

SESSION 4:
DYNAMICS OF LABOUR MARKET INEQUALITY IN INDIA

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Objectives

1. To understand the characteristics of labour market inequalities in India.
2. To develop insights about dimensions of labour market inequalities.
3. To examine the labour market inequalities among social groups in India.
4. To analyse the impact of policies in reducing labour market inequalities.

Outline

- Social Inclusion and Exclusion: A Conceptual Framework
- Characteristics of Indian Labour Market
- Dimensions of Labour Market Inequalities
- Labour Market Inequalities among Social Groups
- Conclusions and Policy Implications

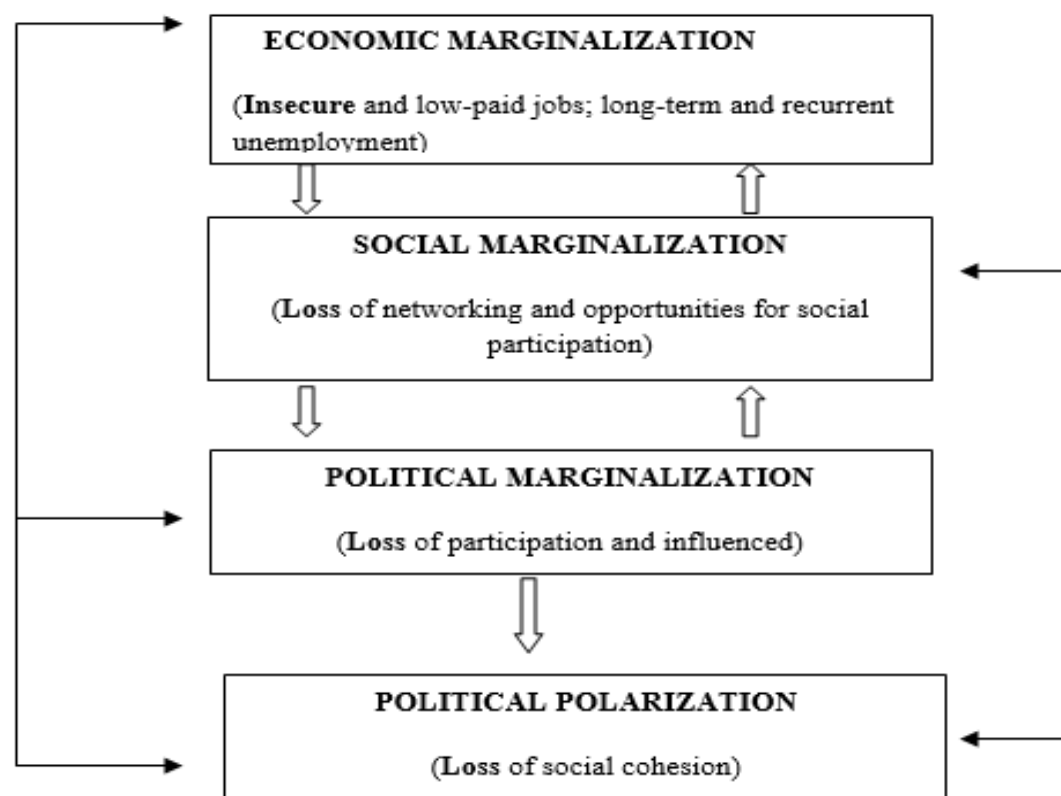
Definitions of Social Exclusion

- Development expert Arjan de Haan (1999) viewed that social exclusion essentially involve “the process through which individuals or groups are wholly or partially excluded from full participation in the society within which they live’.
- Social exclusion is defined as the opposite of social integration.
- Two defining characteristics of exclusion:
 - (i) its multidimensional character – involving exclusion in economic, social and political spheres
 - (ii) the relations and process that cause deprivations.
- Social exclusion can cause deprivation and poverty.

Marginalisation

- Noted Canadian Social Scientist J.G. Andersen (1996), in his work on “Marginalization, Citizenship and the Economy” views that the concept marginalization is based on the processes through which individuals who were formerly well integrated into society are now facing social and economic vulnerability or exclusion.
- Mass unemployment, the development of precarious forms of work and the weakening of the systems of kinship and community solidarity are bringing new forms of vulnerability for an increasing number of people.
- As a consequence of social fragmentation and lack of social and political representation of the excluded, mechanisms of solidarity between the fully integrated and the vulnerable or the excluded may break down.
- The crisis of social cohesion may involve political exclusion and the development of hostile attitudes among the different segment of society.

Figure1: Relationship between economic marginalization, social disintegration and political polarization.



Source: Adapted from J. G Andersen (1996), p. 158./

Four factors of Inclusion and Exclusion

- ▶ **First**, the *institution of market*, be it that for goods or for services, happens to be the most effective factor which excludes people based on affordability.
- ▶ In case of *labour market*, too, it is productivity against wages demanded which determines who should be in and who should be out, are extremely effective instruments.
- ▶ **Second**, the norms and values in a society, rooted in religious and cultural beliefs, conventions etc. are extremely effective instruments in the process of exclusion and inclusion process.
- ▶ The norms and values can lead to stipulations against the 'inherent logic' of the market and often succeed in imposing certain socially desirable behavior on all members of society.

1

Institution of market

2

norms and values in a society

4

Civil Society organizations &
sub-national identities,
backed up by non-state
institutions

3

State

▶ **The third** important actor in this context is the state, which intervenes directly and indirectly in the production and distribution system, often to ensure inclusion of people who don't have the affordability or the backing of societal norms.

▶ This is achieved through legislation, administrative decisions, as also programmes and schemes, designed to bring about a politically desirable welfare distribution.

▶ **The fourth factor** is the Civil Society organizations and sub-national identities, backed up by non-state institutions.

▶ Unionization of industrial workers, traders and service personnel, formation of groups and societies based on economic and social commonality of interest, language, place of origin, of residence etc., may be cited as examples.

Inequality and SDGs



SDG 10: REDUCED INEQUALITY

Targets:

- **10.2:** By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
- **10.3:** Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard
- **10.7:** Facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies
- **10.c:** By 2030, reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent

- Development cannot be discussed without talking about inequality.
- With the release of the book titled ‘Capital in the Twenty-first Century’ by French economist Piketty (2014), there have been more debates on inequality in several parts of the world in recent years.
- For the first time at a global level, inequality is included in SDGs.
- In this respect, goal 8 of the SDGs deals with productive employment. Target 8.5 states, “By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.”

SDG and Decent Work



SDG 8: DECENT WORK AND ECONOMIC GROWTH

Targets:

- **8.3:** Promote development- oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
- **8.5:** By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
- **8.6:** By 2020, substantially reduce the proportion of youth not in employment, education or training
- **8.7:** Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms
- **8.8:** Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment
- **8.10:** Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all

- Most inequalities(economic and social) have labour market dimension.
- Some issues on inequality exclusively deal with labour market structures, processes, mechanisms and outcomes while some others are influenced by labour institutions and labour market forces.
- Reducing labour market inequalities is important for sustainability of growth, reduction in poverty and rise in human development.
- The issue of employment is central to the development agenda.

Characteristics of Labour market in India

- ▶ **Domination of the informal sector:** The Indian labour market is characterized by dualism, formal and informal sectors.
- ▶ **Virtual absence:** There is a virtual absence of unemployment insurance and other elements of a social wage.
- ▶ **The problem of “working poor”:** The general unemployment rates in India are low because the poor are too poor to be unemployed.
- ▶ Though most people are employed, a large proportion of the employed earn extremely low incomes from work.
- ▶ **Insecurity of income:** This is a characteristic feature of many types of employment.
- ▶ The best illustration is provided by the case of casual labourer.

- ▶ **Self-employment:** constitutes more than 50 per cent of total employment.
- ▶ **Labour market is not non-discriminating:** Access and income from employment tends to depend on the social background of the labour market participant particularly in the informal sector.
- ▶ Even where the educational and skill levels are similar, gender, kinship, caste, tribe, etc. remain important determinants of access to employment and the level of remuneration.

▶ **Socially unacceptable employment:** There exist some forms of employment, which are socially unacceptable. Two commonly cited examples are those of bonded labour and child labour.

▶ **Gender bias:** In education and other human development indicators, gender bias is high in India. This has implications for the labour market.

▶ The labour force participation rates for women are low.

- **Migration:** Rural-urban and rural-rural migration is used as a risk coping mechanism in India.

- This is due to both pull and push factors.

- Seasonal migration rates are higher than the long duration migration rates.

Dimensions of Labour Market Inequalities

- ▶ Evidence shows that there have been significant inequalities in labour markets in India.
- ▶ Inequalities can be found across sectors, wages and earnings, quality of work, labour market access and between organized and unorganized sector.
- ▶ Labour market segmentation is another important issue that contributes to inequalities.
- ▶ Wage differentials cannot be explained by economic factors alone despite increasing occupational and geographical mobility.

Inequality in India

- The India Inequality Report 2019 stated that “India is a highly unequal country on all counts of inequality”.
- Inequality in India is multi-dimensional.
- There are inequalities in wealth, income and consumption, as well as structural inequalities of opportunity, region and social groups.
- Job creation and employment are key issues in fighting inequality.
- There is now growing concern that the development trajectory in the post-liberalization era has been a period of jobless growth.



- Despite a booming economy and increasing labour force, the process of job creation has been extremely sluggish.
- The outcomes on distribution of income and wealth are strongly linked to the processes in the labour market.
- There has been a sharp increase in the employment of informal workers in the organized sector, particularly in the private organized sector.
- The share of contract workers to all workers being employed was less than 20 percent in the beginning of this century.
- But within a decade it increased to more than one-third.
- Contract workers not only suffer from the insecurity of tenure but are also paid less with no social security benefits.

- In the organized manufacturing sector, while workers' wages and emoluments of managerial staff were moving in tandem until the 1980s, they start diverging from the early 1990s and have continued to diverge further.
- By 2012, the last year for which data is available, managerial emoluments increased by more than 10 times but workers' wages have increased by less than 4 times.
- In addition to the decline in the quality of employment over the last two decades, the decline in the number of jobs created and the skewed distribution of workers across sectors have contributed to rising inequality.

- Women comprise half of the Indian population but make up less than a quarter of the labour force.
- Three in four Indian women do not work in the country.
- Looking at the extremely low levels of participation of women in the labour market makes one wonder whether the phenomenal success of India's economic transition left women behind.
- This is an issue of inclusion and inequality of the labour trajectory in the country.
- Gender wage gaps in India are highest in Asia—women are paid 34 percent less than men in the country for performing the same job with the same qualifications.



■ **Educational Attainment and Unemployment**

- While inequality in jobs has increased, inequality in education has decreased between boys and girls.
- But this situation further worsens the crisis in jobs when it comes to women.
- Almost all girls go to primary school and 70 percent of girls between the age of 15 to 18 years are enrolled in school.
- They frequently outperform boys in secondary and senior secondary examinations (Desai 2019).
- But the end result is not favourable for women-they are not finding suitable jobs for the skills that they have.
- There are economic and structural reasons behind high unemployment among women and why women even stop looking out for a job.

- Young men with Class 10 or 12 education find jobs as mechanics, drivers, sales representatives, postmen and appliance repairmen. Few of these opportunities are available to women.
- Employment for women are available in farm sector as labourers or as manual labourers in non-farm construction sector.
- These have little appeal for girls with secondary and higher secondary education.
- Women drop out of the labour force because of the high burden of unpaid care work in households which is overwhelmingly a female responsibility.

- There are also social barriers to women's mobility outside the house which prevents them from engaging in paid labour.
- There are social constraints on owning land, whereby although an overwhelming number of women are responsible for farm activities in rural India, the ownership and control over land and income from land is controlled by men.
- According to IHDS 2012 data, only 5% of women in India had exercised their choice in deciding whom to marry.
- Early age at marriage and child-birth has anecdotally emerged as a challenge to women joining the workforce.

What are labour market inequalities?

- Structural inequalities rooted in caste, gender and religion make imperative the redressal of such inequalities through labour market regulation.
- In August 2007, the findings of the NCEUS about the dismal conditions of life and work in the unorganized sector made global headlines.
- The Commission found that almost 8 out of every 10 Indians lived on less than INR 20 a day.
- Nearly 9 out of every 10 persons of SCs and STs, 8 out of every 10 OBCs (except Muslims), more than 8 out of every 10 Muslims (except SCs and STs) and more than 5 out of every 10 other persons (excluding SCs/STs, OBCs and Muslims), belonged to the 'poor and vulnerable' in India in 2004-05 (NCEUS 2007).

- This poor and vulnerable category was a sum total of the ‘extremely poor and poor’ and ‘marginal and vulnerable’ categories – overall living on less than USD 2 (at PPP terms) per day in 2004-05.
- That this poverty and vulnerability has a social character is amply clear from the NCEUS data where the dalits, adivasis, OBCs and Muslims are 25 to 30 percent more likely to be poor and vulnerable than other social classes.
- Of the total population in this category, nearly 79% could be classified as unorganized workers.
- In the years since the NCEUS findings of 2004-05, latest available data shows that the disparity in incomes for most social groups and women has either increased or remained stagnant(ILO 2018).

Labour Market Inequalities among Social Groups

- ▶ Inequalities among social groups in the labour market are increasing in the country.
- ▶ Caste and community is another basis for segmentation.
- ▶ For example, in the case of India, there has been caste discrimination through a system of social stratification.
- ▶ The ritually stratified system of caste is fundamentally an occupational division of labour with sub-castes being assigned to different occupations, which also determines their social standing.
- ▶ Lower castes are restricted to menial, low paying and often socially stigmatized occupations while upper caste groups are concentrated in preferred occupations.
- ▶ This horizontal segregation results in workers from different social groups being ascribed into different occupations and jobs and being socially constrained from moving out.

- ▶ The caste system has an elaborate ideology which determines norms and values in other spheres of social interaction as well. All these have an impact on the world view of both privileged and underprivileged groups and spill into market interactions as well—most notably labour market interactions.
- ▶ One way of looking at this inequality is to examine the poverty ratios across social groups.
- ▶ Poverty declined much faster for all the social groups during the period 2004–2005 to 2011–2012 as compared to the period 1993–1994 to 2004–2005.
- ▶ However, poverty levels are higher for STs and SCs as compared to other groups. Particularly, the poverty ratio of STs was two times to that of national average in 2011–2012.
- ▶ If we look at the type of households across social groups, the poverty in casual labourers in agriculture among SCs (41.3%) and STs (59.7%) was very high compared to other groups (31%)

Major Findings of The India Labour and Employment Report (IHD, 2014)

- ▶ The India Labour and Employment Report (IHD, 2014) examined the access of employment among social groups in India.
- ▶ The analyses of access to good quality employment carried out for various social groups SCs, STs, Muslims, OBCs and others and regions/states in India show a positive contribution of affirmative policy as well as their limitations, and points to the emerging areas of interventions.
- ▶ The analysis clearly shows that while SCs and STs have largely benefited from the affirmative policies in public sector jobs, in the case of OBC, the benefits have been disproportionately captured by some regions.
- ▶ The Report argues for the need of re-orientation in the affirmative policy, including meeting the human resource deficit.
- ▶ Income inequality is only one aspect of disparities between upper castes and disadvantaged sections (Thorat, 2010).
- ▶ Discrimination, humiliation and violence against Dalits and Adivasis are examples of inequalities in non-economic factors.

Migrant labour

- ▶ Internal migrants are discriminated in the Indian labour market.
- ▶ Short-term internal migration is generally distress-induced migration.
- ▶ In the context of internal migration, the Indian experience shows that distress migration by the rural poor, due to lack of local livelihood opportunities, is most common.
- ▶ In India, Census and National Sample Survey mainly identify permanent and semi-permanent migration but fail to capture seasonal migration, the magnitude of which is both large and growing (Srivastava, 2011).
- ▶ Only primary surveys tend to reveal the high incidence of migration that is seasonal, intermittent, circular or temporary.

Gender Inequalities in Employment

- ▶ One of the disparities in gender relates to education which has implications for employment.
- ▶ The wages of women workers in India are lower by 20–50 per cent to male wages across different categories and locations. One question is whether education reduces gender gap.
- ▶ Wage of a female worker with no education was 53 per cent of a man's wage in a regular job in rural areas.
- ▶ A graduate degree female received 70 per cent of male's wage in rural areas.
- ▶ In urban areas, gender gap in wages reduces faster with education.
- ▶ Short-term internal migration is generally distress-induced migration.

- ▶ There seems to be a substantial decline in gender inequality in employment over the period 1999–2000 to 2011–2012 (Ghose, 2016a).
- ▶ Gender inequalities declined in structure of employment, quality of most types of employment, underemployment, real wages per day of work and real wage per earnings employed.
- ▶ Despite these improvements gender inequality in employment is high (Ghose, 2016a).
- ▶ Work participation rate for women in India is only 22 per cent compared to 54 per cent for males.
- ▶ In fact in urban areas, only 15 per cent of women's participation in work compared to 55 per cent for men. It is true that increase in women's participation is important to reduce gender inequalities.

Conclusions and Policy Implications

- ▶ Labour market inequalities are high in India.
- ▶ As inequalities are rising, creation of productive employment is the best way of achieving inclusive growth.
- ▶ There seems to be some convergence in the wages between males and females, rural and urban and, regular and casual workers.
- ▶ However, the levels of inequalities are still high.
- ▶ Inequality cannot be left to markets, hence, public policy intervention is important.

▶ Employment creation with quality should be at the heart of the strategies for reducing inequalities and continued social exclusion experienced by large sections of society.

▶ Pro-poor macroeconomic policies, sectoral policies that raise productive employment, social protection, policies relating to equality of opportunity in terms of quality education for everyone and affirmative policies are needed for reducing labour market inequalities in India.

- With this I come to an end of the session on Dynamics of Labour Market Inequalities in India and leave you with few questions which you will find easy.
- Thanks for watching the video.

Quiz Question

Q.1. Who is the author of the book , “Capital in the Twenty First Century?”

- (a) Thomas Piketty
- (b) Joseph Stiglitz
- (c) A.K. Sen
- (d) Jagdish Bhagwati

Q. 2 Numbers of Sustainable Development Goals (SDGs) by United Nations are

- (a) 15
- (b) 16
- (c) 17
- (d) 18

Q.3 What are the factors of inclusion and exclusion in the different spheres of activity?

- (a)Market
- (b) Norms and values
- (c)State
- (d) Civil Society organisations and sub-national identities
- (e)All the four

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Thank you