

Social Exclusion in Indian Labour Market

Nisha Bharti*

ABSTRACT: *Social exclusion is a useful concept as it helps in understanding the pathologies of the capitalist system. It can also be used to explain how the capitalist production system reproduces discrimination, inequality and vulnerability that affect the vast mass of toiling classes. In Indian conditions, these toiling masses predominantly belong to the SCs, STs, OBCs and Muslims. The concept can be successfully used to understand and analyse the Indian Labour Market. The secondary social position of these groups and their class position in the labour market greatly resemble. The discrimination against these groups can take multiple forms such as wage differentials, non-accessibility to preferred jobs, job insecurity, higher child work participation, compulsion to adopt menial works, etc. The labour market, therefore, can also be understood as segmented where labourers can be classified based on certain attributes such as religion, caste, tribe, gender, class, occupation, initial endowments, educational background, etc. This paper tries to explore how social exclusion affects the labour market in India. It is based on secondary data, mainly from the various rounds of NSS. It compares social groups based on caste, class, tribe, religion, etc., on various indicators of outcomes in the labour market and tries to delineate emerging patterns. It tries to answer questions such as why certain groups are paid less than others or why they have less access to preferred jobs. It also tries to explore various factors that contribute in exacerbating social exclusion.*

Keywords: Exclusion, Informal Labour Market, Scheduled Castes, Scheduled Tribes, Muslims, Social Exclusion, India.

INTRODUCTION

The concept of social exclusion is used to explain the process by which a section of population falls outside the net of social protection and is unable to participate in the public life as active citizens. Of late, the term has acquired centrality in the debate on social policy and social rights. Social exclusion is seen as an inadequate realisation of social rights of a segment of population which puts them in a disadvantageous condition in relation to their basic standard of living and participation in the major social and occupational opportunities of the society (Rodgers, 1995). Terms like deprivation, disadvantage, discrimination, marginalization, insecurity and non-participation, etc., are closely associated with the concept of social exclusion which helps to understand multi-dimensionality of poverty that goes much beyond mere inadequacy of income and expenditure. According to Mayes (2001), 'Social exclusion is not just the description of the adverse consequences of disadvantage but of the process by which people become distanced from the benefits of participating in a modern society.

The term social exclusion views people, thus excluded, not as problematic categories but victims of systemic denials of social rights due to factors such as economic restructuring leading to progressive contraction in the welfare functions of the state, informalisation of labour markets, technological changes, long-term unemployment, disintegration of

social fabric of a society, conflicts, loss of commons, displacement and increasing migration,

Lack of productive employment leads to poverty wherein people are not able to obtain even basic conditions of life such as food, shelter, basic amenities and services (such as hygiene, sanitation, water, education and health). This also leads to inability to play meaningful role in public life by way of active participation in social, cultural and political affairs of the society and the state. Conflicts, violence and disintegration of social network are globally known outcomes of such situations. The social exclusion approach seeks to understand the inter-relationships between poverty, productive employment, and social integration (Rodgers, 1995).

The process of social exclusion is found actively operating in the labour market. Be it the difference in location (urban or rural) one works at, or the nature of employment (regular, casual, self-employed), or average daily earnings, a pattern can be clearly discerned. Those belonging to the so-called lower castes (SCs and OBCs) or to tribes and Muslim minority have been at disadvantage in the labour market. They have to face exclusion in the form of non-accessibility to preferred jobs, wage differentiation, job insecurity, higher child work participation, compulsion to adopt menial tasks, etc. An overwhelming majority of them work in the informal sector. Factors like poor family background, educational background and lack of

*M.Phil Scholar, School of Management and Labour Studies, Tata Institute of Social Sciences, Mumbai
Email: nisha.bharti0711@gmail.com

awareness regarding other opportunities available in the labour market forces the labour to become the part of informal labour workforce.

This paper tries to examine social exclusion in the informal sector of Indian labour market. Using National Sample Survey Organisation (NSSO) data, it focuses on representation of various social/ethnic groups in the composition of the labour force in India's informal labour market and examines if there is any exclusionary processes operating in the same. It is divided into two sections. The first section explains the informal labour market. The second section presents analysis of NSSO data.

❖ Understanding Informal Labour Market

The term 'informal sector' was coined by Keith Hart in his 1971 study of informal sector opportunities in Urban Ghana. It has been observed that during periods of economic adjustments - whether due to economic reforms or economic crisis - the informal sector tends to expand because retrenched workers often move into the informal economy when public sector is downsized. Available evidence also suggests that without appropriate institutions and public policies, the informal part of the economy will persist or expand even after macroeconomic stabilisation and economic growth (*Mathew, 2006*)

The ILO Kenya Mission Report of 1972 identified following characteristics of informal sector:

- Ease of entry
- Reliance on indigenous resources
- Family ownership of resources
- Small-Scale of operations
- Labour-intensive and adapted technology
- Skill acquired outside the formal school system; and
- Unregulated and competitive markets.

A general definition of informal sector was proposed by *S. V. Sethuramanin* in order to avoid a multiplicity of criteria as a small-scale units engaged in the production and distribution of goods and services whose primary objective was to generate employment for the participants rather than to maximise profits. The concept informal economy tries to characterise the workers on the basis of the degree of informality of their work status. This is more useful to persons concerned with wages, working conditions and access to social protection for workers.

The worker in organised sector gets the benefits like social security, pension, permanent job, good working

condition, regular monthly wages, etc, while worker in unorganised sector are excluded from all these benefits. They do not have a permanent job, they do not have a permanent employer and sometimes they even do not know who their employers are. The mode of payment is also not fixed.

❖ Exclusion in Informal Labour Market in India

Almost 93% of the Indian labour force works in informal sector and merely 7% are engaged in formal sector. Workers in the informal economy can further be classified into those engaged in non-wage employment and wage employment.

- Non-wage employment (self-employment) comprises: own account workers (employers or owners of informal enterprises with at least one hired worker) and unpaid family helpers.
- Wage employment comprises:
 - employees in the enterprises of informal employers; outworkers or home workers (i.e., persons working at home or on premises of their choice other than those of the employers to produce goods or services on contract or order for specific employers or contractors);
 - Independent wage workers not attached to any one employer but providing services to many employers (e.g. maids and watchman); and
 - Informal employment in formal sector enterprises.

Distribution of Labour Force Engaged in Self-employment across Caste and Religion

The self-employed are "persons who operated their own farm or non-farm enterprises, or were engaged independently, in a profession or trade, on own account or with one or a few partners who were deemed to be self-employed in household enterprises. The essential feature of self-employed is that, they have autonomy (decide how, where and when to produce), and economic independence (in respect of choice of market, scale of operation and finance), in carrying out their operation. The remuneration of the self-employed consists of, a non-separable combination of two parts: a reward for their labour, and a profit of their enterprise. The combined remuneration is wholly determined by the revenue earned from sales, after netting out the value of purchased inputs, used in production" (*NSS, 61st report*)

Self-employment can be perceived as an effective strategy, for combating poverty and generating

employment. In rural areas, these kinds of small, non-farm enterprises perform the function of absorbing the excess labour, and also in reducing the labour force pressure from the agricultural economic activity (Das, 2006)

The idea of self-employment in India is more of a survival strategy where individuals meet their basic needs from their own resources. Overall, self-employment in India is a subsistence economy (Bhatt, 2008). In most cases, the form of self-employment that India encompasses, does not assure a household of food security, income security and social security. Thus, self-employment in India is mostly of an informal nature.

Self-employment is spread across different occupations. It is highest in agriculture, followed by production and operation related work. Service providers like street vendors, tailors, hair dressers, barbers, beauticians and related workers, working proprietors, directors and managers, retail trade and merchants and shopkeepers, etc, come under self-employed.

Apart from the issues of sustainability, self-employed individuals also face the problem of lack of appropriate skills required for production. Self-employed individuals are excluded from gaining the knowledge and skills on issues like how to acquire capital and because of this lack of access to sufficient capital, many self-employed individuals are unable to increase scale of their activities. Self-employment in India has the highest level of employment. Majority of the self-employed have very low levels of education and hence, minimum human capital. Many studies point out that self-employment is mostly a strategy adopted by the workers to diversify their livelihoods and sustain their lives. It has been pointed out that most of the self-employed individuals in both rural and urban areas lack the skill to sustain and enhance their self-employment economic activity. This is resulting in majority of self-employed being tied to weak production base, almost equivalent to casual nature of employment. The self-employed also face the problems in acquiring required capital to enhance the scale of their operations. Self-employment in India needs to be phenomenon driven rather than a phenomenon people access by choice. A major policy initiative and political support from which a large population is excluded till now, is needed to reverse this situation and make self-employment an

economic activity which will help people to improve their capabilities and economic status.

Table 1: Distribution of self-employed across caste by UPSS

Year	STs	SCs	Others	Total
Rural				
1983	57.4	39.0	67.9	61.1
1993-94	52.8	37.1	65.5	58.0
1999-00	50.9	35.5	63.2	55.5
2004-05	55.3	41.6	67.0	60.1
Urban				
1983	35.3	32.3	43.6	41.8
1993-94	33.6	30.1	44.5	42.3
1999-00	29.7	33.2	44.2	42.0
2004-05	35.0	32.7	48.2	45.4

Table1 shows that self-employed constitute relatively lesser proportion among Scheduled Castes (SCs) and Scheduled Tribes (STs) in comparison to other sections of the population while self-employed constitutes 2/3rd of the work force among others, the corresponding percentage varies from 42-55% among SCs and STs. In rural areas there has been hardly any change in the relative figures within each of these social groups.

Table 2 shows the distribution self-employed across religion in both Urban and rural areas. The largest population engaged in self-employment across religion is from Islam. It is more than 63% in the year 2004-05 in rural areas whereas, more than 57% in the urban areas.

Table 2: Distribution of self-employed across religion by UPSS

Year	Hinduism	Islam	Christianity	Other Religions	Total
Rural					
1983	61.0	62.1	52.9	66.2	61.1
1993-94	57.9	60.7	52.6	57.0	58.0
1999-00	55.2	58.7	53.1	58.0	55.5
2004-05	59.7	63.6	60.5	60.8	60.1
Urban					
1983	39.9	52.4	26.3	51.3	41.8
1993-94	40.0	55.9	29.7	47.7	42.3
1999-00	40.1	53.1	26.9	49.0	42.0
2004-05	43.3	57.9	33.3	49.2	45.4

Distribution of Labour Force Engaged in Regular Employment across Caste and Religion

The NSS defines regular employees as “those, who worked in others’ farm or non-farm enterprises (both household and non-household) and, in return, received salary or wages on a regular basis” (NSS,

61st report). Nearly a half or regular employment is in unorganised sector, while other half is in organised sector. Organised employment is broadly understood as the employment segment, which has access to rights such as social security. Organised work force consists of those workers who have regular, contractual hired employment and enjoy a relatively high rate of wages, which are sufficient to provide social security, emanating from sustained productivity per workers (*Tendulkar, 2003*).

Regular employment covers mainly seven types of occupations namely, professional, technical etc; administrative, managerial; clerical etc; sales service; farmers and related; production, transport and related.

Table 3: Distribution of regular employed across caste by UPSS

Year	STs	SCs	Others	Total
Rural				
1983	6.0	7.1	7.4	7.2
1993-94	4.0	5.3	7.3	6.5
1999-00	4.4	6.1	7.7	6.9
2004-05	4.4	6.6	7.7	7.1
Urban				
1983	34.4	37.4	40.8	40.1
1993-94	35.7	33.3	40.5	39.4
1999-00	35.7	33.4	41.5	40.0
2004-05	38.3	40.5	39.5	39.6

Table 3 shows that the percentage of population engaged in regular employment is less among SCs and STs in comparison to others. Very small percentage of ST work force is engaged in regular employment in the year 2004-05 in both the rural and urban areas.

Table 4 clearly shows the least participation of Islam population in regular employment in all the years in both the rural and urban areas. The participation is nearly 50% less than those coming from other religion. People belonging to Islamic faith are excluded from the opportunity to participate in regular employed workforce. Lack of access to regular jobs, especially in the public sector has been a general concern among the Muslim population.

Distribution of Labour Force Engaged in Casual Labour across Caste and Religion

Casual labour is broadly understood as workers, without proper job contracts, social security and an

Table 4: Distribution of regular-employed across religion by UPSS

Year	Hinduism	Islam	Christianity	Other Religions	Total
Rural					
1983	6.9	6.7	14.7	8.7	7.2
1993-94	6.3	6.2	10.5	8.2	6.5
1999-00	6.8	6.2	10.9	9.3	6.9
2004-05	6.9	6.1	13.2	9.0	7.1
Urban					
1983	42.1	27.1	57.1	37.0	40.1
1993-94	41.6	24.8	53.7	38.9	39.4
1999-00	41.8	28.2	56.4	36.5	40.0
2004-05	41.7	26.4	52.0	37.7	39.6

assurance of regular work. The National Sample Survey (NSS) defined a casual wage labour as, “a person who was casually engaged in others’ farm or non-farm enterprises (both household and non-household) and, in return, received wages according to the terms of the daily or periodic work contract (*NSS 61st Round Report*).”

The report on Conditions of Work and Promotion and livelihoods in the unorganised sector, 2007 (*NCEUS, 2007*), whilst discussing the definition of unorganised workers, has put forth the definition of unorganised workers as, “consisting of those working in the unorganised enterprises or households, excluding regular workers with social security benefits, provided by the employers”. Thus, workers who do not receive any social security benefit, be it in the organised or the unorganised sector and who do not have a regular job contact, are identified as casual labour in India.

The report further points out that, in the unorganised/informal sector in India, a majority of the labour force is either self-employed or wage workers, and only a few have regular employment. The majority of wage workers have a casual nature of employment, where the wages are too low, for them to come out of poverty. The increased casualisation in work is a result of an increased growth in the informal work force in India. The casual labour segment is a sub set of the informal labour segment in India.

Table 5 shows the distribution of population engaged in casual labour in rural and urban areas respectively. The casual labour is more in rural areas than in urban areas. In rural area the participation of SCs is more in casual employment than any other caste. The percentage involved in casual employment is less among others in both rural and urban areas. The population of SC and ST involved in casual

Table 5: Distribution of casual labour across caste by UPSS

Year	STs	SCs	Others	Total
Rural				
1983	36.7	53.9	24.7	31.8
1993-94	43.2	57.6	27.3	35.6
1999-00	44.7	58.4	29.1	37.5
2004-05	40.3	51.8	25.3	32.8
Urban				
1983	30.3	30.4	15.6	18.1
1993-94	30.7	36.6	14.9	18.3
1999-00	34.6	33.4	14.3	18.0
2004-05	26.7	26.8	12.3	15.0

employment is more or less same in urban areas.

Casual labour is spread across three main sectors, in different states of India. Agriculture continues to be the major absorption of casual labour followed by the industry and service sectors respectively.

Casual labour in India constitutes one of the most vulnerable sections of the population. This segment is devoid of any social security or job guarantee. Agriculture related activities continue to absorb the majority of the casual labour attached to agriculture has further worsened. Further, casual labour that does not find work in agriculture may be forced to work in low end manufacturing jobs with pathetic working conditions.

Table 6: Distribution of casual labour across religion by UPSS

Year	Hinduism	Islam	Christianity	Other Religions	Total
Rural					
1983	32.0	31.1	32.4	25.1	31.8
1993-94	35.8	33.1	36.9	34.7	35.6
1999-00	38.0	35.1	36.0	32.8	37.5
2004-05	33.3	30.3	26.3	30.2	32.8
Urban					
1983	18.0	20.5	16.6	11.7	18.1
1993-94	18.4	19.3	16.7	13.4	18.3
1999-00	18.1	18.8	16.7	14.5	18.0
2004-05	15.0	15.7	14.7	13.2	15.0

Table 6 shows the distribution of casual labour across religion. There is a decline in the percentage of population engaged in casual employment in all the religion since last five years. The reason may be the shift of the population in the self-employed occupations, which gives surety of earning some amount of money every day for the survival.

Distribution of Daily Wage across Caste and Religion Wages are among the major factors in the economic

and social life of any community. In an economic sense, wages represents payment of compensation in return for work done. In sociological sense, wage characterise stratification of occupational categories. In psychological sense, it satisfies the needs directly and indirectly in response to changing employee aspirations.

In the words of Jules Backman, “what happens to wages is of critical concern to everyone. To the worker, wage represents income; to the businessman, they represent costs; and to the government, they represent potential taxes. Wages are the largest source of purchasing power; hence, changes in labour income have an important bearing on the level of economic activity. At the same time, payments for labour are the most important element of cost in our economy and thus influence the level of prices and of profits”.

It is a general belief that wage rates, like other prices, are determined in the labour market by demand and supply. But, the reality is that there is too little attention given by economists to the characteristics of labour market, especially the imperfections in such markets. Often buyers of labour are in dominant position in the market and, therefore, it is possible for them to exploit the sellers of labour unless sellers organise or the government intervenes to protect their interests.

In informal labour market wage employment comprises:

- Employees in the enterprises of informal employers; outworkers or home workers (i.e., persons working at home or on premises of their choice other than those of the employers to produce goods or services on contract or order for specific employers or contractors);
- Independent wage workers not attached to any one employer but providing services to many employers (e.g. maids and watchman); and
- Informal employment in formal sector enterprises.

There is increase in average daily wage since 1993, but the wage for SCs is still less as compared to other groups. The labour engaged in regular employment in urban areas earns more as compared to the labour engaged in rural areas. But, then the question arises is this daily wage sufficient for leading a decent living? A large number of workers from SCs and STs Community are migrants and for them the condition which was so bad before leaving the village, becomes

Table 7: Regular employment: average daily wage (Rs.) at current prices

Caste	1993-94	1999-2000*	2004-05
Rural			
STs	46.28	120.04	117.46
SCs	42.37	102.02	108.07
Others	57.44	125.78	139.22
All	53.94	120.86	131.43
Urban			
STs	71.19	177.40	188.51
SCs	58.29	135.60	135.32
Others	77.98	168.60	201.34
All	75.54	164.73	190.50

broader in the city. They have to spend more on their shelter and on other daily requirements which does not allow them to save money and to send them back to their home in village. Table 8 clearly shows that the average daily income of Muslims in both rural and urban areas is lesser than the labour from other religion. Regular employment provides surety of wage to worker.

Table 8: Regular employment: average daily wage (Rs.) at current prices

Religion	1993-94	1999-2000*	2004-05
Rural			
Hindu	53.88	121.48	131.31
Muslims	49.69	105.26	121.11
Christian	62.60	132.07	141.81
Other minorities	55.13	124.45	143.25
All	53.94	120.86	131.43
Urban			
Hindu	76.91	167.93	194.84
Muslims	54.71	116.65	134.08
Christian	83.83	176.92	201.55
Other minorities	84.68	213.48	234.83
All	75.54	164.73	190.50

Casual labour in India constitutes one of the most vulnerable sections of the population. This segment is devoid of any social security or job guarantee. They are not attached to one particular employer. There is no permanency of employment. The wage of casual worker keeps fluctuating. It is difficult for them to manage their living with the fluctuating wage.

Table 9 shows the average daily wage of casual worker on the basis of their caste and religion respectively. The average daily wage for SCs and

Table 9: Casual employment: average daily wage (Rs.) at current prices

Caste	1993-94	1999-2000*	2004-05
Rural			
STs	18.31	32.66	41.74
SCs	20.83	39.66	48.92
Others	21.11	41.37	50.63
All	20.62	39.48	48.77
Urban			
STs	25.18	48.16	54.98
SCs	28.79	55.69	65.88
Others	28.43	60.28	70.45
All	28.36	58.09	68.37

STs is very low in both the rural and urban areas. In rural areas the wage for Muslim is more than Hindus but the situation is opposite in urban area.

Table 10: Casual employment: average daily wage (Rs.) at current prices

Religion	1993-94	1999-2000*	2004-05
Rural			
Hindu	20.00	38.41	47.53
Muslims	23.10	45.56	53.86
Christian	26.97	52.94	74.74
Other minorities	28.12	46.34	54.39
All	20.62	39.48	48.77
Urban			
Hindu	28.22	57.38	68.12
Muslims	27.81	59.45	65.13
Christian	34.61	72.59	99.57
Other minorities	30.23	56.25	65.86
All	28.36	58.09	68.37

Conclusion

Lack of employment opportunities in formal sector for the excluded group and minorities force them to get employment in informal sector. They are forced to earn their livelihood by engaging themselves either in self-employment or causal work. Very few of them are absorbed in regular employment which devoid them from earning a regular livelihood. Poor job and poor wage excludes them from participating on different occasions in society. Sometimes they are also excluded by the counterparts who are engaged in same sector but doing a job which pays them more daily wage.

Thus, it can be said that the process of social exclusion has been playing significant role in the Indian labour and that explains why certain groups

have less access to certain employment opportunities and why they are paid less than other.

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