

# **Essays on Labour Market Outcomes in India**

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## **Abstract**

Research on marginalized groups and employment outcomes has picked up since the mid-2000s. This dissertation is an attempt to understand certain labour market outcomes in India that are important, yet relatively under-researched. The questions that arise in this context are dealt with in four independent chapters.

The first essay attempts to address the question: does women's participation in non-wage work promote their empowerment? In this context, this chapter further analyses the role of women's business ownership in India as a means of improving their decision-making power in the household. The second essay focusses on another issue that is important in the context of growing inequality, and one on which relatively few detailed studies exist - the topic of occupational mobility in India. This chapter analyses the link between the occupational status of fathers and their sons and also examines the factors associated with occupational mobility among men in India. The third and fourth essays in this dissertation are an effort to understand certain aspects of self-employment in India. The third essay examines the differences in the earnings of Muslims and other social groups in self-employment. The fourth essay highlights descriptive evidence related to female self-employment in India and how it compares to men's self-employment. A brief outline of the chapters in this dissertation is provided below.

The first essay, using the India Human Development Survey (IHDS) data, empirically examines the effect of different categories of women's employment status on their empowerment, defined by their decision-making power in the household. Female employment, especially paid work outside the home, has often been claimed to provide a means to women's empowerment. For women working inside the home, however, mobility is limited. Given that unwaged or home-based work is a less visible form of work, it would be interesting to explore the relation between women's participation in non-wage work (family farm/household business) and their empowerment. The results in this chapter suggest that the effect of women's employment status on empowerment is strongest in case of wage/salaried work. Controlling for endogeneity, we find that in rural areas there is no significant impact of women's participation in non-wage work on their empowerment. A striking aspect of self-employment in India is the high proportion of women as unpaid family workers in both rural and urban areas. Women's business ownership is often put forth as a way of promoting women's empowerment. The results provide support for this claim; women's business ownership is seen to be associated with a higher empowerment score, compared to that of contributing family workers. Policies promoting women's business ownership have the potential to increase their empowerment.

The second essay focusses on occupational mobility among men in India. There has been extensive research on occupational mobility in the context of developed countries. The study of social mobility is important in the context of developing countries, especially India, given the growing inequality in recent decades. Yet, there has been a dearth of such studies in the Indian context. Compared to studies on inequality in India, there have been fewer studies on intergenerational occupational mobility. In this chapter, an empirical framework is used to examine the link between the occupational status of fathers and their sons, using the

nationally representative IHDS data. The analysis highlights that sons of fathers employed in higher ranked occupations are more likely to be employed in such occupations. Further, a multinomial logit specification is used to examine how individual, household and village characteristics are related to occupational mobility outcomes among men in India. The results in this chapter suggest that improved village transport infrastructure has implications for mobility outcomes in rural India. The results also indicate that fluent English speakers in urban areas are significantly more likely to be upward mobile. Given the importance of English language skills and the costs associated with acquiring these skills, policy makers should consider this when making investment decisions for schooling.

In India, self-employment accounts for more than half of the total workforce. Bulk of the academic work, however, has focussed on wage employment in India. While the ethnic and racial character of self-employment in the context of the United States has been studied fairly extensively, existing literature in the Indian context could not address these issues empirically until recently, due to the unavailability of earnings data. The third essay, based on the IHDS data, examines the differences in returns to self-employment by religion, based on the earnings of household non-farm businesses in India. An important feature of the labour market scenario in India, as revealed by survey data, is that Muslim workers are mainly engaged in self-employment activities, particularly in urban areas. The motivation for this study is twofold. First, most studies on the relation between religion and earnings have focussed largely on countries such as the United States and Canada. Second, a shortcoming of the rather limited literature on the relation between religion and earnings in the Indian context is that empirical studies so far, have excluded self-employed individuals. It is generally argued in literature that on several counts, Muslims are a disadvantaged minority group in India. It would be interesting to investigate whether the relative disadvantage for Muslims, if

any, extends to self-employment. The analysis in this chapter suggests that after controlling for various characteristics, there is a significant earnings difference between Hindu Scheduled Castes and Tribes (SCSTs) and Muslims, with the former faring worse. Further, we find that membership in networks is positively associated with the income of Muslim-owned businesses. Quantile regressions indicate that the effect of many covariates is not uniform across the entire earnings distribution. The results suggest that there is no significant difference in the earnings of the self-employed Muslims and Hindu upper castes, in favour of the latter, except at the top end of the earnings distribution.

A notable feature of female employment in India is the importance of self-employment; it accounts for a large proportion of the female workforce. The share of the self-employed category and female work participation rates in India have followed a similar pattern; it has been observed that when the proportion of the self-employed has risen (declined), women's work participation rates have risen (declined). Over the years, there have been several government initiatives to promote self-employment among disadvantaged castes and women. For female self-employed workers, therefore, an analysis of distinct groups of the self-employed becomes important. Accordingly, the descriptive analysis in the fourth essay, primarily based on an examination of unit-level data of the quinquennial rounds of the employment-unemployment situation of the National Sample Survey Office (NSSO) and the recent Periodic Labour Force Survey (PLFS) data, is an attempt to further our understanding of women's self-employment along with its caste/religion dimension. This chapter also compares women's and men's self-employment in terms of certain characteristics including the educational profile of workers and the extent of underemployment. According to NSSO reports, the proportion of usual principal status workers who report themselves as available for additional/alternative work, provides an idea about the prevalence of underemployment.

Among self-employed women, an analysis across social groups indicates that the proportion of workers seeking or being available for additional/alternative work is the highest among Muslims. The analysis in this chapter suggests that self-employed women who are primarily engaged in domestic duties express a willingness to accept work if suitable work opportunities are made available. Further, a large proportion of these women across most social groups report lack of initial finance as a major constraint in taking up their preferred activity.