

# **IS DUALISM INCREASING IN INDIAN LABOUR MARKET**

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**ICRIER**

# Structure of Presentation

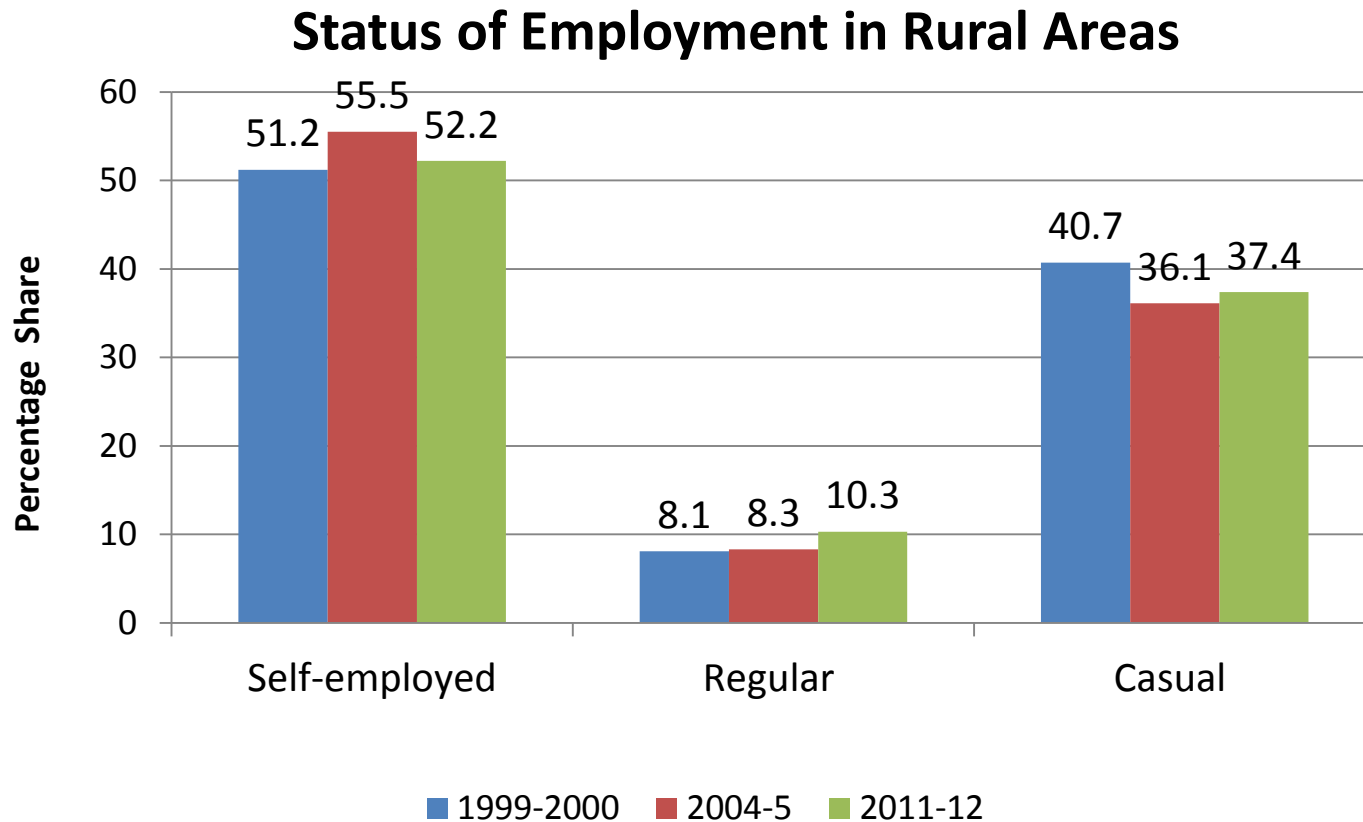
Indian labour market is characterised by numerous types of differentiation among groups of workers.

Segmentation originates from various factors such as geographical and rural/urban location, status of workers, level of education and skill, caste & religion, industry, institutional basis of labour regulation etc.

In this presentation we cover segmentation arising from:

- i) Status of Workers
- ii) Rural-Urban Location
- iii) Religion & Caste (Social Groups)
- iv) Gender
- v) Education
- vi) Formality/Informality (Institutional Basis of Labour Regulation).

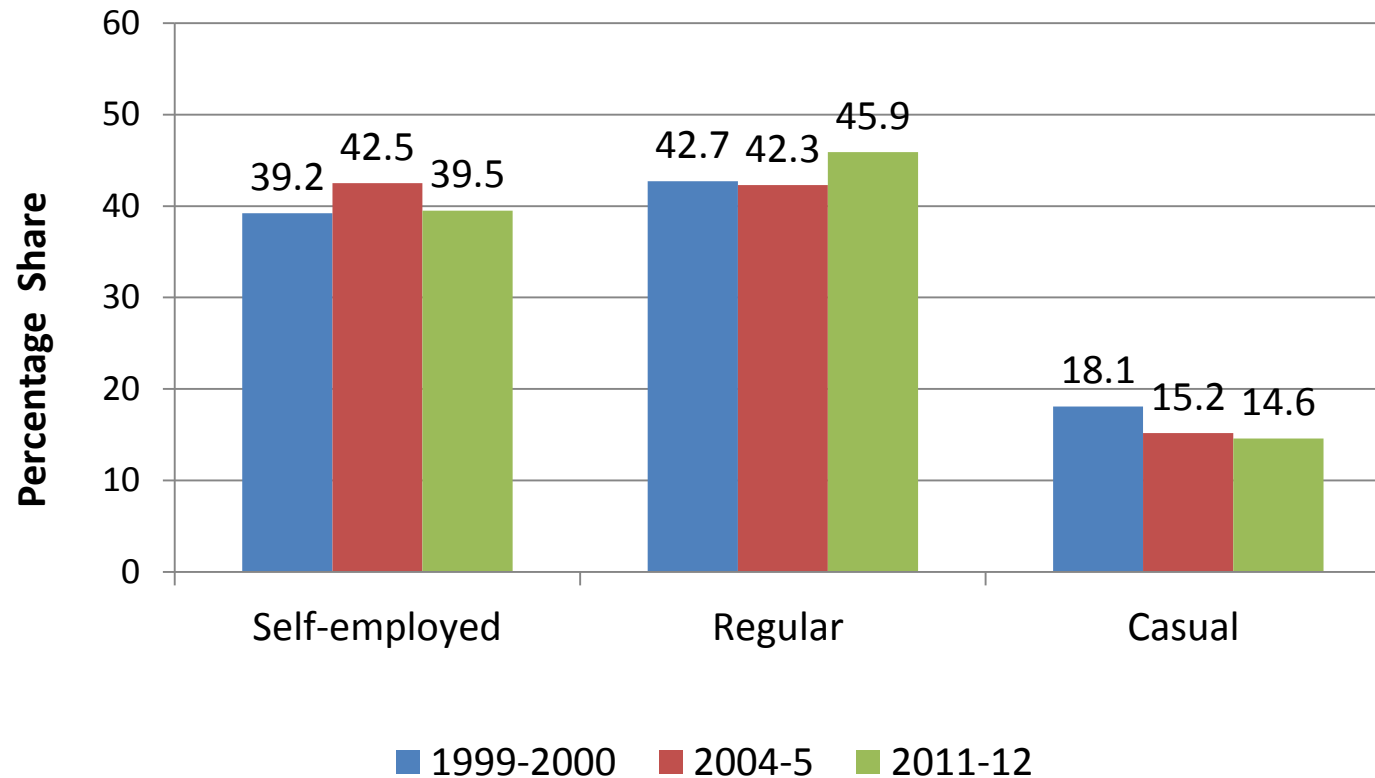
# Employment Status



The share of regular worker (often considered as better jobs) is miniscule in rural areas but it increased particularly between 2004-5 and 2011-12.

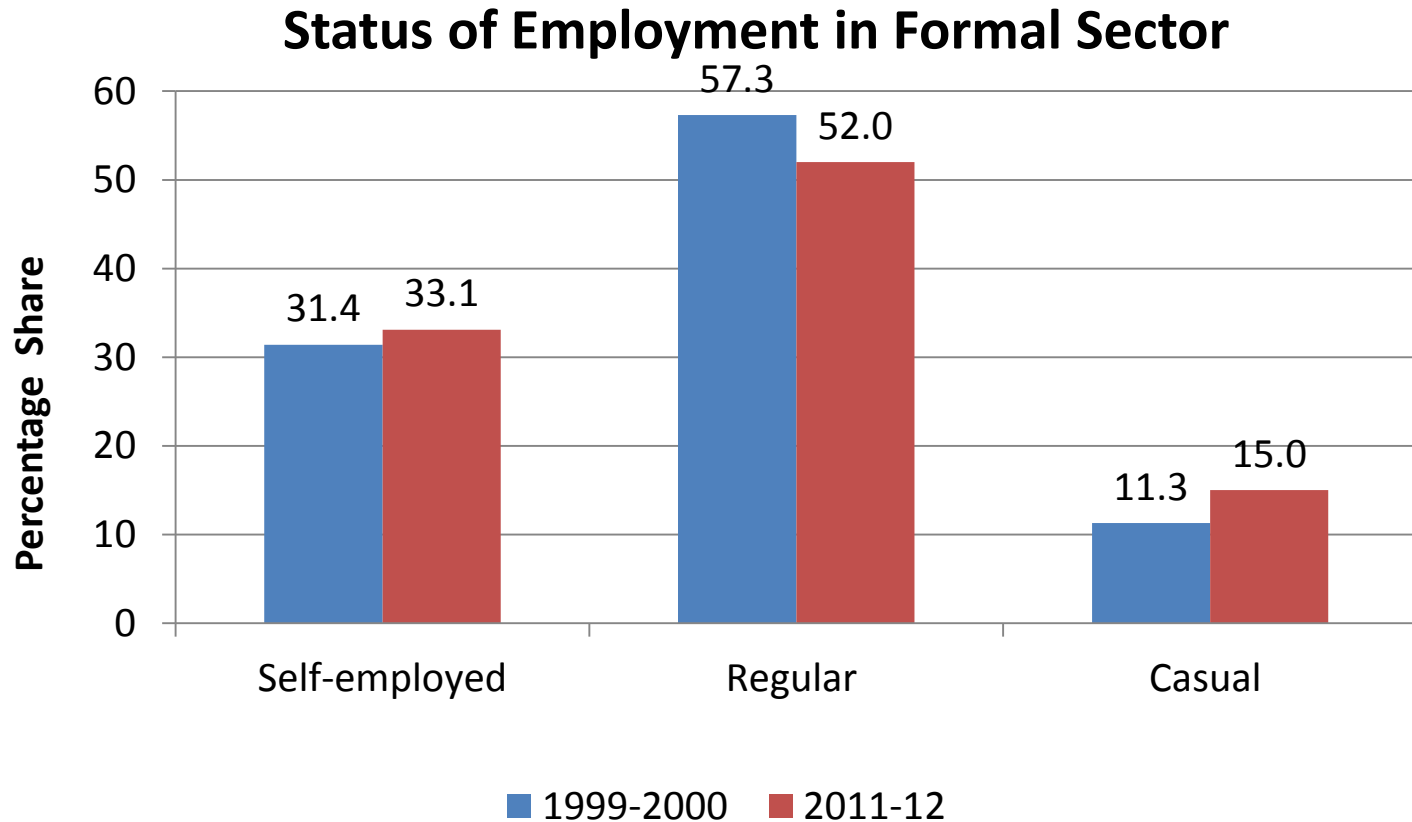
# Employment Status...

## Status of Employment in Urban Areas



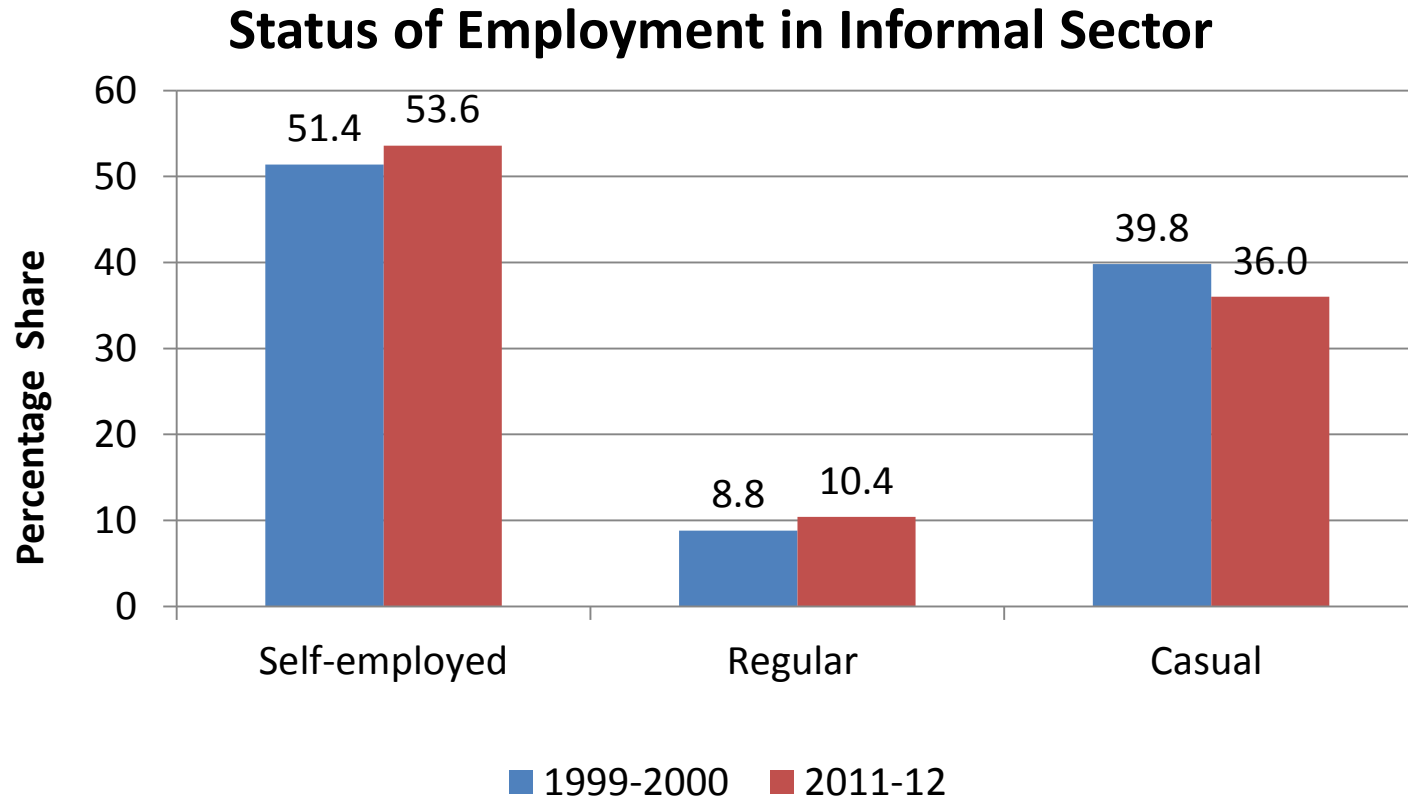
The share of regular worker was substantially higher in urban areas and it increased between 2004-5 and 2011-12.

# Employment Status...



The share of regular workers in formal sector was more than half but it declined between 1999-2000 and 2011-12.

# Employment Status...



The share of regular workers in informal sector was hardly one-tenth but it increased between 1999-2000 and 2011-12.

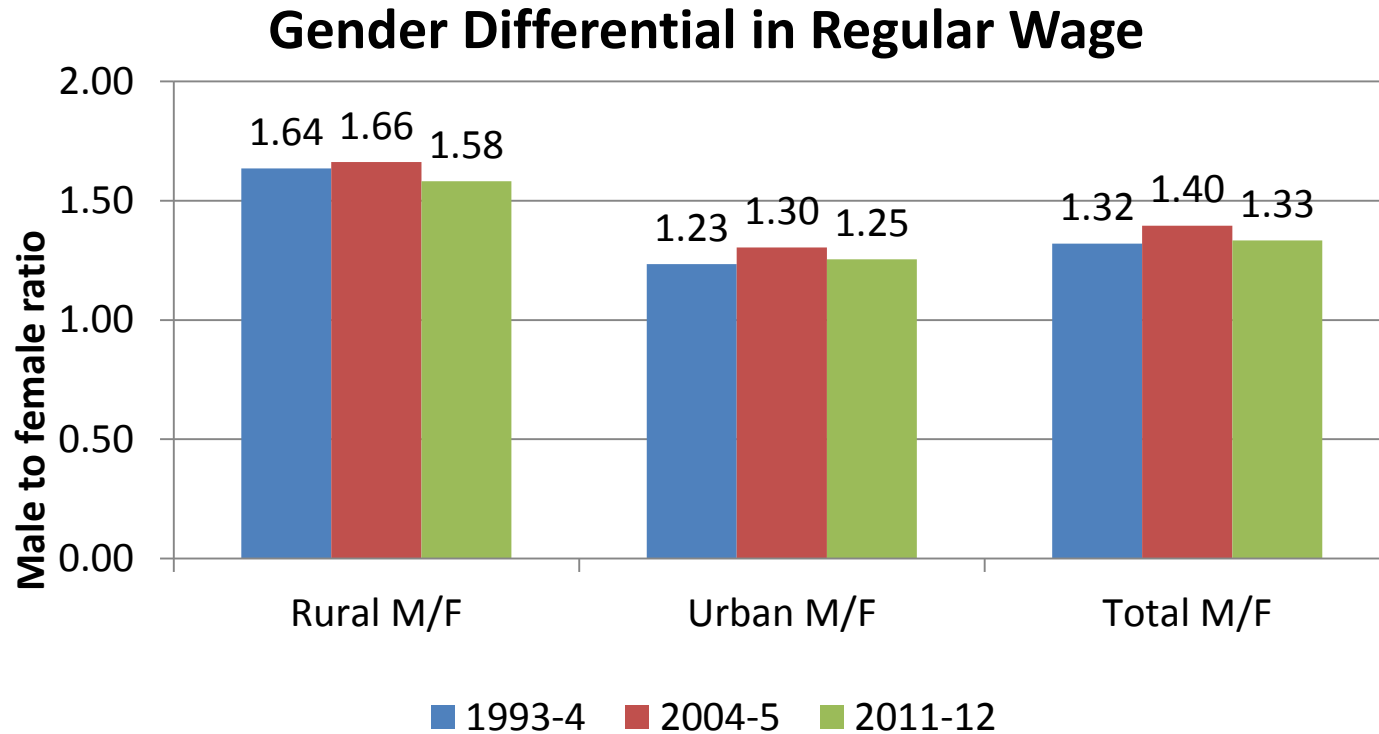
## Formal Sector Employment across Social Groups

The Share of Formal Sector Employment in Total Employment, 2011-12 (UPS), 15+						
Sector	Scheduled Caste	Scheduled Tribe	Other Backward Castes	Muslim	Dominant Group	Total
Rural	12.07	8.39	10.95	11.29	17.89	12.09
Urban	36.13	45.68	37.81	22.63	55.95	41.40
All	17.26	11.91	17.60	15.52	33.97	20.25

Source: NSS Unit Level Data, 2011-12

- The share of formal jobs is highest among dominant groups.
- However, both scheduled tribe and scheduled caste gained from affirmative action in public sector.

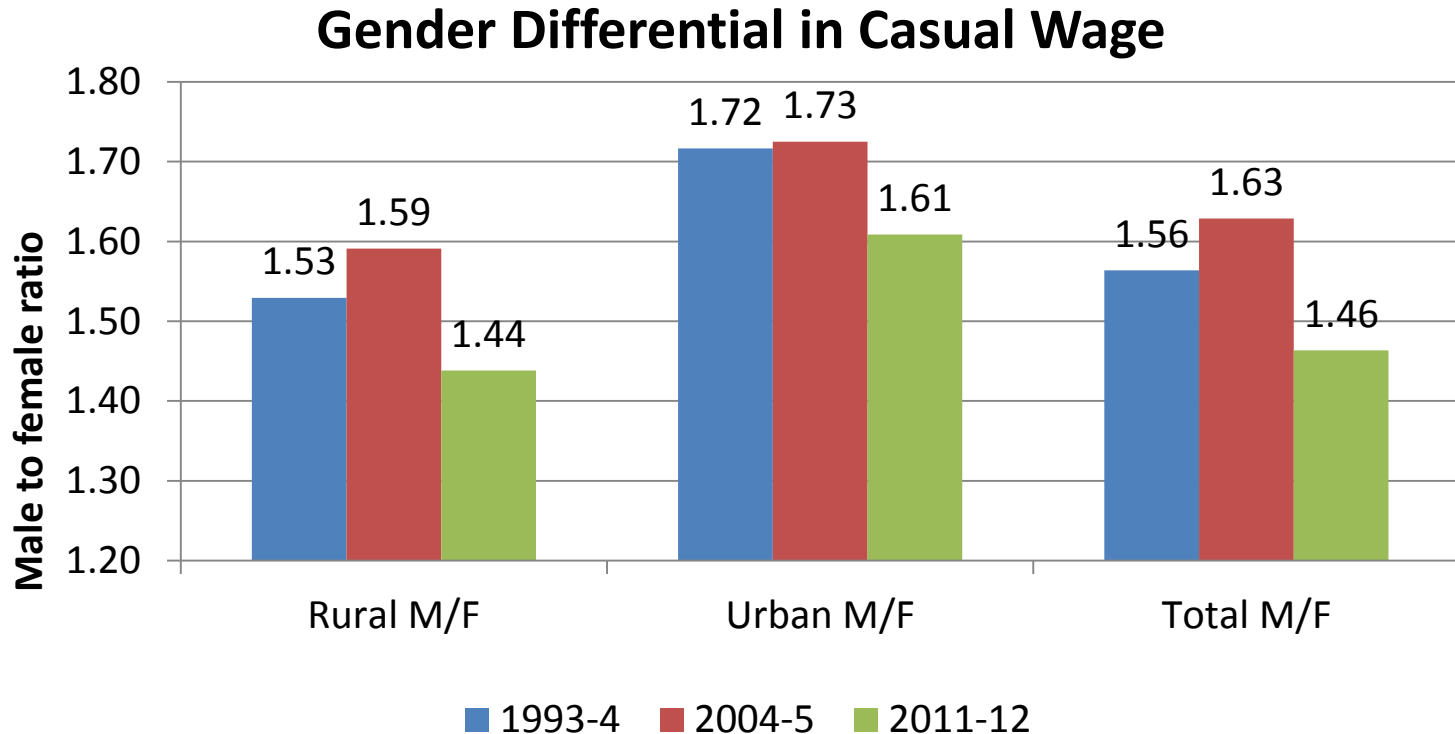
# Gender Differential in Wage



Gender differential in regular wage rates widened between 1993-94 and 2004-5 but it narrowed thereafter. But hardly any change in the last two decades.



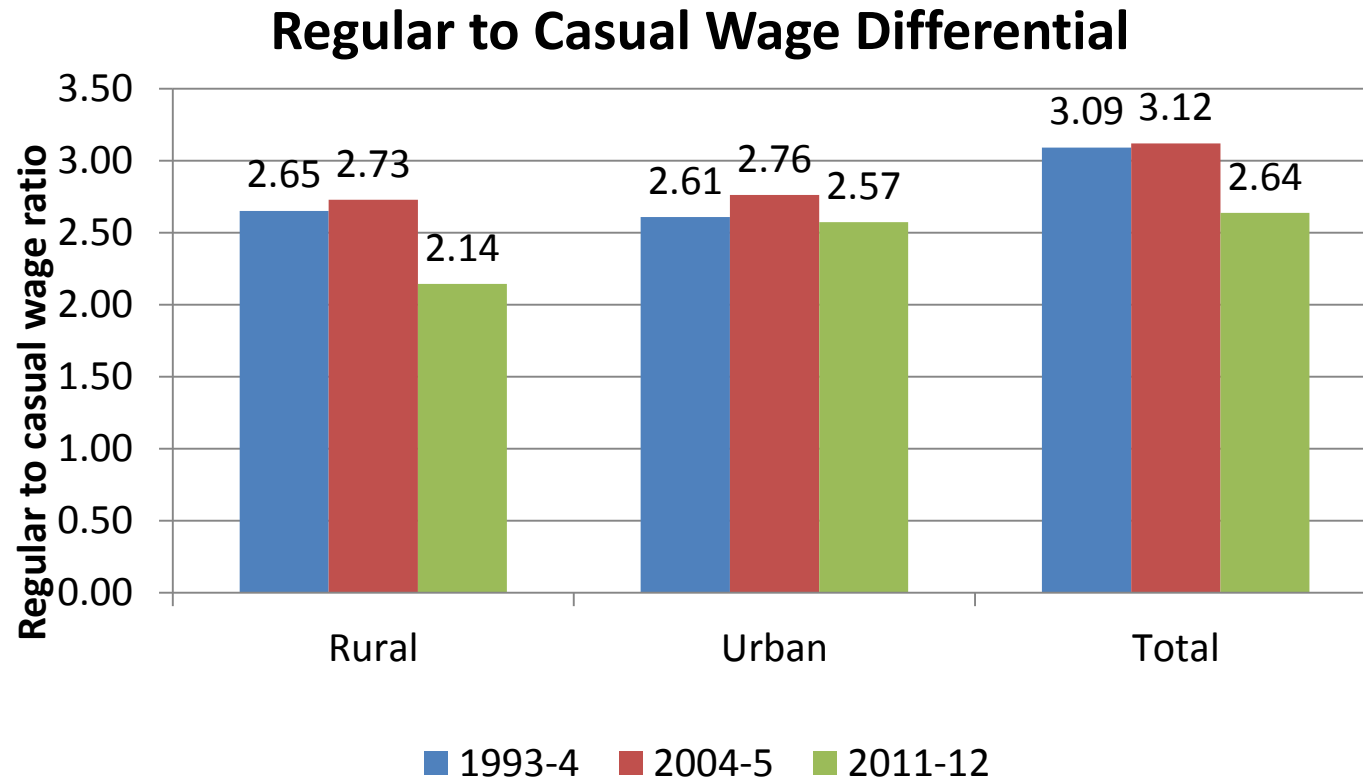
# Gender Differential in Wage ...



Gender differential in casual wage rate shrunk substantially in the last decade particularly in the rural areas.

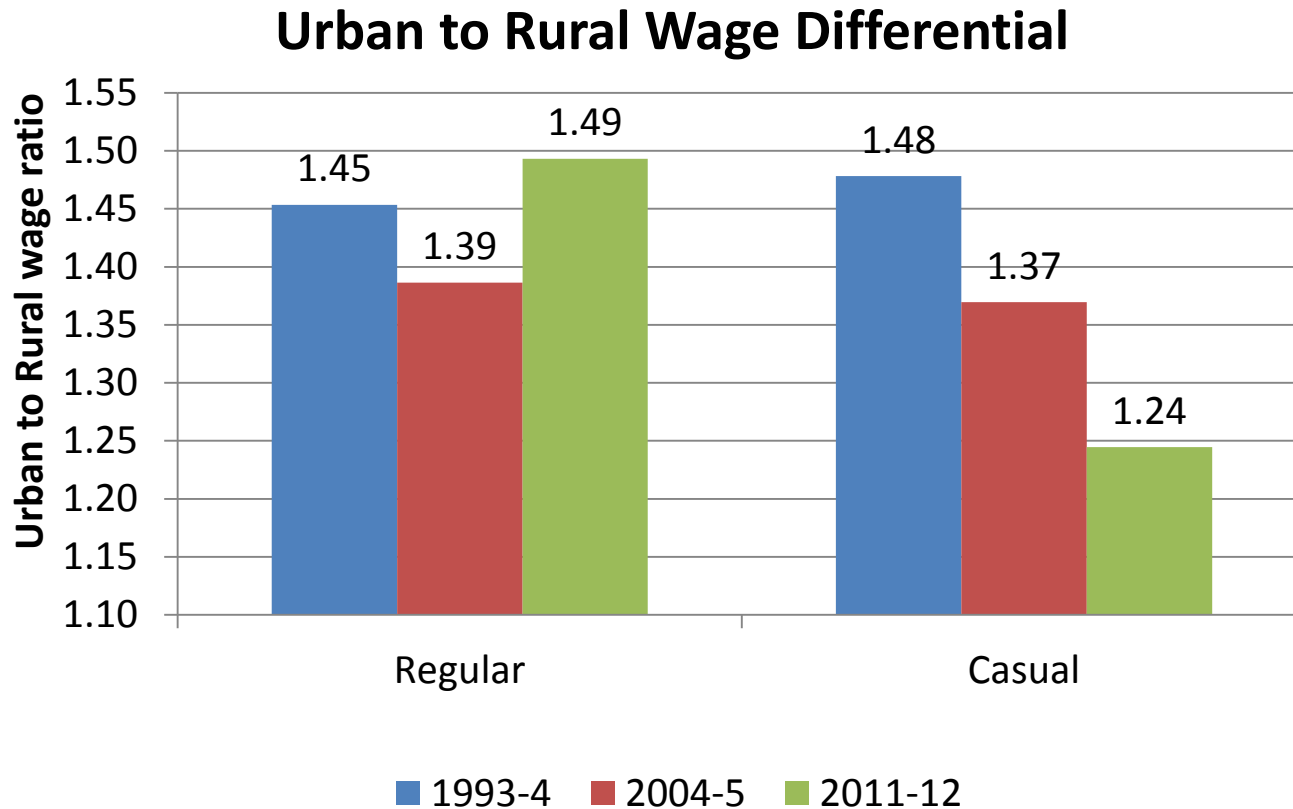
One possible cause is MGNREGA.

# Regular to Casual Wage Differential



Regular to casual wage differential narrowed in the last decade because of faster growth casual wages compared to regular originating from increasing demand of casual work in non-agricultural activities particularly in the construction sector.

# Urban to Rural Wage Differential



Urban to rural casual wage differential narrowed in the last decade because of increasing incidence of migration for work both short-term and long-run.

# Wage Differential among Regular Workers

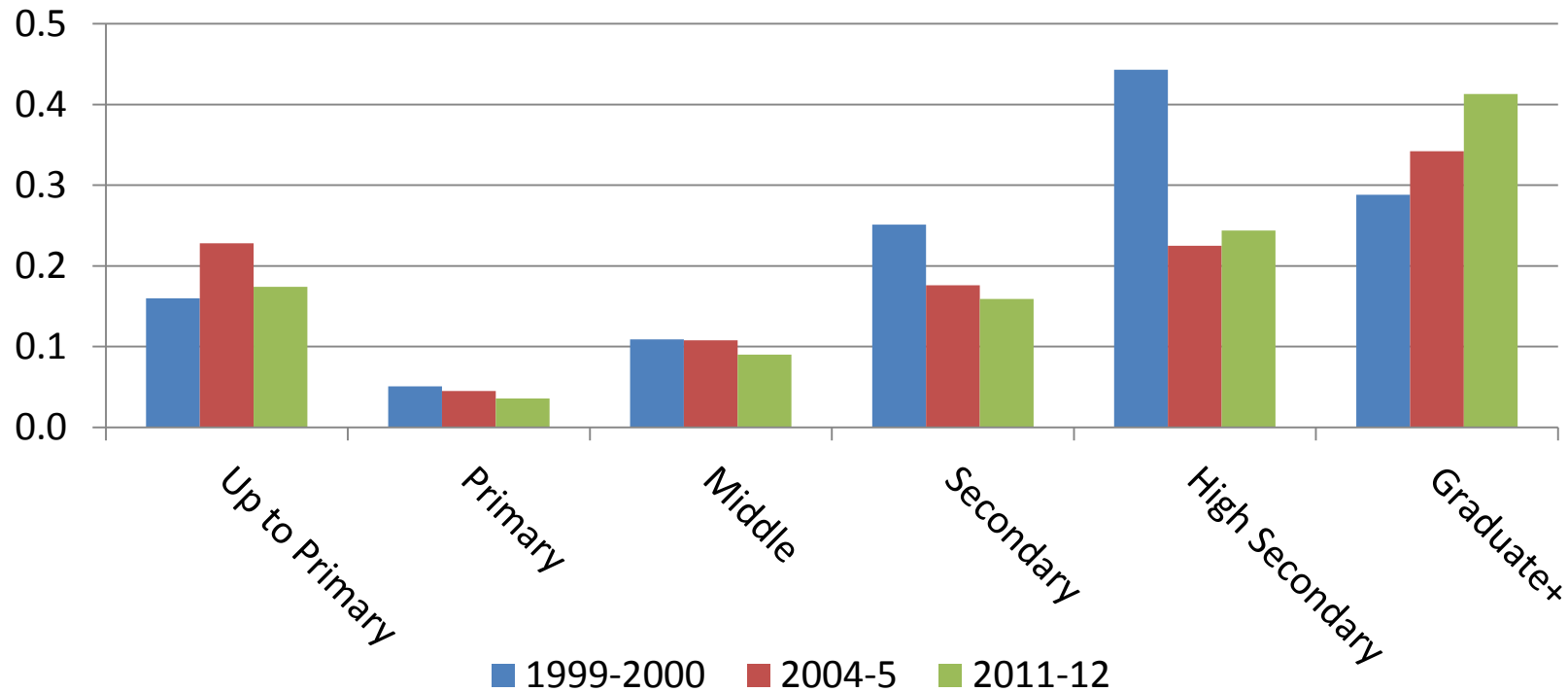
## Wage Differential at Mean between Groups for Regular Workers

Level of Schooling	199394	200405	2011-12
Not literate	1.0	1.0	1.0
Up to primary	1.3	1.3	1.1
Up to middle	1.4	1.3	1.3
Up to higher secondary	2.1	2.3	2.1
Graduate and above	3.6	4.6	4.1

- Wage differential substantially increase as education level goes up.
- Substantial jump in salary is observed from highest school education to college education.
- In the last decade, gross relative return to college education indicated some decline.

# Wage Differential among Regular Workers ...

Incremental net additions to log earnings for successive levels of education for Regular Worker



- But controlling for other factors, incremental net addition to log earnings shows substantial increase for graduate & above level over the years.
- For all education category up to secondary, the returns to education declined in the last decade as school education became more widespread.

# Wage Differential among Regular Workers ...

## Wage Differential across Social Groups for Regular Workers

Level of Education	Scheduled Caste	Scheduled Tribe	Other Backward Castes	Muslim	Dominant Groups	Total
Not literate	169	135	176	165	172	169
Up to primary	197	186	191	168	208	191
Up to middle	211	201	223	206	242	222
Up to higher secondary	334	417	321	315	398	354
Tertiary	548	585	573	552	816	690
Total	302	353	341	272	530	392

- Graduates or tertiary educated regular workers earned much higher salaries.
- Wage differential between dominant group and others shot up at tertiary education level possibly indicating discrimination in the labour market at this level of education.

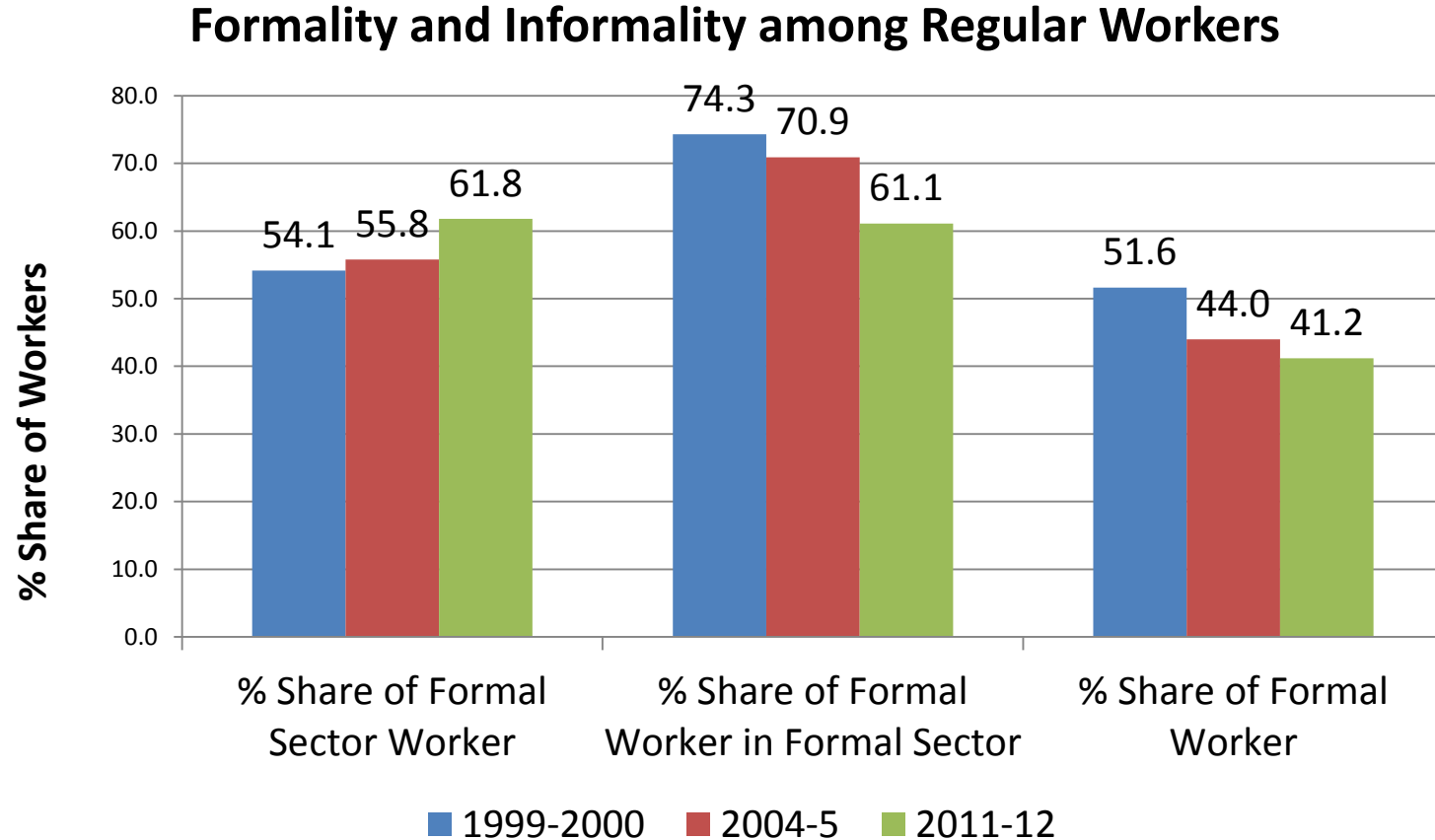
# Wage Differential among Regular Workers ...

## Wage Differential within Education Group for Regular Wage Earners

Schooling	Percentile	1993–4	2004–5	2011-12
Not literate	25th	1	1	1
	50th	2.2	2.2	1.5
	75th	2.9	2.6	2.3
Up to primary	25th	1	1	1
	50th	2	2.1	1.4
	75th	2.8	2.5	2.1
Up to middle	25th	1	1	1
	50th	1.9	1.9	1.5
	75th	2.6	2.2	2.3
Up to higher secondary	25th	1	1	1
	50th	1.9	2.5	1.6
	75th	2.6	3.5	3.1
Graduate & above	25th	1	1	1
	50th	1.6	2.3	2.0
	75th	2.0	3.0	3.3

- Only within graduates & above, wage differential between 25<sup>th</sup> and 75<sup>th</sup> percentile had been widening.

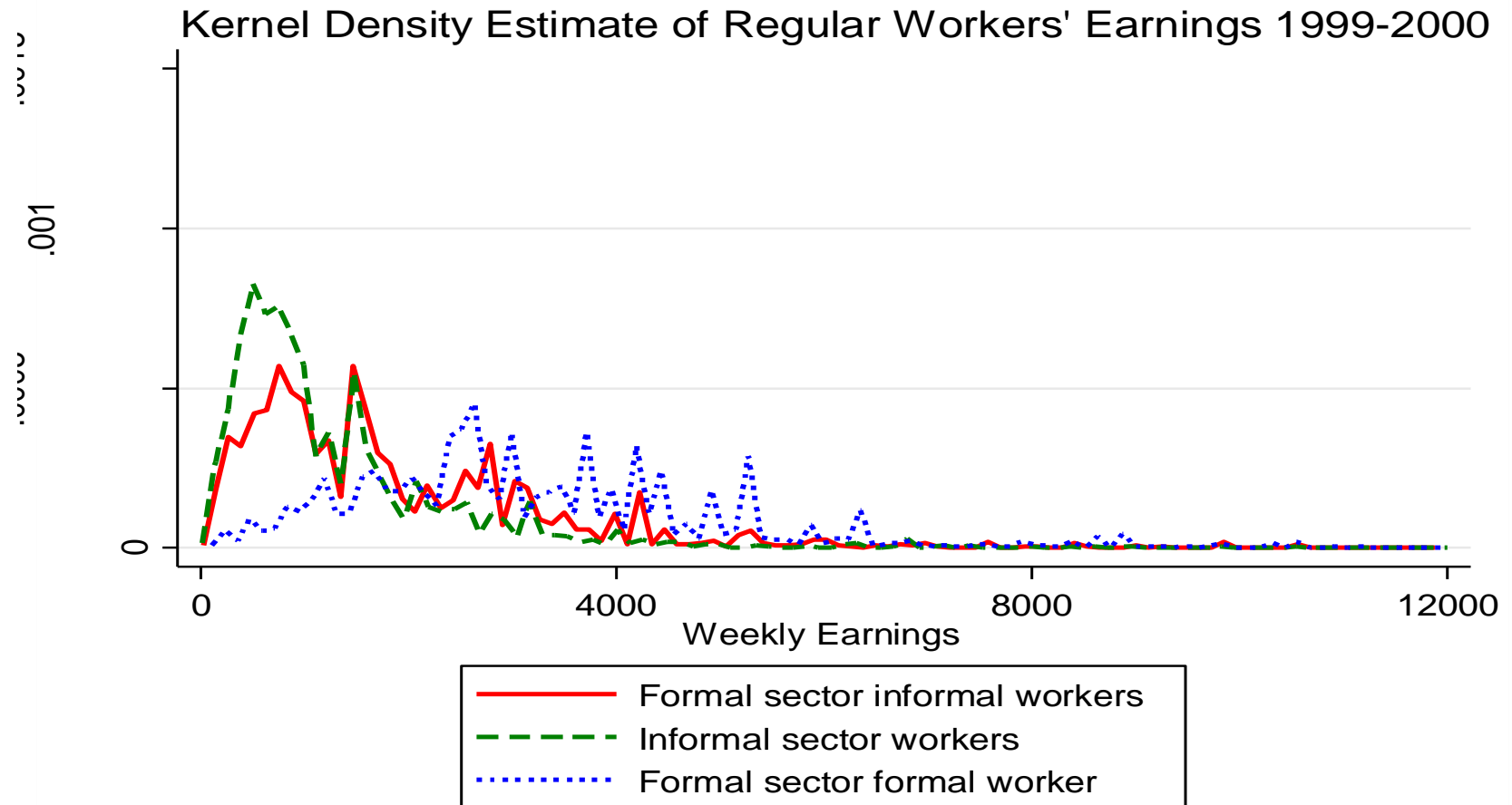
# Formality/Informality among Regular Workers



- Between 2004-5 and 2011-12, the share of formal sector workers among regular workers increased but it was accompanied by even larger decline in the share of formal workers in formal sector.
- It resulted in even further decline in the share of formal workers.

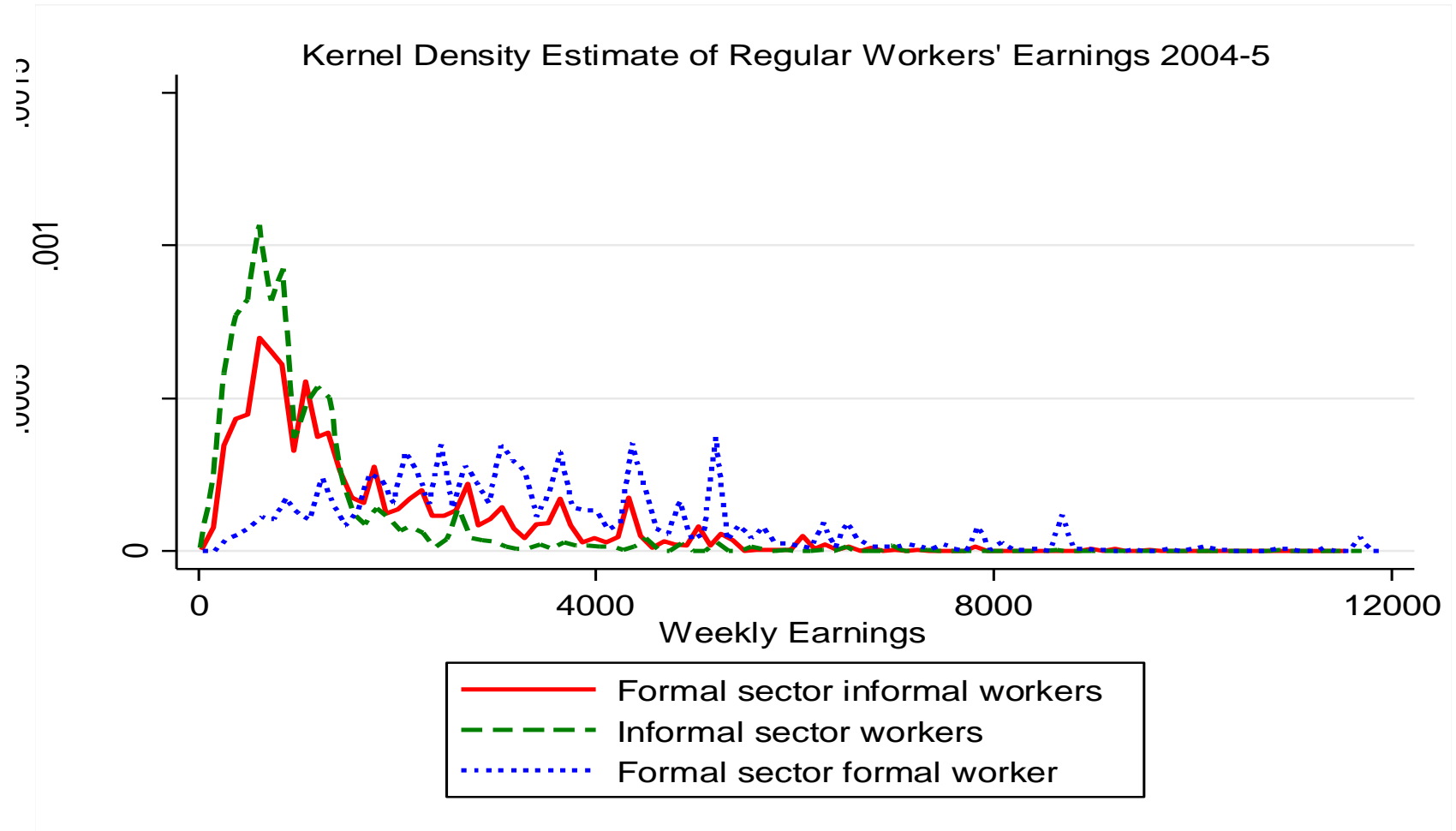


# Formality/Informality among Regular Workers



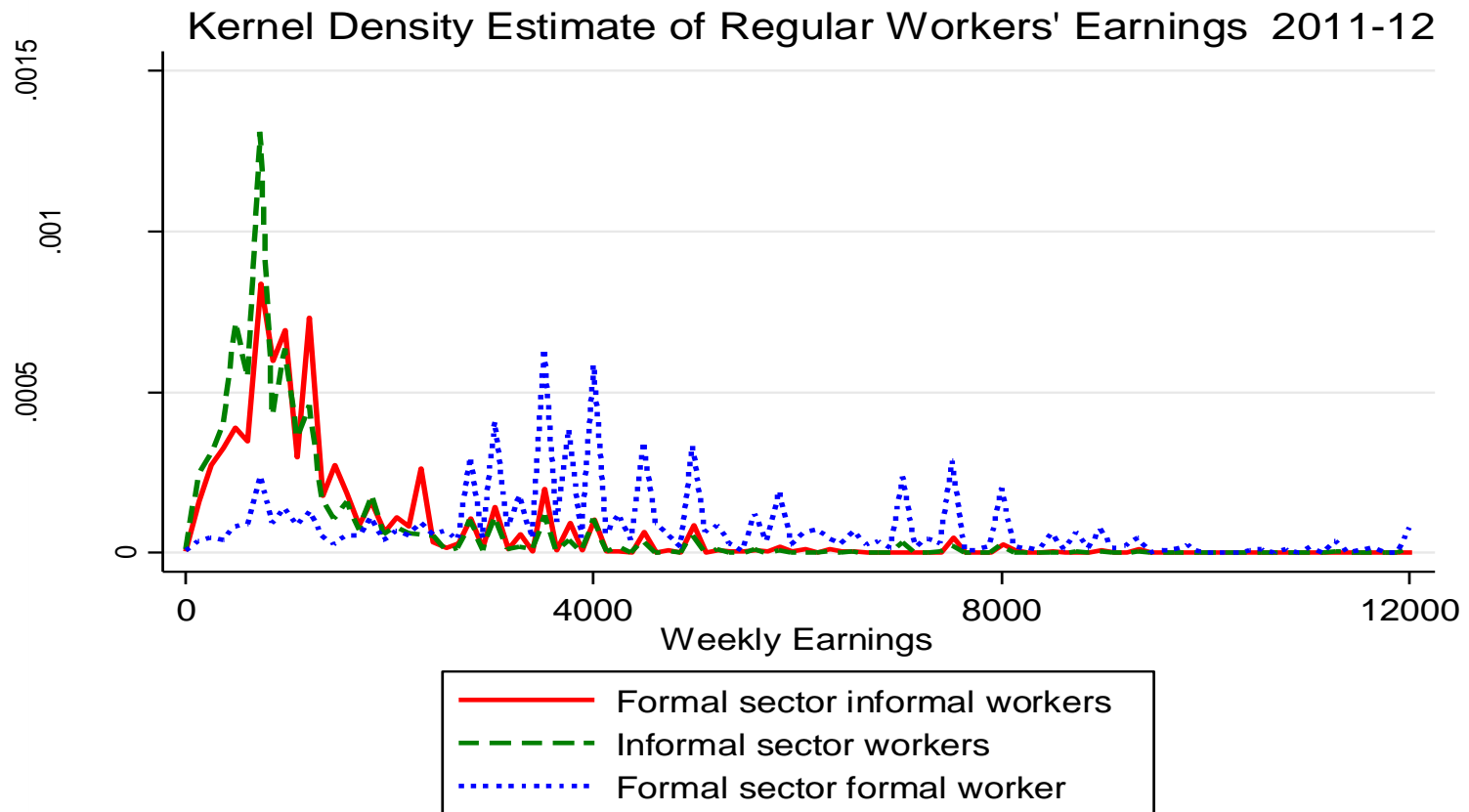
Some overlap of earnings between informal sector worker and formal sector informal worker but a section of latter group of workers earned much higher than informal sector workers in 1999-2000.

# Formality/Informality among Regular Workers



Compared to 1999-2000, in 2004-5 the earnings of even larger proportion of formal sector informal workers were similar to the earnings of informal workers.

# Formality/Informality among Regular Workers



- In 2011-12, the earnings of formal sector informal workers were almost similar to the earnings of informal sector workers.
- These two groups of workers are becoming increasingly similar in terms of earnings structure and having no social security.

# Earnings Inequality

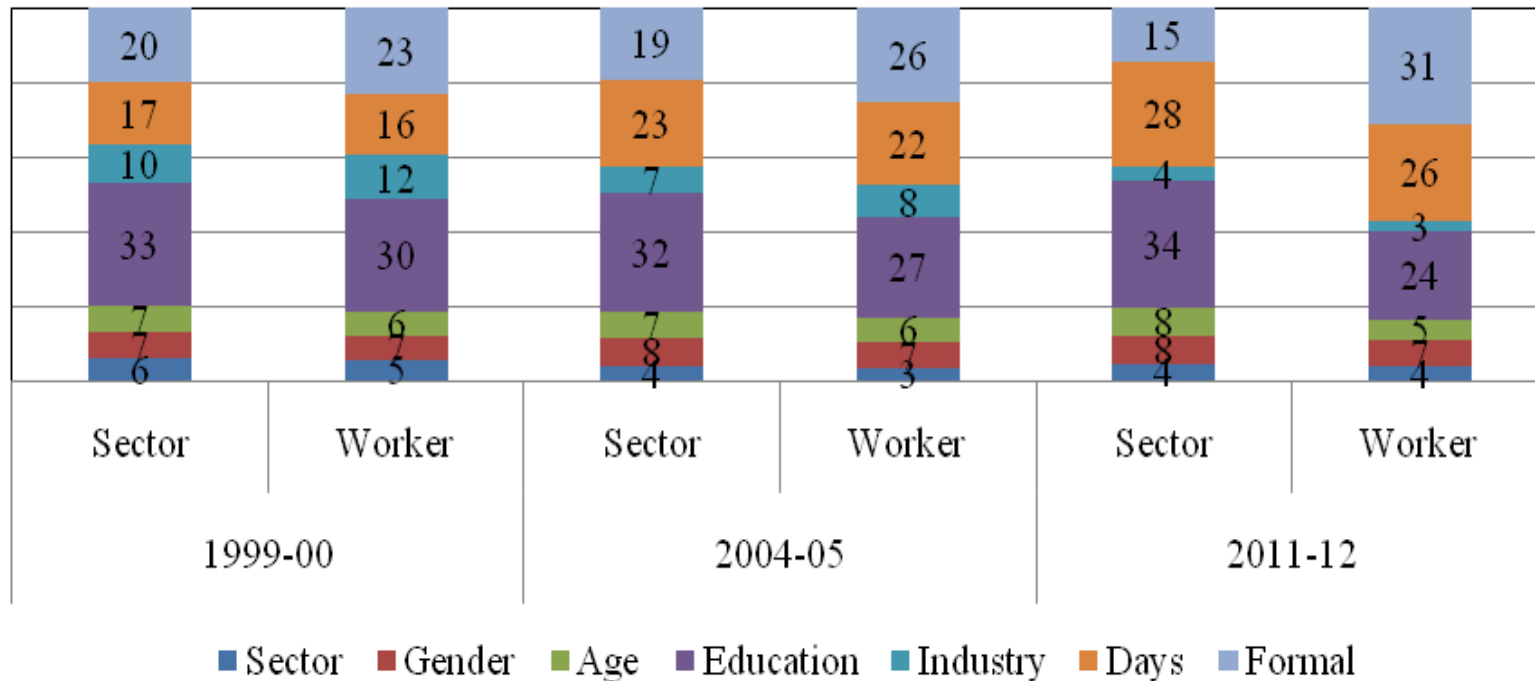
## Trends of Earnings Inequality of Wage Workers

Period	Gini	GE(0)	GE(1)	GE(2)
1999-2000	0.540	0.510	0.551	1.005
2004-5	0.557	0.548	0.594	1.057
20011-12	0.510	0.454	0.514	1.072

- Overall earnings inequality (Gini and GE(1) ) showed increase in between 1999-2000 and 2004-5 but substantial decline in between 2004-5 and 2011-12.
- The contribution to the decline in overall inequality came largely from decline in inequality in lower half of the earnings distribution (GE(0)) as earning distribution of both informal sector regular workers and formal sector informal regular workers substantially narrowed.

# Earnings Inequality ...

## Contributions of Variables to Earnings Inequality (in %) Measured through Fields Decomposition Analysis of Earnings Inequality of Wage Workers



- Two variants of each year are formal sector and formal worker dummies.
- The importance of formal worker dummy had been going up over the years and in 2011-12, its contribution was highest in explaining earnings inequality and even more than the contribution of education.

# Conclusion

- The share of regular workers increased in rural areas and even in the informal sector.
- Gender differential in the earnings among regular workers remained stagnant in the last two decades but it declined for casual wage workers.
- Wage differential narrowed between regular and casual workers and taking both regular and casual workers, wage differential between urban and rural areas also got reduced.
- Wage differential among social groups is substantially high for college educated workers.
- Wage differential among educational levels declined in the last decade but within graduates & above it increased.

# Conclusion

- In the last two decades, the earnings distribution of formal sector informal regular workers became much closer to the earnings of informal sector regular workers and the disparity of the former with formal sector formal regular worker widened.
- In new emerging scenario, the widening dualism is between formal and informal workers and not between formal and informal sector.
- Flexible workforce in formal sector employed largely through Contract Labour (Regulation and Abolition) Act is becoming akin to informal workforce in terms of earnings distribution and non-provision of social security provisions.
- Large availability of increasingly educated youth in labour force is pushing earnings of formal sector flexible workforce closer to the earnings of informal sector earnings.