

Addressing the gender pay gap in India

Good intentions can often lead to bad policy decisions. Earlier this month, new legislation known as the equal pay standard came into effect in Iceland after being passed a year ago. It aims to address the gender pay gap. The law is uncommonly intrusive, requiring companies with over 25 employees to proactively prove that they are not engaging in such discrimination by having their accounts audited every three years and submitted to the government for certification. If they fail to clear the bar, they could face daily fines.

The ambiguity and regulatory burden mean that the legislation is likely to be ineffective at best. But it underscores an important point. It shows how vexed the issue of gender pay gap is that a country like Iceland—at the very head of the class when it comes to gender equity—opts for such a law. How, then, should a country like India—ranked 108 on the World Economic Forum's "Global Gender Gap Report 2017", which looks at a number of dimensions from economic opportunities to political empowerment and healthcare—address the problem?

The question is complicated by the different contexts of the informal and formal labour forces. When it comes to the former, excluding crop-based farming, the National Sample Survey Office's (NSSO's) 68th round, conducted in 2011-12, shows that the gender wage gap declined by nearly 10 percentage points from 29.2% in 2004-05. That still leaves a large gap, of course. And much of this shrinking of the gap is due to the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS).

This highlights the lack of attractive job alternatives. For instance, the construction sector, the largest employer in the urban informal segment, is notoriously difficult to regulate effectively—and notorious as well for the discrimination and sexual harassment women workers face. Government-sponsored employment is not a sustainable option for bringing about gender economic equity. Then there is the troubling fact that the shrinking of the pay gap can be partly attributed to a supply crunch due to the declining rate of female participation in the workforce.

Depressingly, women don't have it much better in the formal labour force. According to the Monster Salary Index on gender for 2016, the gender pay gap ranged from a relatively low 14.7% in the education and research sector to 21.5% in the banking, financial services and insurance sector and 25.8% in the information technology sector. Here, as in informal jobs, these gaps have declined over the past few decades—but slowly and erratically.

There are two factors to consider when looking at these numbers. One is demand side—labour market discrimination. Some aspects of this can and have been legislated. The Equal Remuneration Act, 1976 mandates equal pay for men and women for the same or similar work. It also bars hiring discrimination on the basis of gender. Enforcement, however, is a different matter. Iceland's example is not the one to follow; it has been passing increasingly stringent laws since 1961 but the problem remains. Companies must take the lead, from transparent pay structures to responsive ombudsmen.

Hiring discrimination overlaps with the supply side factor—the human capital model that focuses on gender differences in skills, education and experience. This speaks to the most insidious aspect of the whole problem: patriarchal attitudes that continue to be widely prevalent in India. It explains, for instance, the declining female workforce participation in the informal sector. This "U" curve, with women dropping out of the labour force once family incomes are no longer at distress levels, is associated with higher social status for families where the women attend only to domestic duties. Economists Mukesh Eswaran, Bharat Ramaswami and Wilima Wadhwa examined NSSO data in a 2011 paper to find that women from higher castes and higher income

families spent less time working outside the house, bearing this out.

The same patriarchal attitude sustains the expectation that women will bear the primary household and parenthood burden even when employed outside the house. This feeds into hiring discrimination in the formal sector when employers consequently see women as less reliable employees, prevents women from accumulating human capital at the same rate as men and has a cumulative hamstringing effect as women progress in their careers. According to the 2012 “Gender Pay Gap in the Formal Sector” report by the WageIndicator Foundation and the Indian Institute of Management, Ahmedabad, the pay gap increases with women’s age, work experience, educational qualifications and rise in occupational hierarchy. This is a poor message indeed for girls who are now enrolling for education at higher rates.

The wage gap must be addressed on multiple fronts. These range from the broad—greater formalization of the workforce to create better job opportunities for women and streamlining labour laws that, by their current rigidity, do more to hurt women than help them—to the specific, such as local urban bodies facilitating the work done by non-governmental organizations providing mobile crèches to construction workers. Mandating parental leave rather than maternal leave will help as well, allowing women to reintegrate into the workforce after childbearing while making it possible for men to take on the responsibility of parenthood as well. Changing societal attitudes, however, will be a long, hard haul.

How can India increase female participation in the labour force? Tell us at views@livemint.com

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