

Is Social Discrimination in Indian Labour Markets Coming Down?

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Caste and other forms of social discrimination have a long tradition in India, and they have interacted with capitalist accumulation to generate peculiar forms of labour market segmentation that are unique to Indian society. Most empirical studies, including those using large-scale sample survey data as well as micro case studies, have found that social categories are strongly correlated with the incidence of poverty and that both occupation and wages differ dramatically across social categories.

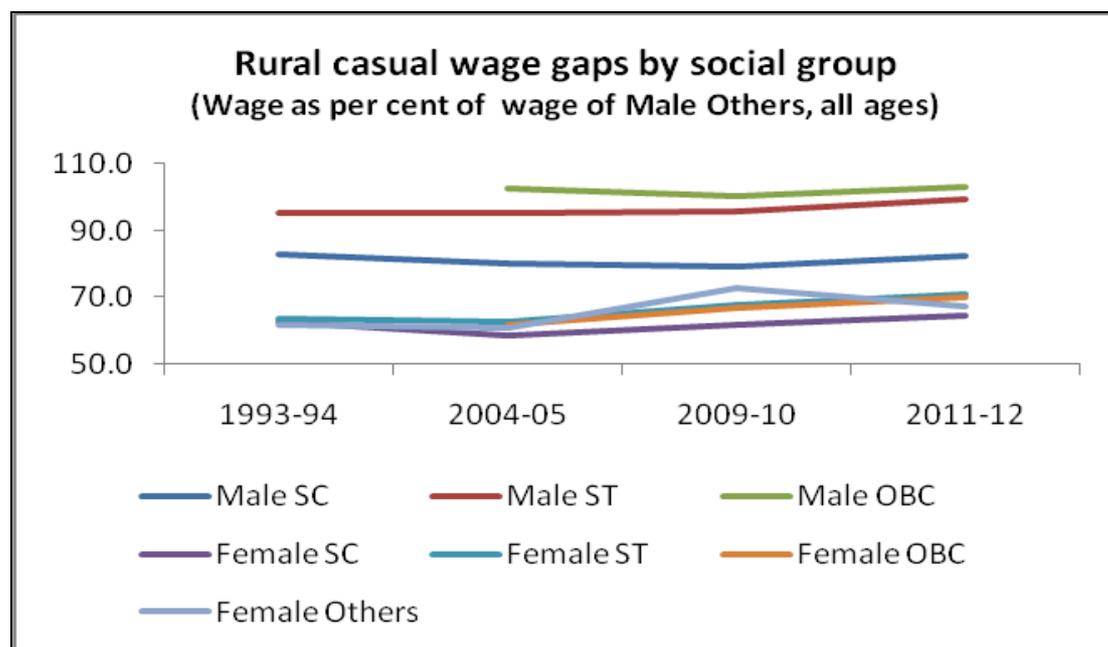
Thus, the [National Sample Surveys](#) reveal that the probability of being in a low wage occupation is significantly higher for STs, SCs, Muslims and OBCs (in that order) compared to the general “caste Hindu” population. This is only partly because of differences in education and level of skill, which are also important and which in turn reflect the differential provision of education across social categories. Such caste-based discrimination has operated in both urban and rural labour markets.

Gender-based differences in labour markets and the social attitudes to women’s paid and unpaid work are also reflections of this broader tendency. There is widespread perception that women’s work forms an “addition” to household income, and therefore commands a much lower reservation wage. Women workers within Dalit or other discriminated groups typically receive even lower wages for similar work.

It has even been argued that capitalism in India, especially in its most recent globally integrated variant, has used past and current modes of social discrimination and exclusion to its own benefit, to facilitate the extraction of surplus and ensure greater flexibility and bargaining to employers when dealing with workers. So social categories are not “independent” of the accumulation process – rather, they allow for more surplus extraction, because they reinforce low employment generating (and therefore persistently low wage) tendencies of growth. The ability to benefit from socially segmented labour markets in turn has created incentives for absolute surplus value extraction on the basis of suppressing wages of some workers, rather than requiring a focus on relative surplus value extraction resulting from productivity increases.

However, recent evidence of the wage gaps in India by social category suggests that this overall picture may be changing, albeit to a limited extent only. Chart 1 tracks the difference between wages (across all activities and all education levels) by gender and social category, as revealed by the large surveys of the NSSO since 1993-94. The wages here refer to wages received by casual labourers in all rural activities across all age groups. The wages of other groups are expressed as a percentage of the wages received by males who are not from Scheduled Caste, Scheduled Tribe or Other Backward Classes (from 2004-05 only). This “other” category tends to be dominated by upper caste Hindus, although of course it contains some other categories, and so this provides an indication of the extent to which labour markets reflect wider social discrimination.

Chart 1: Wage differences between social groups have reduced somewhat in rural India



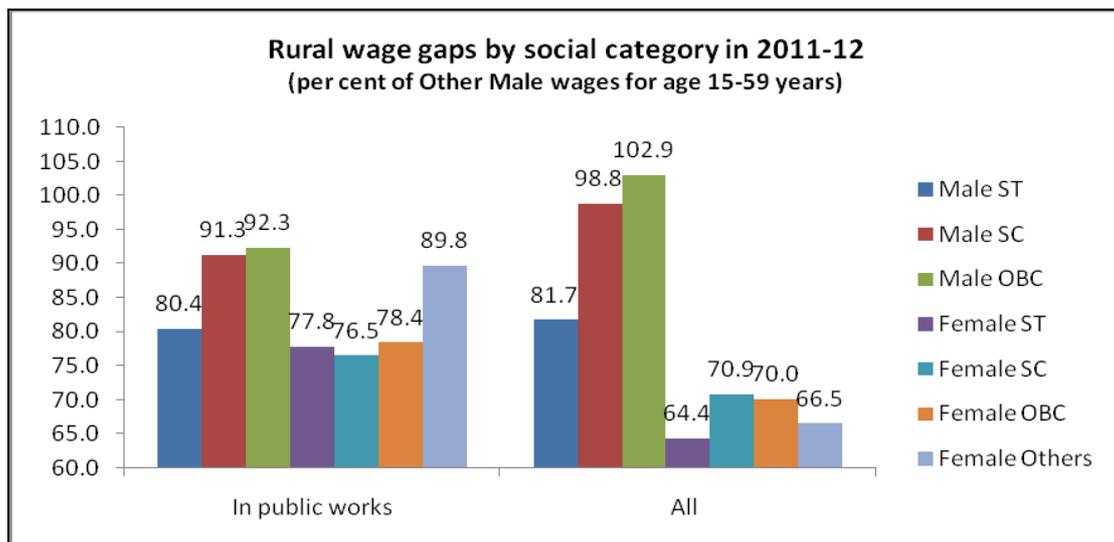
It is immediately evident from Chart 1 that such wage differentials are very significant in rural India. Gender discrimination is clearly the strongest feature that emerges, as female wages for all categories are lower than the lowest male wages, received by SC men. This is well known, of course, but the chart also points to some reduction in gaps after 2004-05, for ST men and more particularly for women across all social categories. The biggest relative improvement has been recorded for women from SC and OBC groups. There was quite a sharp improvement for women in the “Other” category in 2009-10, with a slight setback thereafter, but even so, the gap in 2011-12 (with such women’s wages at 67.1 per cent of “Other” male wages) was 6.4 percentage points lower than it was in 2004-05.

What explains this improvement? Some point to rapid economic growth as the main force that has been undoing the socially-driven patterns of wage and occupation discrimination. However, the income growth process has not been accompanied by significant increases in employment, other than in a few sectors like construction. In fact, aggregate recorded employment has actually declined for women over this period, mostly because of declining self-employment and less engagement in casual labour. So the standard notion that higher growth has generated more demand for labour and thereby led to higher wage rates is complicated by the lack of increase in aggregate employment.

However, one other big change in rural India over this period has been the expansion of employment in public works, most of all the works resulting from the [Mahatma Gandhi National Rural Employment Act](#). Because of the wage and work norms that are defined in the Act, it has the potential to stabilise rural wages at levels that are at least close to the legal minimum and even to increase them beyond this in some cases, to reduce the extremely exploitative working conditions that prevail in rural labour markets in many parts of India, and to provide work on relatively equal terms to women and workers from Scheduled Castes and Tribes who are routinely discriminated against in rural labour markets.

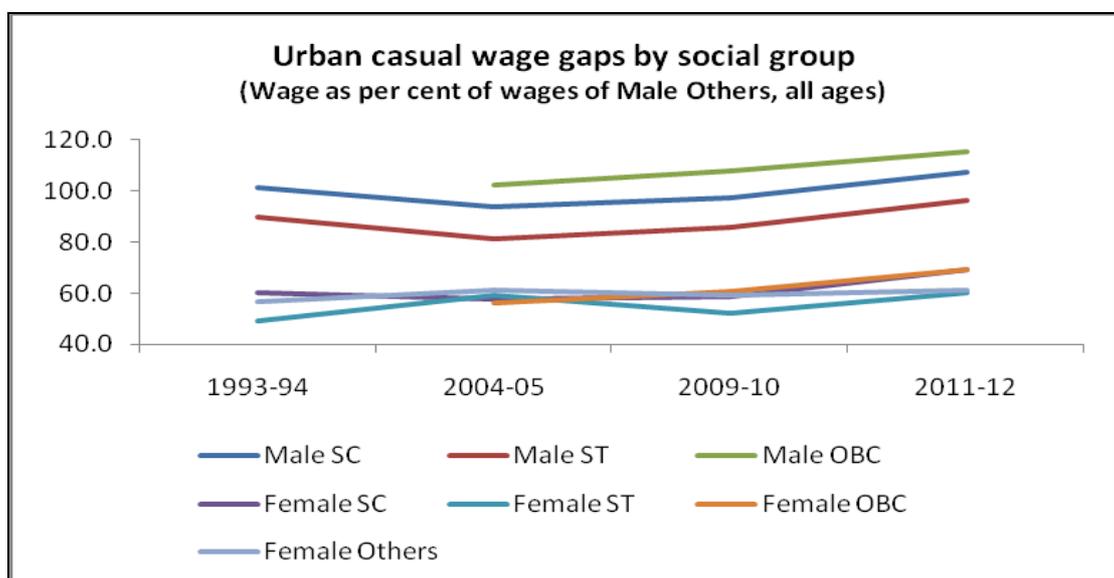
While there are [many criticisms](#) of the uneven and often inadequate implementation of the Act, there is some evidence that this positive effect has indeed been realised to some extent. Chart 2 (which covers workers in the age group 15-59 years) shows that rural wage gaps for casual labour in public works (including MNREGA) are significantly lower than for all rural casual workers. The difference is sharpest for women workers, who are clearly the disproportionate beneficiaries of the public works in terms of improving wages.

Chart 2: And this may be due to the impact of public works like MNREGA



However, it is interesting to note that even in urban India there has been some reduction in some of the prevailing wage gaps by social category, even though there are no public works that could have delivered this positive impact. Chart 3 covers all urban casual workers of all ages. Here, the impact on women workers is marginal – there is no change at all in the relative position of “Other” women casual workers since 2004-05, and only OBC women workers show some improvement. Indeed, women’s wages still remain pathetically low relative to men workers in urban India.

Chart 3: Urban wage gaps have reduced mainly for male workers



It is evident that the relative improvements since 2004-05 have been most marked for male workers. Since this relates to casual work, the impact of factors such as reservation in certain types of public employment is not relevant here. However, it is possible that in urban areas, the recent pattern of growth – and in particular the huge role played by the construction boom – has had an effect in reducing wage gaps for male workers in particular (since women are less employed in construction as it becomes more mechanised). As construction had also become the most –indeed, the only – dynamic employer among sectors in urban India, this probably drove the rise in real wages that has been observed over this period.

If this is the case, then the recent evidence of the bursting of the urban real estate bubble and stagnation or decline in construction activities across many parts of India is likely to have labour market implications as well. The reduction in wage gaps and the rise in real wages are unlikely to be sustained in urban India in the absence of any other economic stimulus or public intervention to guarantee some urban employment in some form.

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