

IHD-JNU Workshop on Understanding Inequality in Brazil and India

Convention Centre, Jawaharlal Nehru University, New Delhi, 17 February 2015

The workshop was hosted by the Centre for Economic Studies and Planning, Jawaharlal Nehru University, and organized jointly with the Labour Market Inequality project at the Institute for Human Development. The principal organizers were Professor Jayati Ghosh from JNU and Gerry Rodgers from IHD with support from Priyanka Tyagi of IHD and other IHD and CESP staff. About 60 participants, mainly from university and research institutions in Delhi, were present for some or all of the proceedings. There were four participants from Brazil, one from South Africa and two from Indian institutions outside Delhi. It was opened by Professor Praveen Jha, Director of the CESP, and by Professor Alakh Sharma, Director of IHD. There were six thematic sessions followed by a concluding panel discussion.

A summary of the issues raised in the sessions of the workshop follows.

Overall growth regime and inequality in India and Brazil

Chair and commentator: Deepak Nayyar

Presentation: Alexandre de Freitas Barbosa

- *Is India the mirror image of Brazil?*
- *What have been the primary forces driving changes in income distribution in the two countries at different points in time?*

As there was just one presentation and the first of the workshop, its main purpose was to put forward the main analytical framework of the project. The idea of “growth regimes” was presented as a method of showing how different patterns of capital accumulation changed over time in both countries, looking at one as a reference to understand the other. Inequality appears in the analysis as embedded in growth regimes, due to the interplay of many key variables: labour market structures and institutions, social policies, patterns of state intervention and of integration of each country in the world economy. It is not only a matter of presenting the inequality trends in Brazil and India over time – though this was also done – but to address how they relate to the specific functioning of the growth regimes.

As a commentator, Deepak Nayyar made some important points in order to assess how useful the framework proposed was for tackling the issue of inequality. A first point is related to the turning point (the 1980s) for the growth regimes as presented in the project. In his view, in terms of inequality, the turning point in Brazil can be located in the 1950s, while in India in the 1980s. The idea of mirror image is debatable as the inequality trends are more or less the same if we take into account these specific points of time. He also stressed that the expenditure data for India underestimates significantly its level of inequality, which is much closer to Brazil’s than one may expect. The issue of assets and wealth should also be treated in a study dealing with inequality patterns. Finally, he posed new questions, which could be dealt with making use of the framework of analysis of the

research project: to what extent does inequality impact growth and how does the two countries' experience differ in this regard?

Jayati Ghosh also raised several important issues: the role of politics in the growth regimes; and how the labour market might have played different roles in the patterns of accumulation from 1940 to 1980, as Brazil followed more closely the Lewisian model, while India did not. Dev Nathan speculated whether the Brazilian present situation in terms of stagnant productivity would come about in India in the near future, meaning that both countries may not be able to overcome the middle income trap. Sher Verick found it difficult to apply the same framework of analysis for both countries, as the conditions prior to the industrialization processes were quite different, leading to path-dependence and also to distinct roles played by institutions and socioeconomic realities, as in the case of the informal sector, for instance.

Labour market structures and institutions

Chair and commentator: Indira Hirway

Presentations: Maria Cristina Cacciamali, Himanshu and Taniya Chakrabarty

- *How important is informality in the labour market as a source of inequality?*
- *Have wage differentials widened or narrowed?*
- *Do formal labour institutions – law, regulation, trade unions – raise or reduce inequality?*

While the first and last presentations were derived from the work undertaken in the project, the presentation by Himanshu offered a comprehensive analysis of the situation in India. In her comments Indira Hirway raised important questions pertaining to Brazil such as the factors which prevented the rise in wage employment from leading to employment growth; the reasons for shortfalls in aggregate demand; the role played by the state in Brazil, which helped in creating labour intensive employment and promoted wage growth; the impact of horizontal exclusions and the way they have affected the aboriginals in Brazil; the possible lessons that India should draw from Brazil on the strategies for poverty reduction. T.S. Papola emphasized the need to look at rural areas; he suggested that there under the informal contractual arrangements in rural areas workers sometimes prefer casual employment to regular jobs if it pays more. Ravi Srivastava inquired about the role played by the processes of formalization and informalization in both countries and wondered if the labour market institutions were in reality driving the changes or were they simply responding to the changes arising in the labour market.

Sher Verick emphasized the importance of state intervention in Brazil reflected through their conscious political drive to formalization. He added that the main beneficiaries from the process of growth in India have been the men especially in urban areas, thus, the women have largely remained excluded. He emphasized the role of education and the returns to education in both countries. He added that a detailed analysis should be made of the impact of minimum wages – given their political and historical context – on the distribution of wages and on poverty and inequality; a question that we are addressing in the project in our policy review of minimum wages in both countries. Dev Nathan emphasized the importance of firm strategies and their capacity to pay on wages and the influence of growth regimes on political strategies. Prof. Ari Sitas raised a question on the role of trade unions given the decline in their collective strength, especially in India,

and wondered if they hold any significance under the present scenario. Overall the panel discussion showed that there was considerable interest in the various aspects of labour market in both countries as analyzed in the project.

Regional inequality

Chair and commentator: Ravi Srivastava

Presentation by Gerry Rodgers

- *What is the contribution of regional differentiation to overall inequality in the two countries?*
- *Are there different growth regimes in different parts of each country, or should regional differences be seen as intrinsic to the overall growth regime?*

The presentation drew on the relevant sections of the Brazil-India comparative paper. It emerged that there were different views among the participants about whether a five region breakdown for India was realistic. T.S. Papola argued in favour of state-level analysis, since the institutions (including labour institutions) are to a considerable extent defined at that level. But others supported the search for more general patterns (though the precise shape of the five regions was a subject of some discussion – e.g. it was thought that Tamil Nadu might be better connected to Kerala than to Gujarat).

Ravi Srivastava thought that spatial interactions other than those addressed in the presentation were important for inequality, including agglomeration effects at sub-State level (and urban-rural differences needed to be factored in). There were also feedbacks between regions because of migration and remittances. The State plays an important role in driving or offsetting regional inequality, and in addition there are differentials in incentives for the private sector, which need to be taken into account.

Gender differentials

Chair and commentator: T.S. Papola

Presentation by Janine Rodgers

- *Does gender inequality play a different role in overall inequality in the two countries?*

The presentation focussed on the insertion of women in the Indian and Brazilian labour markets. The comments by the Chair and the discussion brought out the following points:

- The focus of the presentation was on the labour market; it was suggested to broaden the scope to include unpaid work;
- Sher Verick suggested that the link between women employment and growth regimes could be made more explicit (impact of trade liberalization; structural change and occupational segregation; creation of new job opportunities);
- Gender segregation in education and training affects labour market insertion;
- In India there are wide regional variations in female labour force participation, also between urban and rural areas;
- It was argued that all types of employment empower women.

Caste and race

Chair and commentator: Sonalde Desai

Presentations by Fabio Tatei and Amit Thorat

- *Do caste in India and race in Brazil play similar roles in inequality?*

The presentation by Tatei highlighted both similarities and differences between India and Brazil in the role played by caste and race in the labour market, while that by Thorat looked at the impact of caste and community on the probability of escaping from poverty in India. The comments mainly addressed on the issue of caste in India, although the panel chair, Sonalde Desai, drew parallels with race in Brazil. For instance, she mentioned that it is increasingly difficult to know the caste of an individual in the urban metropolitan areas, a situation that could resemble the situation in Brazil, where individuals identify their own “race” (actually skin colour - black, brown, white, yellow”) but there is no official racial identification. However, beyond the low wages and occupation in low-skilled jobs as shown by the panelists’ presentations, caste inequality still remains a strong factor for exclusion and exploitation.

For the most vulnerable social groups there is unequal access to private education, healthcare and medical services. There is also an inequality of opportunity, catalysed by their limited social network and lack of access to landownership; which reinforces the importance of implementing incentives and policy for these groups. And in addition to inequality, poverty is also an interesting issue to be analysed for these groups.

The impact of the state

Chair and commentator: Jayati Ghosh

Presentations by Nandita Gupta and Ari Sitas

- *How far has the state modified the distribution of income in each country?*
- *What has been the role of education and other social policies?*

The presentation focussed on the role of social policies (education, social security, health, affirmative action) in inequality. Jayati Ghosh emphasised that the ideal goal of the state should be providing universal access to good quality public services; and that this goal is more central in unequal societies. Other measures such as cash transfers should be in addition to quality services. She also said that the regulatory aspects of social policies and other aspects such as minimum wages are also important; therefore any analysis should include social policies along with trade, regulation, growth among other issues. Dev Nathan added that the link between educational policies and growth regimes must be studied in greater depth, to understand how education both facilitates and is a consequence of inequality.

In this session Ari Sitas tried to fit the South African case to the methodology used in the project, as described in the first session of the workshop. This country can be portrayed as one with fast increasing inequality in a very specific context of high spending on social policies, low rates of economic growth and job creation, and booming profits.

Summing up

Chair: Gerry Rodgers

Panelists: Sher Verick, Rammanohar Reddy and Alakh Sharma

The three panellists reflected on the issues raised during the day, emphasising some points and highlighting areas where they felt more work was needed.

Sher Verick thought that the project needed to bring out the growth regime story more clearly and in a more comprehensive way, so as to strengthen the comparison. More quantitative comparisons were needed on labour market outcomes, with a focus on how the labour market translates growth into jobs. He also thought that the analysis of labour market institutions needed to be better integrated with labour market outcomes. In general, Brazil should not be held up as the poster girl, for there were problems in both Indian and Brazilian models. He noted, for instance, the relative absence of incentives from the policy debate in India.

Rammanohar Reddy thought that we should not be looking for universal models or fables of success, but more concrete analysis of outcomes. He thought that the development of a regional abstraction above the state level was useful, though it should also consider heterogeneity within regions. He was looking for more on the comparisons of race and caste, focussing on the nature of labour market integration and exclusion, and explaining how this is mediated by the process of capital accumulation.

Alakh Sharma highlighted the importance of formalization of labour markets in the comparison between the two countries, and the role of unequal access to education in driving wider patterns of inequality. Like Reddy he thought that more could be done to explain the linkage between community and caste and labour market access. There was also a linkage between the pattern of urban development and the growth of violence that could be explored.