
UNIT 9 LABOUR MARKET SEGMENTATION

Structure

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9.1 INTRODUCTION: THE CONCEPT OF LABOUR MARKET SEGMENTATION

Labour market analysts are broadly classified into three groups- classical, neo-classical and segmented. The segmented labour market theorists point out that the labour market is neither perfectly competitive nor homogeneous; rather there exists considerable heterogeneity and stratification in the labour market. It is not one whole but divided into distinct submarkets. Entrance to each is controlled by a network of patronage that gives privileged access to certain categories of people and denies it to others (Gilbert and Gugler, 1981). Segmentation in the

labour market occurs on account of differences in caste, gender and human capital acquirements. It results in one group or individual being relegated to the secondary labour market and the other getting entry into the primary labour market. L.K.Deshpande (1970) defines labour market segmentation “as a historical process whereby political and economic forces encourage division of labour market into separate submarkets possessing different characteristic and behavioral rules”. According to V.N. Kothari (1999), labour market segmentation refers to the distinctions in the nature of employment opportunities emanating from different sectors of the labour market. Different sectors of the economy generate jobs of varying qualities in terms of stability and security of employment. In a developing country like India vast majority of the labour force, say 92 percent (NCL, 2002) are employed in the informal sector and the informal sector is highly heterogeneous.

The theoretical foundations of labour market segmentation dates back several decades and these have been a topic of analysis in several different ideological strains. The analysis of labour market segmentation originated as a criticism of the neoclassical apparatus. It was argued that the neoclassical theory could not provide adequate explanations for the existence of several labor-market flaws, especially wage inequality and discrimination (Taubman and Wachter, 1986). The LMS theory states that segmentation in the labor market is a main cause of these problems.

The neo-classical theory puts forward that there is a single competitive labour market, where information is free and individuals maximize their real income. The Segmented Labour Market (SLM) theorists Doeringer et al (1969) argued that we do not come across a single competitive labour market with homogeneous units of labour. The SLM concept of labour market functioning is different from the Neo-classical one as it emphasizes institutional constraints. SLM theorists point out that labour market is neither perfectly competitive nor homogeneous; rather there exists considerable homogeneity and stratification in the labour market. Entrance to each is controlled by a network of patronages that gives privileged access to certain categories of people and denies it to others (Gilbert and Gugler, 1981). The two segments of the labour market which can be easily seen are the formal and informal ones. Labour market segmentation refers to the distinctions in the nature of employment opportunities emanating in

different sectors of the labour market. Different sectors of the economy generate jobs of varying qualities.

The radical theories view segmentation as a device of the monopoly capital to keep labour divided Michael Piore, David M Gordon (1971).

9.2 OBJECTIVES

After studying this Unit, You should be able to:

- define labour market segmentation;
- discuss labour market segmentation with help of Mumbai labour market; and
- explain different labour market approaches and theories.

9.3 DUAL LABOUR MARKET MODELS/ APPROACHES

Theories of a dual labour market first emerged from a series of casual quantitative impressions of local markets (Gordon, 1972). Four different research groups in the United States were engaged simultaneously in similar studies. The first group (Doeringer et al, 1969) studied the Boston ghetto labour market. The others based their investigations in Chicago (Baron and Hymer, 1968), Detroit (Fusfield, 1968, Blustone 1970) and Harlem (Victorisz and Harrison, 1970). Some of these researchers attempted to highlight the worker characteristics of the ghetto workers. Many of the jobs were menial and instability among the workers was prevalent and encouraged by the system. The working conditions were poor, with low wages and there was no upward mobility for the working poor. Bibb and Form (1977) asserted that jobs in the primary labour market are 'good' jobs with high remuneration and jobs in the secondary labour market were 'bad' with low rewards and poor working conditions. Piore (1969) argued that each market had its own distinct characteristics. In the formal analysis of the dichotomy between primary and secondary labour markets, Doeringer and Piore (1969) showed that the mobility between the two sectors is minimal. According to them the critical distinction between the primary and secondary labour market is the extent of employment stability.

In its original form, labour market segmentation (LMS) theory argued that the labor market could be divided into a secondary and a primary segment (dual labor market theory, see Doeringer and Piore, 1971). The primary segment is composed of a series of well-developed, so-called Internal Labor Markets (ILM), characterized by high-wage jobs, returns to human capital, large firms and job security. The secondary segment, on the other hand, is characterized by low-wage jobs, no returns to human capital, and a high degree of job insecurity. Furthermore, mobility between the segments is severely restricted and jobs in the primary segment are rationed. According to the LMS theory there are a number of reasons why segmentation may occur, the main one being that the primary market substitutes market processes with institutional rules. Firms introduce such structures in order to shelter their workers from uncertainty in a market containing an idiosyncratic factor of production. Stated somewhat differently, competitive market forces are replaced by corporate rules. Thus, one implication of LMS is that the price mechanism does not function well in the primary segment, at least not as well as in the secondary segment. The main difficulty in the application of dual labour market approach is its exclusive analytical focus on labour markets located in the organized sector, centered in urban areas. In developing countries like India, 92 per cent of the labour force (NCL, 2002) has been in the unorganized sector both in rural and in urban areas.

Check Your Progress Exercise 1

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this unit

1. How labour market could be divided? explain

9.4 ANALYSIS OF MUMBAI LABOUR MARKET

The Labour market is much less homogeneous and integrated in developing countries like India. As a matter of fact, it is fragmented into several segments and entry to certain segments is restricted. The Labour market seldom operates under the conditions of a perfect market. Labour market segmentation in India has been discussed in the dualistic framework of the economy. L.K. Deshpande, Gerry Rodgers and John Harris have analysed segmentation in the urban labour

market. L.K.Deshpande (1970), in his case study of the Mumbai Labour Market, views the labour market as a replacement for the old caste system in the allocative functions and considers it more flexible. To quote him, “Labour market segmentation is defined as a historical process where by political and economic forces encourage and behavioral rules and leads to the division of the labour market into separate sub-markets possessing different sub-markets possessing different characteristics.” L.K.Deshpande (1970), in his ‘Mumbai Labour Market analysis’ classifies the labour market into three parts: the factory sector, small establishment sector and casual labour sector. Deshpande’s empirical analysis reveals that rural stratification is carried over to urban market segmentation. According to him, the labour force gets differentiated due to the ownership of tangible and intangible assets. As a result, those lacking in human capital join the secondary labour market as marginal workers and others get better opportunities in the primary segment of the urban labour market. The earning differentials between the two sectors and between males and females within the same sector were considerable. The study by Deshpande notes the gender based segmentation in the labour market. Wages in the female segments are usually lower than in comparable male jobs. Deshpande (1970) attributes such gender based discrimination in the labour market to the preconceived roles of males and females in the society. Females workers are relegated thus to the secondary job market because of the presumed low levels of human endowment base and their relatively lower skill acquisition.

9.5 GENDER BASED DISCRIMINATION IN LABOUR MARKET: EMPIRICAL OBSERVATIONS

Gender based discrimination exists the world over. It predates capitalism. Gender based discrimination implies that women are paid less and their service conditions are worse even though their skill, qualifications and productivity may not be different from those of men. Economists attribute women’s low wages to their lower labour productivity and overcrowding in inferior jobs. The sociological perspective attributes women’s subordination to the patriarchal system.

Women are discriminated against in the labour market. Gender based discrimination is universal and enduring. Economists, while explaining pure discrimination, attribute overcrowding of women in low paid, dead end, insecure or bad jobs to their lower productivity relative to men. They try to index this lower productivity to factors like lower investment in

human capital, lower educational attainments of women and the role of homemakers assigned to them as against bread winners assigned to men. In comparison to male counterparts, women's employment has grown rapidly, as shown by NSS as well as census data (Kundu, 1996). Urban labour markets are segmented and the process of segmentation begins in the villages where access to land and education is limited by poverty (Acharya, 1991).

Increasing female participation has been a major characteristic of the global labour market. The post reform period in India is marked by increasing feminization of labour. Sex discrimination in the labour market reveals that sex discrimination contributes to an unexplained gender gap and a continuing bias in the labour market on the basis of gender. Research studies on gender based segmentation examine the sources of this disparity and factors that contribute to this gap. Many researchers question the role of discrimination and attribute it to differences in preference with respect to balancing work with family responsibilities.

Several theories from different ideological backgrounds have also been offered for the widely-cited observation that men earn more than women, even after controlling of differences in human-capital endowments (i.e., potential discrimination exists). In the neoclassical literature, one encounters theoretical models which assume both competitive and noncompetitive market structures. The neoclassical models which assume competitive markets are strongly based on Becker's concept of "tastes for discrimination", which, in essence, assumes that employers or consumers have different "tastes" for the service of certain groups of workers (e.g., women), or for the goods produced by these workers (Becker, 1971). These different tastes give rise to different wages, despite otherwise identically productive workers. Neoclassical economists have also argued that discrimination may arise due to the existence of monopoly firms in labor markets (i.e., in less-competitive markets). Some attention has also been given to neoclassical models of statistical discrimination. These models are based on the notion that asymmetric information on an individual's labor-market related properties will lead an employer to form expectations of these properties based on a group's average characteristics (see also Thurow, 1975). Thus, women may earn less than men simply because they have a higher probability of leaving the firm (e.g., in order to rear children). By applying probabilities for the whole population to specific individuals, discrimination may arise. Institutionalists argue that labor

markets are segmented according to workers' gender and, as pointed out above, these labor markets function quite differently from each other. Furthermore, there is a strong mobility restriction between gender-specific segments. Certain segments are also more exposed to competitive forces than others. There is therefore no apparent reason why, according to this Institutional perspective, equally productive male and female workers will receive equal pay.⁴ Thus, the lack of competition may (in both neoclassical and institutional models) influence the degree of discrimination, and, thus, possibly, the magnitude of the gender wage gap. There is a relationship between segmentation and the gender wage differential.

Check Your Progress Exercise 2

Note: i. Use this space given below to answer the question.

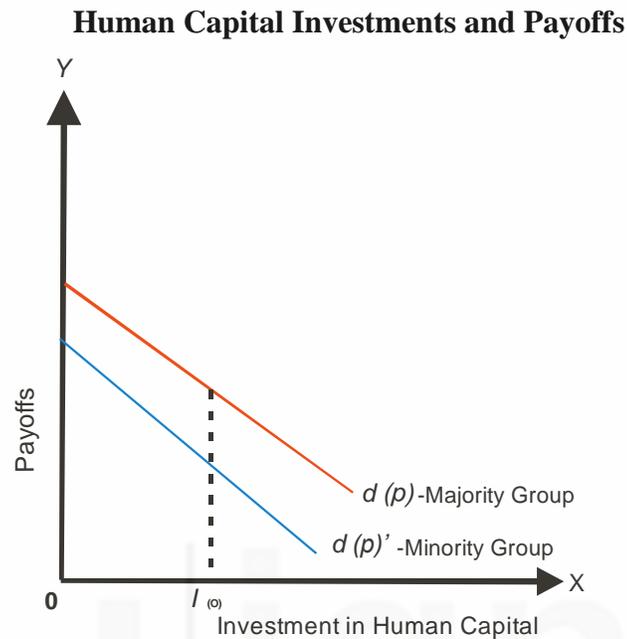
ii. Compare your answer with the one given at the end of this unit

1. Write short note on Institutional view on Labour market.

9.6 THEORIES RELATED TO LABOUR MARKET DISCRIMINATION AND EXPLOITATION

Labour market discrimination arises when at any given amount of investment in human capital the majority group has a greater payoff. Demand curves for human capital may vary because of inter-personal differences in characteristics that determine productivity such as strength, intelligence or ability. Figure 9.1 shows that at any given amount of human capital investment, the majority group (men) has a greater payoff. Their demand curve for investment in human capital lies above that of the minority group (women).

Figure 9.1



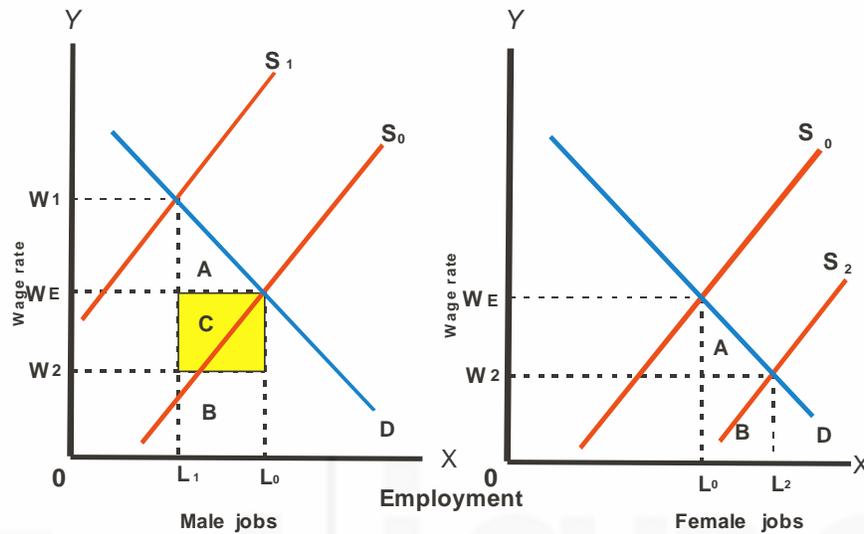
Source: Deshpande L.K. (1983): 'Segmentation of Labour Market', Kunda Datar Lectures, Gokhale Institute of Politics and Economics, Orient Longman Ltd, Pune.

This could be explained by Smith's contention that the minority workers are prepared to accept a low paying job which is pleasant and light as against a high status job which is well paid and prestigious but tiresome and time-consuming. The cheapness associated with its learning, some autonomy and independence in delivering the service and compatibility with the job leads to greater chances of success in the profession. Differences in time-preferences could also be a factor which relegates women to lower positions. Some of the professionals are highly present-oriented, that is they discount the future heavily or ignore it entirely while a few of them have a greater willingness to sacrifice the present satisfaction to obtain greater future rewards. Taussig calls the market for such professional groups as the market for non-competing groups as the supply of labour is limited because all and sundry cannot enter them. Cairness too developed his theory of non-competing groups in 1874 to show how such workers access to occupation is in practice always limited.

Mill (1885, p. 397), explained situations where despite equal efficiency of workers their pay is unequal mainly on account of custom grounded "either in prejudice or in the present conditions of society, which makes almost every woman specially speaking an appendage of man, enables man to take systematically a lions share of whatever belongs to both". Female

professionals in the labour market are seen to be belonging to a segmented market structure where the primary or the good jobs are the privilege of the more skilled and privileged class, generally the males while the secondary or the bad jobs are seen to be held by the minority or the female workers. Sex discrimination which seems to prevail in such jobs and which presumably keep women confined to lower positions can be explained by variants of the 'Segmented Market Approach' including the 'Dual Labour Market Hypothesis' which identifies primary and secondary markets for employment. The 'Job Crowding Hypothesis' (Fawcett, 1918 and Edgeworth, 1922), identifies predominantly male and female occupations in the context of sex discrimination. It has its roots in the pre neo-classical analysis of discrimination which are clear examples of an analysis that suggested women were over represented in certain occupational categories and therefore it depressed wages in those occupations. In a compact summary of the economics of sex discrimination Pike (1984), suggested that discrimination could equally well result if females were excluded from jobs which they have the ability to do. If such jobs are high paid jobs then it would create wage differentials between males and females. Her analysis sees job segregation occurring as a result of women being faced with difficult access to certain jobs, especially the white collared professions and it would need not take the form of reactionary trade union or a crude veto on hiring women but the entry criteria would take the form of lengthy training or an employment history which inadvertently excludes access to a disproportionately large number of women. Women are therefore crowded into the remaining more easily accessible jobs. As shown in Figure 9.2, in a perfect world both sets of occupations are open to males and females, where the labour market is such that supply and demand conditions establish equilibrium wages (W_E) in both sets of jobs. If discriminatory access criteria in the Male job market are introduced, labour supply is restricted to (S_1). As the number of female entrants falls, employment falls to (L_1) and wage rates rise to (W_1). Female workers crowd into the more easily accessible Female jobs increasing the labour supply to (S_2), thus reducing wage rates to (W_2) in such jobs (Fawcett, 1918).

Figure 9.2
Dual Labour Market Structure



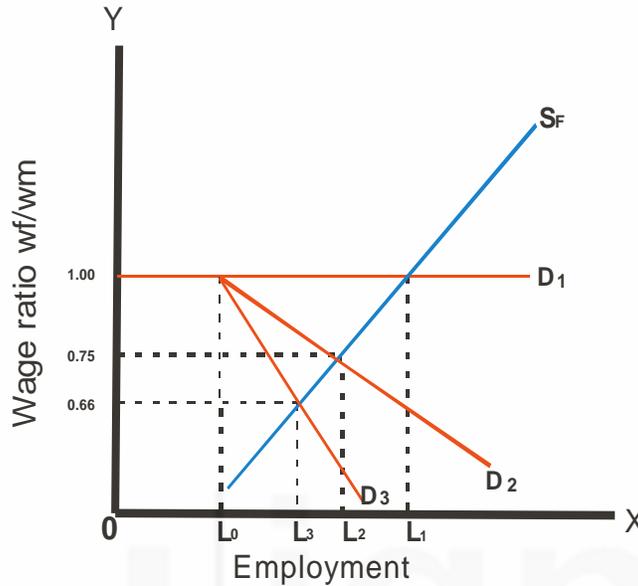
Source: Stephen Smith (1994): 'Labour Economics', Routledge Publications, New York.

The Dual Labour Market hypothesis defined by (Doeringer and Piore, 1969), explained male-female wage differentials by highlighting the fact that male workers are by and large involved in the primary market (well paid and with good work conditions) whereas females tend to dominate the secondary market. Such differentials will persist over time because of the limited and imperfect interactions between these two segments of the labour market. They see internal labour markets as a logical development in a competitive market in which three factors may be present namely, enterprise-specific skills, on-the-job training and custom. Custom and administrative rules determine employment and pay decisions in internal labour markets rather than the outcomes of competitive market processes. Such rules governing the internal appointments which trade unions help to negotiate and enforce may entail the firm hiring at low levels and filling higher vacancies by internal promotions. More labour market interruptions and shorter work experience are significant factors which depress female earnings and career progression.

According to the neo-classical theory of 'taste model', employers have a taste for discrimination in the sense that their utility from the work is adversely affected by the employment of and wages paid to females as compared to males (Becker, 1971).

Figure 9.3

Becker's 'Taste Model' of Discrimination



Source: Stephen Smith (1994): 'Labour Economics', Routledge Publications, New York.

Figure 9. 3 displays that although the monetary cost of employing males and females is given by their wages, the disutility experienced by hiring women affects the net cost such that discrimination creates a gap between the market wages of men and women. The wages paid to female would then be $W_f = W_m (1+d)$, where 'd' is what Becker termed as the 'discrimination coefficient'. The stronger the prejudice against women workers the greater would be the value of 'd'. However, employment discrimination may be more significant in the labour market due to prejudice. If employer offers a structured hierarchy of jobs at different wage levels reflecting different productivity levels, discrimination against women will ensure that women are employed in the job structures below their potential. Thus if females are employed on this basis, the discrimination they encounter will be,

$$W_f = MRP_f - df$$

where MRP_f is the Marginal Revenue Productivity and df is a discrimination factor, then at any level of the job structure, say at level i ,

$$W_f = W_i = MRP_f - df$$

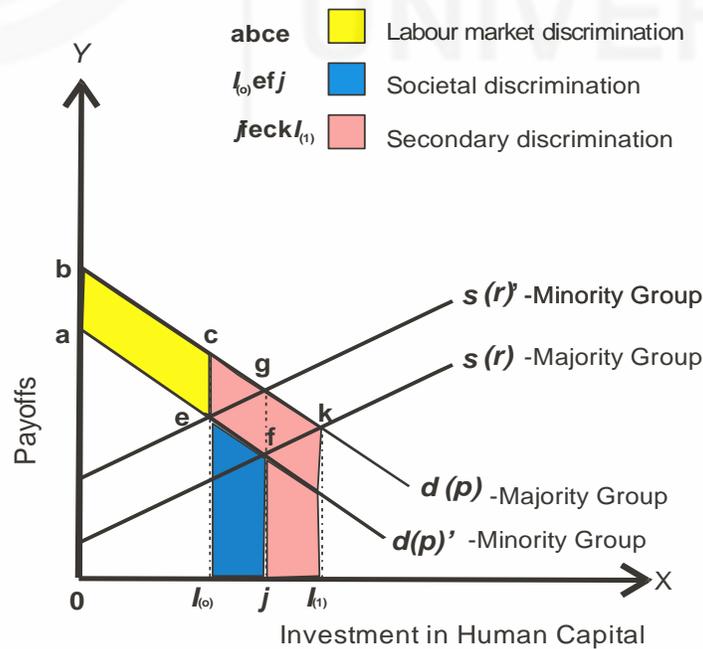
Therefore in order to obtain and maintain employment at level i in the job structure, females need to exhibit a productivity equal to $MRP_f = MRP_i + df$. In other words women must

always work to a higher standard in comparison to their male colleagues at any given level of the job hierarchy and to a higher standard than the job actually requires. As a consequence of employer discrimination, equally productive men and women occupy different jobs in the employment structure and receive different wage rates with the high status jobs always being dominated by men. Figure 9.3 shows a situation where the conventionally sloped female supply curve (S_F) encounters three different sets of demand conditions. The first set, (D_1) represents a situation where the lack of any discrimination identifies a maximum potential employment level (L_1) at wage rates which equal those of male workers, i.e., a wage ratio equal to unity. If a certain proportion of employers discriminate against women in their hiring practices, the demand curve assumes a kink at employment level (L_0), beyond (L_0) prejudiced employers require a wage differential to compensate for a loss of utility arising from hiring of female workers, which creates a gap between the market wages of men and women. In case of the wage ratio $W_f / W_m < 1$, females earn only a three quarters of what men would earn ($W_f / W_m = 0.75$). The actual female employment at (L_2) is less than its potential maximum due to discrimination in the labour market. If the intensity of discrimination increases the slopes of the demand curve becomes steeper, as shown by curves D_2 and D_3 respectively. This results in even lower levels of female employment at (L_3) and a wider sex earnings gap as the ratio of female to male wages falls to 0.66 from 0.75. If it is the case that female wages have increased over time relative to men's and the earning gap has narrowed, it would imply a change in the employer's tastes. Such a change could be brought about by competition from less discriminating firms or it could be due to a greater awareness of women's worth acquired from information, direct experience or enforced by equal pay and opportunities legislation. Genetic makeup also determines an individual's success as a worker via the capacity to benefit from investments in education and training. They are the avenues through which the family of orientation (parents and siblings) as well as the family of procreation (spouse and children) influence the earning capacity of the worker.

The quality of participation among these professionals too differed on account of differences in the nature and extent of investment in human capital. Lesser participation by females belonging to the minority groups as compared to the majority groups highlights the societal as well as secondary discriminations which deprive them of better work opportunities. Figure 9.4 reveals that in any type of labour market earnings are positively related to productive capabilities of the individuals. Productivity of labour in a particular undertaking may be

measured by dividing the output of that undertaking by the labour input in the undertaking. It ultimately depends upon the quality of the labour force. In the long run adequately skilled / trained labour force alone can bring about a higher level of productivity. Many institutions within the society influence an individual's collection of personal attributes determining labour market productivity. Possibilities of discriminations in the labour market arise as the minority group has lesser funds for investments in human capital at any given rate of interest and a lower rate of return for any given level of investment reflected in a supply and demand curves to the left of the demand of the majority groups. The total earning difference is the shaded area $abkl_{(1)}I(o)e$. The area $abce$ illustrates labour market discrimination which takes place even if the majority group has invested no more than the minority groups, $I(o)$, they would nonetheless earn more from investment. The area $I(o)efj$ is the societal discrimination. It illustrates the difference in earning power that would result from the majority groups greater access to funds even if the minority and the majority groups both have the same rate of return schedule, $d(p)'$. The remaining difference in earning power, $jfeckl_{(1)}$ includes the most subtle component of total discrimination which is the secondary discrimination.

Figure 9.4
Societal and Secondary Discrimination

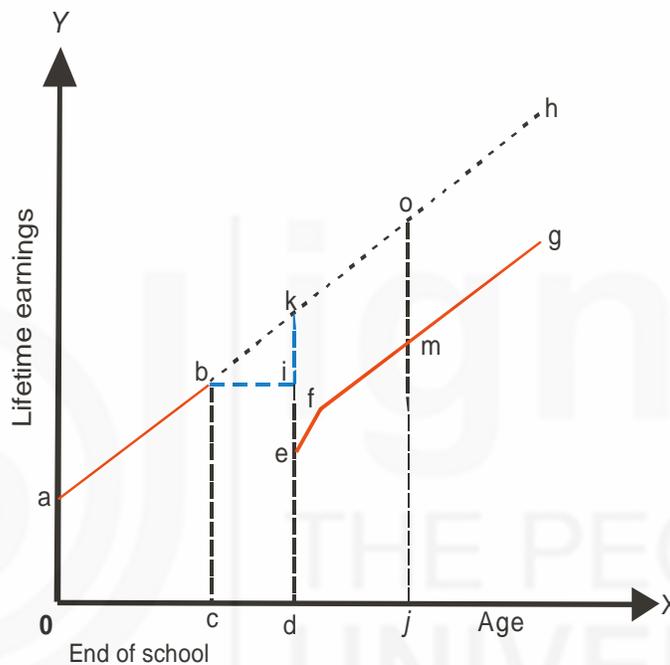


Source: Deshpande L.K. (1983): 'Segmentation of Labour Market', Kunda Datar Lectures, Gokhale Institute of Politics and Economics, Orient Longman Ltd, Pune.

Women are also seen to be discriminated of an equal status in work participation as compared to men, mainly due to discontinuity in labour force participation which arise in the case of females due to frequent short breaks taken on account of familial responsibilities.

Figure 9.5

Discontinuous Labour Force Participation



Source: Deshpande L.K. (1983): 'Segmentation of Labour market', Kunda Datar Lectures, Gokhale Institute of Politics and Economics, Orient Longman Ltd, Pune.

In the Figure 9.5, line above indicates a woman's life-time age-earnings power profile if she were a continuous labour force participant. If however, she interrupts her career between ages c and d, her earnings fall to zero for this period. Moreover, her earning power upon re-entry in the labour force is not the same as if she had not left the labour force k. Rather, it is lower by the amount ke. The difference ke can be divided into two parts ki and ie. Part ki is the opportunity cost of non participant in the form of foregone earnings growth as job experience accumulates. Part ie stems from the atrophy of skills due to its non utilization when out of the labour force. The diagram explains that we must account for the effect of time out of the labour force if we want to disentangle sex differences in earning power. Both men and women would

have the same age-earnings profile as shown in the diagram, when no time is spent out of the labour force by both of them. However, both have $abcdefg$ if there is non-participation by them during the ages cd . Now consider a situation when women dropout of labour force during the ages c and d while men do not. The sex difference in earnings at age j is equal to the vertical distance mo . If data are used for earnings in a range of ages reasonably close to age j , males will have estimated earnings functions kh and females will have lower but identically sloped estimated functions fg .

Check Your Progress Exercise 3

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this unit

1. Define ‘Job crowding hypothesis’.

9.7 GOVERNMENT EMPLOYMENT POLICY TO BREAK SEGMENTATION

Market segmentation, to a great extent, has come about among other things by gender based segmentation (Ramesh Iyer, 1999). There is segmentation by gender where some jobs are classified as “male jobs” and some as “female jobs”. Women have their own perception distinct from that of men about the choice of jobs and are less inclined to skill formation that involves going in for on the job training. According to Iyer (1999), wage discrimination takes place frequently as a result of the perception of employers that on an average, women have a higher probability of having lower productivity than men of equal qualifications. Job differentials get reflected into earning differentials which in turn get reflected differentials in the incidence of poverty. Thus, labour market segmentation will involve discrimination, leading to the perpetuation of poverty. Thus, gender/sex is one of the main factors which create non-competing groups in the society (crowding hypothesis) and the workers belonging to female group are paid at different wage rates. This will further depress wage rates for women’s occupation and on the other hand, raise wages in male occupations that are protected from female competition (Iyer, 1999). Ramesh Iyer (1999) suggests that the government must make necessary steps to break

labour market segmentation between female and male occupations. This is warranted because a segmented labour market usually does not allow entry into the primary labour market by those who are economically/socially discriminated against. In Iyer's view, the government must have an employment policy that makes it possible for women to enter the organized labour market in a big way.

Women workers are discriminated against in the labour market. Gender based discrimination is a universal phenomenon. Sudha Deshpande's (1997) contribution to this area is quite illuminating. In her view, gender based discrimination implies the unequal treatment of equals and is often attributed to patriarchy. Sudha Deshpande (1997) observes that there is a clear segmentation in industrial labour markets, both in Mumbai and in Coimbatore. According to her, the entry of a worker into some labour market depends on his or her endowments. Once the worker enters such labour markets there is hardly any mobility between labour markets.

According to Mackintosh (1984), feminists are divided on this issue on whether it is their subordination in the labour market or whether it is the latter that causes their subordination within the family. Esther Boserup (1981) is of the view that capitalism favors women workers and women workers face double discrimination due to their low human endowment base and the femaleness of the labour force.

9.8 ECONOMIC RATIONALE FOR GENDER BASED SEGMENTATION

What is the economic explanation for gender based segmentation in the labour market? Economists attribute overcrowding of women workers in low paid, dead-end, insecure or bad jobs to their lower productivity relative to men. It is attributed to the lower investment in human capital or educational attainments of women relative to men. It is considered the consequence of the role of home makers assigned to women and that of bread winners assigned to men by the society. Child bearing and rearing activities (Mincer and Polachek, 1974) form the root cause of women's lower investment in human capital. Sudha Deshpande says that the theory mentioned above fails to explain why equally energetic, educated, experienced and trained women end up getting lower wages than men in the same occupation. Sudha Deshpande (1997) attempted to provide evidence of gender based discrimination in the organized and unorganized sectors in

Indian economy. She draws on the data on women workers from the Labour Bureau of the Government of India (Government of India, 1993).

Maya Shah (1995) analyses an important form of discrimination labeled ‘waiting discrimination’ in the labour market. According to her, given the fact that education is expected to reduce labour market discrimination over a long period time, women having similar productivity related characteristics as men experience a longer waiting period and women experiencing similar waiting period as men having higher productivity related characteristics in comparison to men (Maya Shah, 1995). Maya Shah’s survey concentrated on only degree and diploma holders, both males and females. The study comes to the conclusion that women with a post graduate degree in science and technology and PhD or a post graduate degree in social sciences, arts, humanity and commerce experience a longer waiting period.

The Human development report (1995) evaluating women’s work, observes that much of women’s work remains unvalued. Women take more work than men and have greater burden. This is true of women’s work both in developed and developing countries. There is a certain lack of recognition for women’s unpaid work. Thus women’s work gets undervalued in the process of development. The UNDP (1995) report introduced two important new indices for measuring gender equality: Gender Development Index (GDI) and Gender Empowerment Measure (GEM). The Gender Empowerment Measure (GEM) combined national data on gender inequalities in income earned. If the rationale of HDI is extended to GDI, it endorses the view that a precondition for empowerment of women in any context is closing down disparities in return to labour efforts, the level of education attained and the level of experience.

9.9 DISPARITY IN WORK PARTICIPATION

Market segmentation to a great extent has come about by gender based segmentation among other things like skill, caste etc. There is segmentation by gender when some jobs are classified as “male jobs” and some as “female jobs”.

The problem of occupational segregation based on gender has been analyzed by Arti Nanavati and B.C.Patel (1999). The authors make use of different methods of segregation based on gender. The different methods employed in their research include: measures of segregation

like Marginal Matching, concentration ratio, Herfindahl Hirschman Index, index of dissimilarity, Sex Ratio Index.

The participation of women in the labour force has always been less than that of men in rural as well as urban areas. The work participation rate for women has increased significantly in the post reform phase. It has increased from 19.67 in 1981 to 22.73 in 1991 and to 26.68 in 2001. There is an increasing concentration of women in some occupations. Among rural women workers, a vast majority is employed in agriculture and some are employed in cottage industries. In urban areas, women workers are primarily engaged in the unorganized sector.

Check Your Progress Exercise 4

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this unit

1. Mention few methods for analyzing occupational segregation based on gender.

9.10 SEXUAL DIVISION OF LABOUR IN THE INFORMAL ECONOMY

Sexual division of labour in the informal economy has been researched by Nici Nelson (1988). The methods used in her research were participant observation, interviews, and surveys. The study was carried out in three of Mathare Valley's ten named villages. In her survey of 153 business establishments, she noted that there were only 38 women entrepreneurs as opposed to 153 men. She examined the question: How do Women and men get by in different ways? Men in Mathare are far less restricted compared to women in their choice of economic activity.

There are number of reasons for this difference. Some of them are structural and others cultural. Women are not only less educated than men in Kenya, they have fewer skills with commercial value. This obviously limits the choice of occupations open to any individual woman when she has to choose an economic activity. This is a structural constraint arising out of a cultural constraint, namely the Kenyan view of what is feminine and what economic role

women should and should not play. Women are also limited by the presence of young children who need care.

9.11 CONCENTRATION AND SEGREGATION

Labour market segmentation gets reflected in the concentration and segregation of labour in certain occupational structure. Segregation refers to separation of the two sexes; concentration refers to the representation of one sex within occupations (Maya Shah 153, 1999). The different methods of measuring gender based segregation are: 1) Index of Dissimilarity (ID), 2) Sex Ratio (SR), 3) Women and Employment (WE) Index, 4) Marginal Matching (Maya 1999). Maya Shah used all four measures for the district of Vadodra using the data available in the District Census Handbook of 1991.

Despite the fact that women are active agents shaping the prospects for development of countries, consideration of their productive role in the informal economy is still lacking from development discourse, policy and practice. It is argued that that most women in India are participating in the labour market under precarious terms, irrespective of their rights as citizens and workers, during a heightened state of informalization that is unlikely to recede. Although the Government of India has attempted to examine employment relationships, the number of promising initiatives backed by the state is limited. Women's civil society has been effective in organizing workers to assert their social, political and economic rights. It is contended/argued that economic empowerment strategies may be the most conducive to enhancing women's overall empowerment, and surmised that greater political will in support of such groups will lead to citizen-centered change.

9.12 WOMEN IN THE INFORMAL ECONOMY

Women in the informal economy are more vulnerable due to their poor physical and human endowments and poor collateral base of the labour force. It has been established that impressive economic progress and technological progress has been made during the latter part of the last century and consequently many new economic opportunities have been created. But the pace of social progress has lagged behind the accelerated pace of the new global economy, as not everyone is able to reap the benefits of economic advancements. Women in the informal economy seem to be sidelined more than men as far as being beneficiaries of this progress. The

various global conferences and summits of the 1990s have placed gender equality on the priority agenda because, for economic efficiency and social efficiency to go hand in hand, all members of society- men and women alike, must realize their human potential to contribute to development and fully benefit from growth in this era of globalization.

9.13 GENDER BASED SEGMENTATION- POST REFORM PROFILE

Integration of World economies into a single World system and allowing an unrestricted flow of capital are the central features of globalization. However globalization does not offer such integration with regard to the labour market (Deshpande, 1984). Segmentation of labour force has become the prime strategy of this capitalist hegemony. Skills, gender, race and nationalities are important factors of segmentation by which some are denied the fruits of globalization. The most pervasive form of globalization is gender based. The employment department of ILO observed that there is considerable difference between the experience of men and women in the labour market and women continue to participate to a lesser degree than men.

The empirical evidence from Shivajinagar (Mathew, 2007) reveals that the neo-liberalist employment phase in India has become more uncertain and unstable for all workers, and consequently, an increasing number of women need to generate an independent income. Economic restructuring and flexibilisation of production process changes employment patterns. As a group, women are concentrated in low-paid and low skilled jobs and are more susceptible to poverty and social exclusion than their male counterparts. The post reform micro level empirical study reveals that women in Shivajinagar households in Mumbai have low levels of education and skills and this makes them more vulnerable in the labour market in terms of their human endowments. (Mathew.2007) Women in poor households in Shivajinagar have lower levels of education and training is seen from the cross tabulation between the variables education and sex. The cross tabulation of education by sex reveals the gender disparity in educational attainments between males and females in the sample households in Shivajinagar. The illiterate and below metric level education are concentrated among the females and people above metric level are concentrated among males.

A few post reform research studies show that economic role of women can also be critical in shaping household strategies of survival. Employment of women is yet another coping mechanism in the informal economy to face insecurity of income and vulnerability. Employment of women is yet another coping mechanism in the informal economy to face insecurity of income and vulnerability. Employment of women is yet another survival strategy followed by households in the informal economy at Shivajinagar. Besides being subjected to wage and occupational discrimination women are victims of limited access to education and employment (Deshpande and Deshpande, 1992). This is yet another indication of the informalisation of the urban economy. Feminization of the urban workforce therefore is yet another indirect manifestation of growth of poverty induced employment in the urban informal economy in recent years. Poor households in the informal sector households send their womenfolk to work in various low productive activities as part of their survival strategy. An interesting point that clearly emerges from the data is that poverty is the cause of a higher incidence of employment for poor households, because only by sending a larger number of family members to work are they able to survive in their trying circumstances. The field survey notes that the presence of young children and elderly persons in the household significantly reduces the probability of married women's employment in Shivajinagar. In Shivajinagar, the survey reveals that the traditional gender division of labour and gender roles and expectations are still maintained. The household obligations and responsibilities affect realization of their potential in the labour market. The monthly income of female workers in Shivajinagar differs from that of male workers. Gender based discrimination is an attribute of the informal labour market in Shivajinagar. Economists, while explaining "pure discrimination", attribute the overcrowding of women in low paid, dead end jobs; insecure or bad jobs to their lower productivity relative to men. This is attributed to the lower investment in human capital or education acquired by women compared to men. That women are able to invest less in human capital (education and training) due to planned interruptions in participation in the labour force for child-rearing activities (Mincer and Polachek, 1974; Becker, 1973) conversely suggests that women can devote less energy to market because they must devote more energy to household responsibilities.

An important aspect that is often highlighted in the context of economic reforms is the translation of labour market changes into defining and redefining gender relations and empowerment of women in India. The Post reform period reveals that new opportunities for women are opening up in the Indian economy. The paper analyses women's employment through a disaggregate analysis of the last three rounds of quinquennial NSSO Employment and Unemployment surveys, 1993-94, 1999-00 and 2004-05. The analysis provided in the paper suggests that the growing social and economic crisis is sending vast sections of women workers into a downward spiral resulting in a gender based inequality in employment. The sectoral distribution shows women mainly concentrating in the primary sector as against other liberalized economies.

9.14 SUMMING UP

In this Unit, one of the group of labour market called segmented is explained with the suitable examples drawn from different parts of the world. The segmented labour market theorists point out that the labour market is neither perfectly competitive nor homogeneous; rather there exists considerable heterogeneity and stratification in the labour market. Apart from that Dual labour market models/ approaches also explained. Along with that the unit analyzed the reasons for the Gender based discrimination in labour market with the Empirical evidences. Along with this Theories related to labour market discrimination and exploitation and government employment policy to break segmentation, Economic rationale for gender based segmentation, Disparity in work participation, Sexual division of labour in the informal economy, Concentration and segregation, Women in the informal economy and Gender based segmentation- post reform profile is elaboratively explained.

9.15 GLOSSARY

Herfindahl- Hirschman Index(HHI) : A commonly accepted measure of market concentration. It is calculated by squaring the market share of each firm competing in a market, and then summing the resulting numbers. The HHI number can range from close to zero to 10,000. The HHI is expressed as:

$HHI = s_1^2 + s_2^2 + s_3^2 + \dots + s_n^2$ (where s_n is the market share of the i th firm).
 The closer a market is to being a monopoly, the higher the market's concentration (and the lower its competition). If, for example, there were only one firm in an industry, that firm would have 100% market share, and the HHI would equal 10,000 (100^2), indicating a monopoly. Or, if there were thousands of firms competing, each would have nearly 0% market share, and the HHI would be close to zero, indicating nearly perfect competition.

Quinquennial: something that occurs every five years.

Sex Ratio (SR): SR was used by Hakim in one of the first gender segregation analyses of the British labour force. Hakim (1981) described this measure as ‘the difference between the level of overrepresentation [of women] in typically female jobs and the level of under-representation in typically male jobs’. Thus SR may be thought of as the ratio given by the observed proportion of workers who are of women in female occupation (F_f/N_f) divided by the expected proportion of women in these occupations if there were no segregation (F/N) less the equivalent ratios (observed: expected) of women in male occupations. Thus, put formally

$$\begin{aligned}
 SR &= \frac{F_f/N_f}{F/N} - \frac{F_m/N_m}{F/N} \\
 &= \frac{N}{F} \left(\frac{F_f}{N_f} - \frac{F_m}{N_m} \right) \\
 &= \frac{N}{F} \times Dr
 \end{aligned}$$

Where Dr is the difference of proportion between rows of the Basic Segregation Table (r indicating the rows of men and women in ‘male’ and ‘female’ occupations). Again we see this is a ‘female’ version, with a corresponding ‘male’ version

$$SR_m = \frac{N}{M} \times Dr$$

Here, however, the mean is not Dr but $N_2 / 2MF$

As with WE, the weighting terms are a distortion which is better omitted.

Segregation and Concentration: ‘**Segregation**’ concerns the tendency for men and women to be employed in different occupations from each other across the entire spectrum of occupations under analysis. It is a concept that is inherently symmetrical....**Concentration** is concerned with

the sex composition of the workforce in an occupation or set of occupations. Whereas segregation refers to the separation of the two sexes *across occupations*, concentration refers to the representation of one sex *within occupations*.' (italics in the original, Siltanen et al, 1995: 4-5)

9.16 ANSWERS TO CHECK YOUR PROGRESS EXERCISE

Check Your Progress Exercise 1

1. In its original form, labour market segmentation (LMS) theory argued that the labor market could be divided into a secondary and a primary segment (dual labor market theory, see Doeringer and Piore, 1971). The primary segment is composed of a series of well-developed, so-called Internal Labor Markets (ILM), characterized by high-wage jobs, returns to human capital, large firms and job security. The secondary segment, on the other hand, is characterized by low-wage jobs, no returns to human capital, and a high degree of job insecurity. Furthermore, mobility between the segments is severely restricted and jobs in the primary segment are rationed.

Check Your Progress Exercise 2

1. Institutionalists argue that labor markets are segmented according to workers' gender and, as pointed out above, these labor markets function quite differently from each other. Furthermore, there is a strong mobility restriction between gender-specific segments. Certain segments are also more exposed to competitive forces than others. There is therefore no apparent reason why, according to this Institutional perspective, equally productive male and female workers will receive equal pay. Thus, the lack of competition may (in both neoclassical and institutional models) influence the degree of discrimination, and, thus, possibly, the magnitude of the gender wage gap. There is a relationship between segmentation and the gender wage differential.

Check Your Progress Exercise 3

1. Job Crowding Hypothesis' (Fawcett, 1918 and Edgeworth, 1922), identifies predominantly male and female occupations in the context of sex discrimination. It has its roots in the pre neo-classical analysis of discrimination which are clear examples of an analysis that suggested women were over represented in certain occupational categories and therefore it depressed wages in those occupations.

Check Your Progress Exercise 4

1. Marginal Matching, Concentration Ratio, Herfindahl Hirschman Index, Index of Dissimilarity, Sex Ratio Index.

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9.18 QUESTIONS FOR REFLECTION AND PRACTICE

1. Write essay on theories of labour market discrimination and exploitation.
2. Discuss the reasons for the gender based discrimination in the labour market.