

# Module 4: Earnings, Inequality, and Labour Market Segmentation

## Gender Inequalities and Wage Gaps



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# Part-1

# **What is Employment?**

## **What is Labour?**

- **SNA defines individuals as employed if they supply labour contributing to an economic activity- output of which is counted in SNA.**
- **Thus some unpaid labour can be considered as employment:**
  - **Self-employment**
  - **Unpaid apprentices**
  - **subsistence agriculture**

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# SNA and Non-SNA Work



- Employment at times interpreted more narrowly as only paid employees, excluding self-employed.
- SNA does not include unpaid care work but need to understand the relationship between employment and unpaid care work.
- Unpaid care work provides the environment for people to undertake paid work in developing countries like India.

# SNA Vs. Non-SNA Work

## Employment vs labour:

- SNA dividing line
- Non-employment labour
- Two crucial institutions: labour markets and households

## Labour supply:

- Labour force participation decisions
- Education, skills and experience

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# **SNA Vs. Non-SNA Work**

## **Structure of employment in India:**

- **Agricultural employment**
- **Formal and informal employment**
- **Employment status**

## **Women and employment in India:**

- **Labour force segmentation**
- **Discrimination and earnings inequalities**

# Role of Unpaid Work


- **Labour is supplied in all forms of employment both formal and informal.**
- **Labour is also supplied in unpaid care work.**
- **Labour-employment and unpaid care work both productively transform inputs of goods and services into outputs of goods and services.**



# **Recording Women's Work**

**Many Indian women disproportionately work as unpaid contributing workers to subsistence agriculture and family businesses.**

**Women also spend a large share of their time in unpaid care work, which in SNA is defined as non-employment activities.**



**Even self employment which is SNA work, is often unrecorded for women workers**

# Unpaid Market Work and Care Work

Unpaid labour in household or community not counted in SNA is not considered to be employment.

Distinction between employment and unpaid care work sometimes disguises self employment of women as non SNA.



# Recognizing Non-SNA Care Work

- **Women's Care Work or care economy, needs to be measured and this includes domestic work, care of children, sick and elderly, and voluntary community work.**
- **Currently outside economic activities of production boundary of 1993 UN System of National Accounts (SNA).**

**Why should we consider care work within this discussion?**

# Why Measure Women's Care Work?

- ◎ Care Work contributes significantly to income generation, long-term growth and poverty reduction by supplying human and social capital to both private and public sectors.
- ◎ Certain policies increase women's burden of Care Work, restricting women's access to economic opportunities and benefits.
- ◎ But positive policies, provisioning services and resource allocation for Care Work can lead to economic growth.

# Reallocation of Unpaid Care Work?

- **Valuation of Care work would create a sense of respect for such work making resource reallocation for such work more acceptable.**
- **Effective employment policy should arise from:**
  - **Analysis of allocation of unpaid care work**
  - **Development of a set of economic and social policies that reduce and redistribute unpaid care work.**

# Part-II

# Labour Markets and Households


- **Households and labour markets intersect in two ways:**
  - **In terms of HH resource allocation decisions, division of non-employment labour between women and men within household influences employment opportunities.**
  - **How?**



# **Role of Household Dynamics**

**All individual earnings from employment may or may not be pooled across individuals within household.**

**Household pooling decisions shape labour market operations.**



**Usually economic analysis and policy-making considers employment at individual level, without accounting for household dynamics.**

# Supply of Market Labour

- It is crucial to account for structure of household and its dynamics when devising labour market and employment policies, if aim is to raise living standards and reduce poverty.
- Labour market and employment policies cannot assume a limitless supply of available labour because of role of unpaid care work in making labour available.

# Definition of Labour Force Participation

- ◎ Total labour force equals total employed population plus unemployed population actively searching for employment (total labour force = total employed population + unemployed).
- ◎ Typically equates labour supply with labour force participation.
- ◎ Defines it analogously to employment: a willingness and ability to supply labour to SNA-recognized economic activities.

# **LFP Exclusions**

- **Considers searching for employment to be a valid activity within labour force participation.**
- **Excludes individuals, mostly women, who are only engaged in unpaid care work, full-time students and those considered too old to work.**
- **Women are classified as economically inactive when they lose a job instead of being considered unemployed**

# Women's Labour Force Participation



- In most developing countries such as in India, women's labour force participation rates are low by international standards.
- Women typically do not specialize in either unpaid or paid SNA work.
- Also double burden of low paid employment and unpaid care work, borne predominantly by women.

# Labour Supply Theory

- Neoclassical economic theory argues that individuals participate in labour force if they expect to earn:
  - A wage greater than a reservation wage
  - Or minimum wage that workers are willing to accept.

# **Inverse Condition in Women's Labour Force Participation**

- **If wages increase, so should labour force participation, increase for women?**
- **Recent studies of economic crises, such as 1997 East Asian crisis and 1998 crisis in Argentina, have shown that women's labour force participation increased as real wages fell- wage adjusted for inflation.**

# **The Puzzle of Women's Labour Force Participation**

- **In India some case studies have shown that women's labour force participation increases when male unemployment increases at household level.**
- **Evidence that women's labour force participation increases when real wages fall might reflect most of women's employment is not for earning more income per se but to support HH income or as stop gap income.**

# The Structure of Employment in India



- Mostly in India, agricultural employment is significantly higher than non-agricultural employment particularly for poor.
- Generally women disproportionately work as unpaid contributing workers on family farms and plots and as own-account small holder producers.

# Feminisation of Agriculture

**In some countries labour migration out of farm economy is an important issue as men leave rural family home to seek non-agricultural employment elsewhere.**

**In some cases this has resulted in a feminization of agriculture, as prevalence of female labour in agricultural employment increases.**



# Part-III



# **Gaps: Education, Skills and Experience**

**Gender gaps in educational opportunities and outcomes available to girls and boys - women and men lead to gender-based inequalities in employment opportunities and outcomes.**

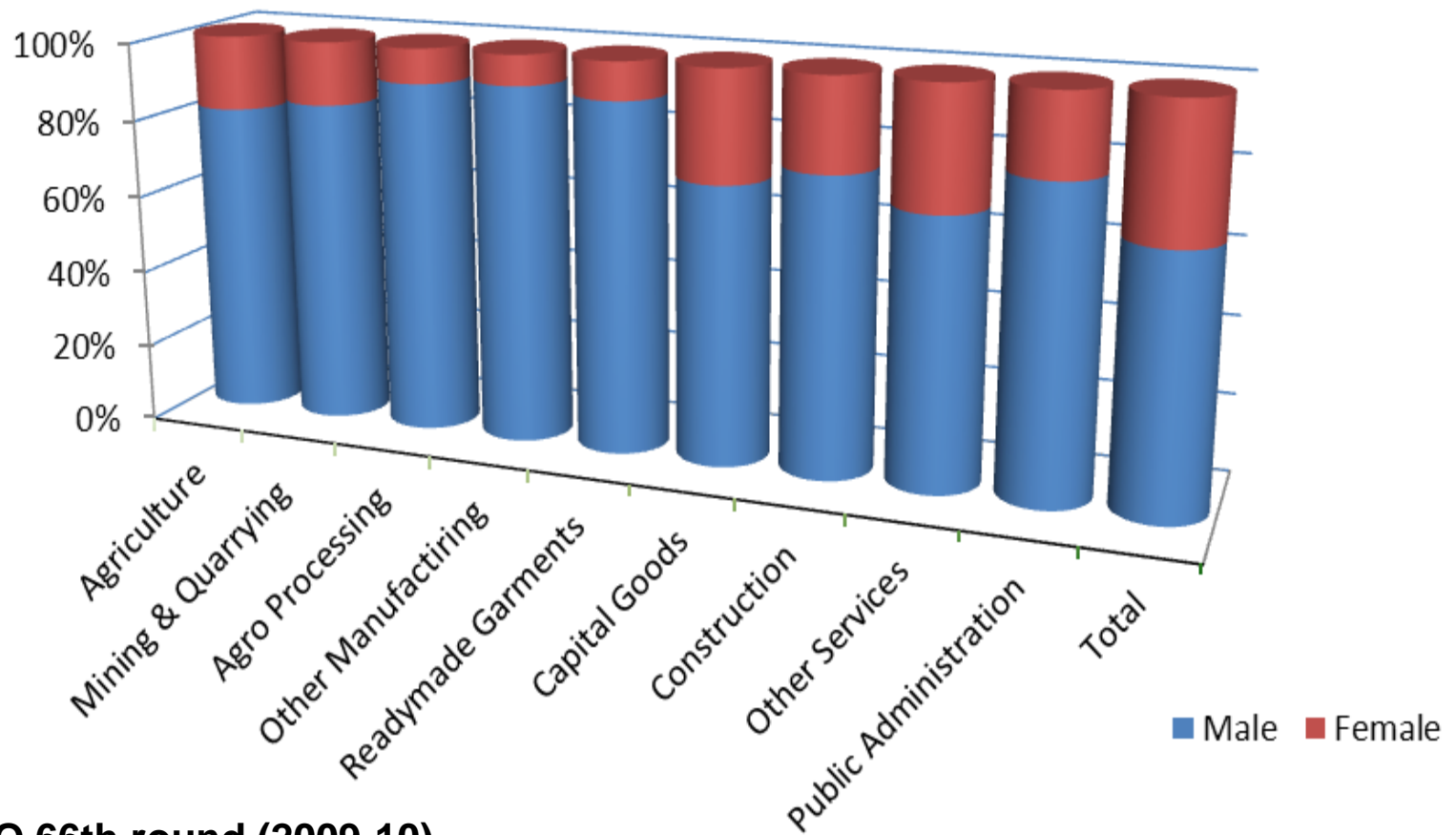
**BUT even when girls and boys as well as women and men have comparable of education, across all countries where it has been measured, women still earn significantly less than men.**



# Gender Wage Gap

- **Women's average earnings from paid employment often fall below those of men; that is, there is a gender wage gap.**
- **This gap is also apparent between self-employed women and men.**
- **This condition limits women's earnings and employment choices, reinforcing existing gender inequalities in labour market.**

# Industry Wise Differences in Earning by Men and Women in India



Note: NSSO 66th round (2009-10)



# **Inherent Inertia on Women's Education, and Experience**

**If women are expected to work primarily in unpaid care work there may be less investment in their education because education is perceived to be unnecessary.**

**This also limits women's earnings and employment choices, reinforcing existing gender inequalities in labour market.**

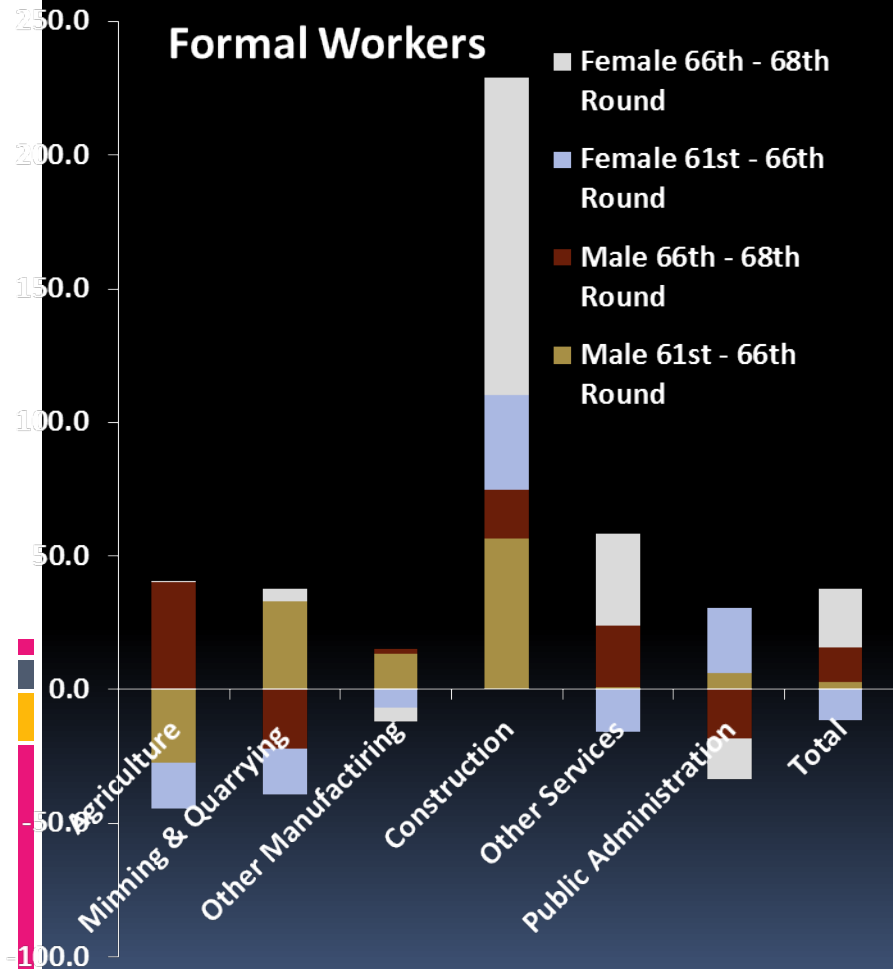


# **Vicious Low Wage Trap for Women.**

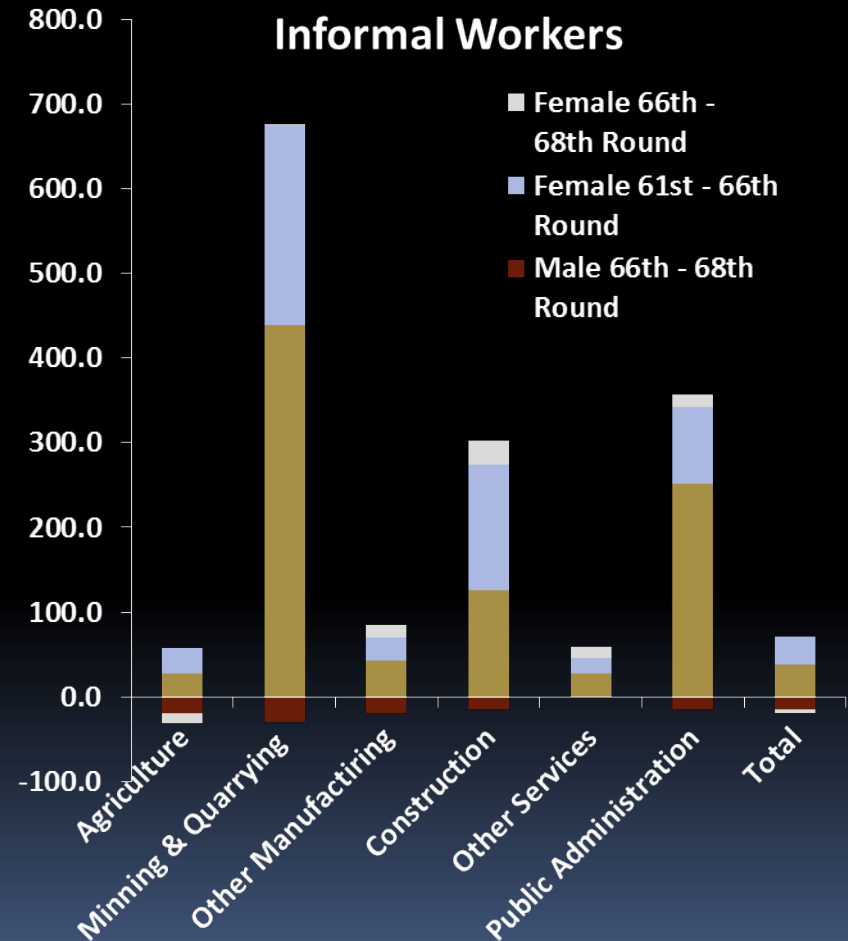
- **Lower earnings from employment sustain idea that women should specialize in unpaid work, deepening gender-based differences in labour market experience**
- **Cumulatively, women's experience in paid employment is often lower than men's.**
- **Depending on nature of employment, this may lower their earnings from paid employment.**

# Perpetuating Gender Inequalities in Employment

## Formal Workers



## Informal Workers



# Women and Employment in India

## Labour Force Segmentation

- ◎ As mentioned above, women trend to be concentrated in employment with low and volatile earnings, high risks of poverty, and limited social protection.
- ◎ Mobility from one type of employment to another is limited for many women because of:
- ◎ Discriminatory social norms and institutions and responsibilities for unpaid care work.
- ◎ Household dynamics and unequal power relationships.

# Formal and Informal Employment

**Informal non-agricultural employment is often most important form of private non-agricultural employment in India.**

**In general, earnings are highest in formal employment, but earnings in informal non-agricultural employment tend to be higher than earnings in agriculture.**

**This can justify movement out of agriculture and into informal non-agricultural employment.**



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# **Formal and Informal Employment**


- **Very few women work as informal employers; most informally self-employed women work as own-account workers and contributing family workers.**
- **Services often account for a large share of informal non-agricultural employment:**
  - **Including work in street trade, other forms of trade, personal services, repair shops, waste collection and informal transportation.**

# Part-IV



# **Conclusions and Policy Recommendation**

**Improving employment outcomes for women requires policy that removes barriers to labour mobility, a prerequisite is above mentioned reduction or redistribution of unpaid care work.**



**Policies that reduce or redistribute unpaid care work and increase paid employment can be strongly complementary, in that a reduction of unpaid care work can increase employment opportunities available to women.**

# Policy Debate

- ◎ **Policy discussions that assume presence of a wage employment arrangement fail to accommodate relation between unpaid care work and gender dynamics of wage employment.**
- ◎ **This may explain failure of wage employment policy India, including those places where rural informal wage employment is an important component of household livelihood.**

# **Policy Considerations?**

**Women's responsibilities for unpaid care work will limit employment options available to them.**

**Should goal be to raise earnings and productivity in agriculture, including lowering women's risk**

- **By strengthening women's control over land and tenure rights?**

# Policy Issues: Types of Work

• **Women are more in informal employment because of its easier access and the flexibility it offers.**

• **It allows combining employment with unpaid care work.**

- **By definition, labour laws do not cover informal worker or are not enforced.**

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# **Policies to Redistribute Women's Work**

**Reduce or redistribute amount of unpaid care work that women must carry out, which can push them into informal employment.**

**Extent of informal employment may be a function of extent of formal employment, in sense that informal employment produces low-cost goods and services that act as inputs for enterprises that generate formal employment.**

# Flanking Policies to Redistribute Women's Work

## Short term:

- ◎ Skill development and support in care work redistribution, infrastructure for women friendly environment.

## Long term:

### Policies for incentives for men to share care work

- ◎ Education for women in a pragmatic way
- ◎ Culture shift by demonstration and awareness campaigns moving away from stereotypes.



# Thanks