

Have Workers in Gujarat Benefited from “Development”?

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It is well known that when statements are repeated often enough and loudly enough, they tend to become more widely accepted, whether or not they are true and even when they have little resemblance to reality. The current mainstream media discussion about the so-called “[Gujarat model of development](#)” is one clear example. Citizens across the country are being bombarded with the argument that the state of Gujarat and its citizens have flourished because of effective and decisive governance. And economic policies in particular are highlighted as the chief area of success.

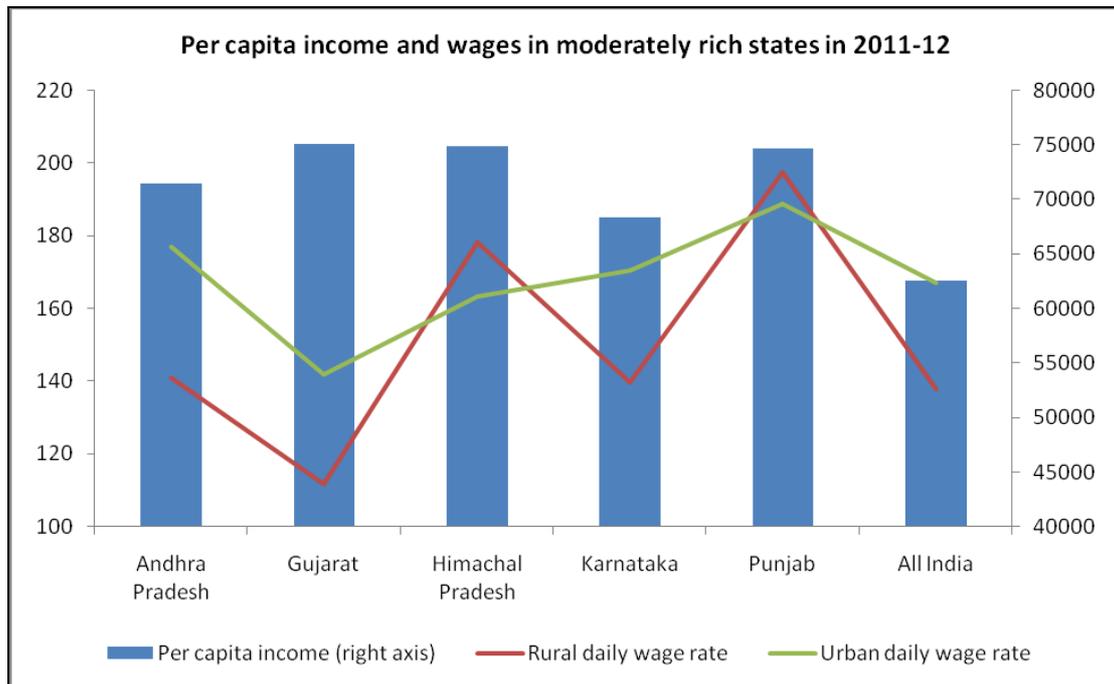
It is precisely this public perception, so heavily disseminated by various media, that enables the current Chief Minister of Gujarat to stake a claim to be the country’s leader, apparently offering the people of the country (especially the youth) the promise of growth and development. But how valid is this perception? More precisely, are people in Gujarat materially better off than their counterparts in other comparable states?

Per capita income and its expansion is one way of looking at this. But this measure is not always a useful one, since it does not reveal how most people are faring, since the income can be unequally distributed. (For example, this indicator is very high for mineral-rich states like Jharkhand where the people are quite poor.) In any case, Gujarat’s per capita income (or Net State Domestic Product) puts it in the upper half of states in India, but not among the clearly richer states like Goa, Maharashtra and Haryana. Its per capita NSDP is only around 20 per cent higher than the All-India average, and has been so for several decades now. And its recent growth performance has been eclipsed by some larger states like Tamil Nadu and even by smaller states like Kerala.

A more useful way of assessing the economic conditions of the bulk of the people is to look at average consumption or wages as indicators. Here we focus on wages, and consider the average wages in Gujarat in relation to wages in states at similar levels of per capita income.

Chart 1 provides this information for 2011-12, the latest years for which large-sample NSS data are available. When Gujarat is compared to other large states with broadly similar levels of per capita income, it fares very poorly. Wages (here the averages of male and female wages in rural and urban areas separately) are significantly lower than the other states, even compared to Karnataka that has a lower per capita state NSDP.

Chart 1: Wages in Gujarat are much lower than in other states with similar levels of per capita income

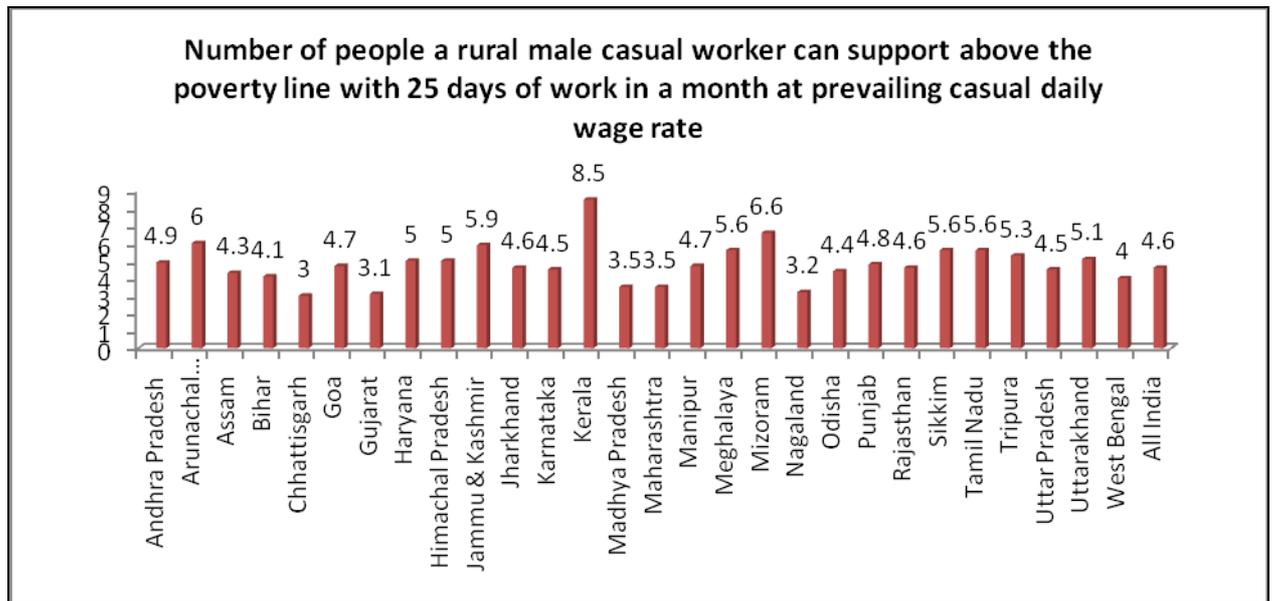


What is even more striking is that wages in Gujarat are also lower than the All-India average, suggesting that its performance in this regard is much worse than states that are much poorer. So, while Gujarat’s per capita income is around 20 per cent higher than the per capita income for the country as a whole, rural wages are about 20 per cent lower and urban wages are 15 per cent lower! Clearly, the bargaining position of workers in Gujarat, in both towns and villages, is very weak not just absolutely, but compared to the rest of India.

It could be argued that wages may be low but then so is the relative cost of living, so that people can survive better even with lower wages because of lower prices. One way of examining that question is to compare wages with the state-level official poverty line that is based in some indicator of the prices of essential consumption items. So let us consider the wages of a male casual worker in the rural areas, and assume that this worker is willing to work 25 days in the month and is able to find such for 25 days. (Incidentally, the latter is actually a heroic assumption, since it is almost never met!) If such a worker is the sole earner of the family, how much would that wage income generate? Specifically, how many people could he support to ensure consumption above the poverty line?

Chart 2 presents the results of such an exercise across Indian states. It turns out that on average, for India as a whole, such a worker could support 4.6 people at consumption above the poverty line with 25 days work at prevailing casual wage rates. The highest ratio is for Kerala, at 8.5 – but this reflects the effect of migration and remittances. Some Northeastern states also have high ratios, as do Tamil Nadu and Jammu and Kashmir.

Chart 2: Casual workers in Gujarat do not earn enough to lift their family out of poverty



But in Gujarat this ratio is only 3.1 –the second lowest in the country and indeed only slightly above the lowest (which is for Chhattisgarh at 3.0). In other words, relative to state-level poverty lines, wages of male causal labour in Gujarat are at the bottom of the scale across India in terms of the real incomes they generate. Indeed, they are so abysmally low they cannot lift all family members out of poverty! And this relates to the average, so it can be imagined what is happening to the workers at the lower end of the wage distribution.

This adverse situation in Gujarat may seem surprising to some, but in fact it is actually an expected outcome of the very model of development that is being projected as a success story. This is a model that, even more than for India as a whole, relies on patronising and providing incentives to large business while suppressing wage incomes. So the much-vaunted “growth” in Gujarat is not only overstated – its fruits are also very unequally distributed, so that workers in Gujarat are among the worst of anywhere in India.

Surely this is not a development model that deserves praise or emulation.

* This article has originally been published in the Business Line, March 31, 2014.