

## **PATTERNS OF INEQUALITY IN THE INDIAN LABOUR MARKET**

Workshop organized by Institute for Human Development, New Delhi  
Conference Hall-2, India International Centre, New Delhi, 1 April 2017

To discuss the book

*PATTERNS OF INEQUALITY IN THE INDIAN LABOUR MARKET, 1983-2012*

by Gerry Rodgers and Vidhya Soundararajan

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<b>Chaired by</b>	<b>Dr. T.C.A. Anant</b> Chief Statistician of India and Secretary, Ministry of Statistics and Programme Implementation Government of India
<b>Introductory Remarks</b>	<b>Professor Alakh N. Sharma</b> Director, Institute for Human Development, New Delhi
<b>Presentations based on the book</b>	<b>Dr. Gerry Rodgers</b> Visiting Professor, Institute for Human Development, New Delhi
	<b>Dr. Vidhya Soundararajan</b> Assistant Professor, IIM Bangalore
<b>Commentators</b>	<b>Professor Ravi Srivastava</b> Centre for the Study of Regional Development Jawaharlal Nehru University, New Delhi
	<b>Professor Sumangala Damodaran</b> Associate Professor, School of Development Studies Ambedkar University, Delhi

After an introduction by Alakh Sharma and presentations by Gerry Rodgers and Vidhya Soundararajan (the PowerPoint presentation is distributed with this report), Ravi Srivastava and Sumangala Damodaran each commented on the book, followed by a dozen or so interventions from the floor and final comments by the chairman, TCA Anant.

Some of the points made in this discussion are summarized below. IHD is grateful to all participants for their participation in this workshop and will take these points into account in future work.

- This study covers the period from 1983 to 2012, but it was pointed out that the starting point of the analysis makes a difference. When 1993-94 is used as a starting point, a significant increase in inequality is observed. When 1983 is taken as a starting point, overall changes are less significant, because inequality fell between 1983 and 1993.
- Even though the study is on labour market inequality, it does not focus on many different categories of workers. This can miss an important part of the picture. For example, the upper tail of expenditure and wages is missed by the NSS. What if we use upper tail from the income tax returns in combination with the NSS? Even from the ASI data, the ratio of non-worker employee wages to worker wages are also increasing over time. Because of all this, the period between 2004-05 and 2009-10 may have seen a substantial increase in inequality (even though wages have grown at the bottom of the distribution)
- It was suggested that the decomposition exercise can be problematic, because the component of inequality between groups is often low. But it was also argued that first, the low level in part reflects the statistical nature of the decomposition exercise, and second the change over time may still be significant. Also, if we conduct multilevel decompositions, we observe higher levels of explanation of between group inequalities. In the multivariate analysis about 50 per cent of variation in wages is accounted for.
- It was also argued that more attention needed to be paid to interactions across categories in the decomposition analysis.
- It is suggested that the wage gap between regular and casual workers is closing. But is there an ambiguity in the definition of regular/casual workers. Field studies shows that many people are “regularly” employed without benefits. Essentially, regular workers are increasingly similar to casual workers. The most precarious forms of employment are sometimes regular. So, this closing of the regular-casual wage gap may not reflect labour market tightening, but other structural changes. This point was agreed, for the distinction between regular and casual workers is certainly changing over time, and this definitely needs to be factored in, but the data do not let us go further. Hopefully new survey instruments would make it possible to address this issue.
- More work would also be needed to consider how the results relate to the stubborn occupational distribution of the economy, which implies persistent inequality
- The results suggest that there is a greater integration of urban, rather than rural labour markets. Similarly the regular labour market is more integrated than the casual market. What is the basis for that conclusion? Does the closing of the rural urban wage gap reflect a decline in dependence on wages and increase in dependence on assets, in the rural economy?
- It was suggested that it is misleading to argue that the labour market is tightening. This requires a demand-supply sort of framework. But in India we always have an excess

supply situation. There is still a question of why the wage grew, but this should not be interpreted as tightening.

- This led to some debate. The average real wage has been growing but less fast than GDP, the wage share in GDP is therefore declining, inequality is going up. All of these are consistent. Within the rise in average real wage there are patterns of inequality that have emerged that this study tries to characterize. But the goal of this study is not to explain these wider changes, rather to describe and dissect.
- A recent JNU thesis shows highly divergent rates of returns for different levels of education across different social groups. Then the declining wage premium to education may apply to much post-secondary education, if this group is broken down. Inequalities among graduates may be important. This is true and probably important. It remains that the main point in the book is to juxtapose the rising wage premium to college education and the falling wage premium to school education.
- Labour force participation of women has declined, and this especially concerned casual agricultural workers. This would have been one reason why the aggregate gender wage ratio has increased.
- Besides wages, we need to focus on the nature of the work itself. The number of marginal workers has increased in the economy. Conclusions purely drawn on the basis of the wage component of the NSS data can be misleading.
- The NSS provides additional information about the type of jobs beyond regular and casual, and this provides additional insights, which should be used more. It was noted that because of variations in the amount of work done, wage income inequality is greater than wage inequality. It was also noted that overall wage inequality was comparable with household income inequality, which is surprising because of the diversity of sources of household income.
- An analysis of regional inequality based on NSS data may face problems. There is a lot of variation over time in the sample, and it is not useful to compare state level data over time because of the systemic sample bias, with changes in the choice of districts from one round to another. However the regional analysis in the present study used larger regions rather than working at the state level. It was also argued that a theoretical framework for the regional analysis is needed, for instance incorporating the different labour requirements of different crops
- A sectoral analysis can be helpful. Are there different patterns in inequality depending on whether the sector/industry is fast growing or slow growing? This can generate significant changes in the urban labour market. This issue was not explored in the study.
- At a more general level it was suggested that the monograph would have benefitted from a more detailed review of the literature. Some references have been cited, but not discussed in detail. Since the monograph belongs to a long tradition of work in this area, it would have been desirable to explain how it reflects and extends this earlier work

- A technical appendix would also have been helpful, because there is no clarity on the definitions of important variables, such as the wage (how is it calculated, which wage is used), how prices are used, how the concordance is done (forward or backward), why a particular decomposition exercise was used (and not another).

At the end of the discussion, TCA Anant reflected on some data issues:

- Are NSS surveys adequate for inequality studies? They are not designed with inequality in mind, but for aggregate employment measurement, and other labour force indicators. In addition, for some categories the sample size would be small.
- NSS surveys are different from many labour force surveys in other countries in that the respondent is the head of the household, who is asked about all members of the household; the information reported about others may be less accurate.
- There is an establishment survey conducted by the Labour Bureau that provides occupation-wise wages. The Bureau has not been conducting this regularly, but it is restarting soon. This information is rich and may complement that available from economy-wide household surveys.