Precarious Work and less well paid? Wage Differential between Regular and Temporary Contract Workers in India

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News reports, press anecdotes and serious research articles concerning Asia in general and India in particular have identified wealth, income and wage inequalities that have caused tremendous social and economic concern as they pose a serious challenge for social and political cohesion and have significant costs for economic growth (The Hindu 2017; Chakravarty 2016; Ramaswamy 2008). The raging debate over the rising trend in wage inequality is, of course, not a new phenomenon. It has been resurrected in the public discourse after the publication of Global Wage Report 2016-17 by ILO in December, 2016. According to this report, in India, the highest-paid top 10 per cent of income groups receive almost 43 per cent of total wages paid to all employees; whereas, the lowest-paid bottom 50 per cent income groups receives only 17 per cent of total wages paid to all employees. Moreover, the report also observes the following three important dimensions of growing wage inequalities in India- 1) the upper tail of wage distribution is highly concentrated in the hands of 1 per cent highest-paid income groups, who enjoys more than 33 times share of total wages than the bottom 10 per cent lowest-paid income groups; 2) women workers earns 33 times less than the male workers; and finally, 3) the persistence of wage inequality within the enterprise and industrial sector is driving the total wage inequality (ILO 2016). It is evident that the large sections of the workforce have not been able to reap the dividends of high growth of Indian economy and have been excluded from the developmental outcomes. The last observation of the report brings out the important aspects of rising wage inequality, which has not received the detailed attention it deserves. Different bases of inequities could be identified such as gender; skill-based, social and religious identities and so on which have received some attention in the inequities and discrimination literature (see Karan 2008; Ramaswamy 2008; Madeshwaran and Attewell 2007). But in the post-liberalization period an important flexi-type employment has been intensified greatly in terms of its numbers and width of operation and in some cases staggering numbers , i.e. temporary contract labour. Temporary contract labour cut across all labour market and social markers such as gender, caste, religion, and immigrant and so on. The inequality of income between these workers and their directly-employed counterparts has not been studied in detail in the literature so far. This article examines the determinants and trends in rising wage inequality between two categories of workforce across different labour regulation regimes.

To examine the extent of wage differential and its determinants among two type of workers, the study has used unit-level data from the National Sample Survey Organisation (NSSO) Employment-Unemployment Survey (EUS) for two time periods 2009–2010 (66th Round) and 2011–2012 (68th Round). We have restricted our analysis to these two rounds since 66th round onwards since unlike the earlier surveys these two have collected explicit information on the employment status of an individual (whether he/she is working as temporary worker or permanent workers). The sample size is representative at both national and state level. The two

rounds of EUS contains information on the enterprise size and type, employment status and social security benefits to workers and most importantly, the tenure of work contract. We have utilized this information to distinguish between the organised and unorganised sector and between the formal and informal employment using the data on availability of social security benefits to workers and unorganised sector status. The survey rounds provide detailed individual and household-level information. We have excluded the employment category of agriculture cultivators, since it does not fall under the scope of this paper.

Our main variable of interest is the individual employment status and its nominal wages -whether it is a temporary employment conditioned on different levels of tenure security namely - 1) no written contract 2) contract less than one year contract 3) contract more than one year or less than three years 4) contract more than three years. Another important variable is the employment category, viz. nominal wages of permanent employment. Unlike temporary employment, this segment of workers enjoys better wages, employment and social security and collective bargaining rights. Apart from these two variables of interest, the study has also used several individual and household level control variables to examine the wage differential between two types of workers in India.

A standard Mincer equation extended to a dummy variable for regular workers, interaction terms, and further explanatory variables will be estimated. Two hypothetical sources of mis-specification may arise. Firstly, the potential endogeneity of the dummy variable for the type of employment. Indeed, it seems plausible that those who end up in temporary jobs are not a random draw from the population and that this selection generates biased estimates. We will propose two methods to overcome the self-selectivity bias: the first one is an instrumental variables approach, the second one consists in the Heckman\'s (1978) dummy endogenous variable model estimator. The second possible source of misspecification is the classical Heckman\'s (1979) sample selection bias. We will present a procedure in order to test the presence of such a sample selection bias taking into account the endogeneity of the dummy variable for the contract type.

We are still in process of running the preliminary regression; hence we could not your produce the results at this point of submission. However, in a week's time the final results and paper will be ready.