated 20-12-2024. [↑](#footnote-ref-3)