

Redefining Parity at Work in India

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1. INTRODUCTION

Technological adoption and digitisation are changing production processes and business models in India. Workers are shifting out of agriculture and into services and manufacturing by the millions each year. The geographic distribution of employment opportunities is increasingly urban, while 70 percent of the population resides outside of cities.¹ The skills and know-how required of workers are changing with the introduction of new technologies. Simultaneously, the contracts, salaries and benefits that most individuals have come to expect are increasingly rare.

There are a multitude of questions that remain with regard to how the future of work in India will unfold. This paper outlines three trends in employment relations in India driven in part by technology adoption and digitisation: (1) a rise in contractual labour, (2) an increase in platform and on-demand workers, and (3) a rise in freelancing work. In this context, the paper considers the ways in which these trends are creating new forms of inequality at work. These include: a protection gap between traditional and non-traditional workers, a disparity in opportunities for upward mobility and career progression, and greater inequality of opportunity, particularly for women.

The paper proceeds as follows: *section two* discusses the contours of disruption and work in India, focusing on trends in employment relations. *Section three* outlines three dimensions of inequality that must be considered in the context of observed and expected workforce change in India. *Section four* concludes.

¹ 2011 Census. The urbanisation rate as of 2011 stood at 31.6 percent.

2. THE REORDERING OF WORK IN INDIA

Background

The vast majority – 92 percent – of employment in India is informal.² There are an estimated 42 million small and medium-sized enterprises (SMEs), accounting for 95 percent of firms and 40 percent of total employment.³ By sector, agriculture remains the largest employer, accounting for 42.7 percent of workers. This is followed by services at 33.4 percent and manufacturing at 23.7 percent of employment.⁴

Wages remain relatively low at an average of 247 INR (3.10 EUR) per day.⁵ While the unemployment rate is just 3.5 percent,⁶ the labour force participation rate stands at 53.8 percent. Strikingly, the female labour force participation rate is just 23.3 percent.⁷ Furthermore, India has seen stagnation in manufacturing employment,⁸ and is experiencing a demographic shift in which 1.3 million youth are entering the workforce each month.⁹

At the same time, technological adoption and digitisation are reshaping the nature of industries, jobs, workplaces and work itself. While a significant amount of uncertainty remains with regard to the future, a number of trends can be observed. This section outlines three such trends related to changing employment relations in India: an increase in contract work, the rise of the platform and on-demand economy, and an increasing number of freelance workers. Definitions of these terms are provided in *Table 1*; while these definitions help to highlight the differences between these work arrangements, there are some overlaps and ambiguities between them.

² A. Srijia and Shrinivas V. Shirke, "An Analysis of the Informal Labour Market in India," *Confederation of Indian Industry: Economy Matters* (Year Unknown).

³ Evoma, <https://evoma.com/business-centre/sme-sector-in-india-statistics-trends-reports>, accessed 21 October 2018.

⁴ National Sample Survey Office (NSSO), EUS round 2011-12.

⁵ Reserve Bank of India (RBI), 2011-12, <https://rbi.org.in/scripts/PublicationsView.aspx?id=18621>, <https://indianexpress.com/article/explained/meaning-urp-mrp-mmrp/>, accessed 20 October 2018.

⁶ World Bank database, year 2017, <https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?locations=IN>.

⁷ World Bank database, year 2012, <https://data.worldbank.org/indicator/SL.TLF.CACT.FE.NE.ZS?locations=IN>.

⁸ Radhicka Kapoor, "Creating Job's in India's Organised Manufacturing Sector," *ICRIER*, 2014.

⁹ World Bank, "Jobless Growth?," *South Asia Economic Focus*, Spring 2018: 30.

Table 1: Definition of terms.

Term	Definition
Contract workers	Contract workers are hired by companies through a third-party contractor to perform a specific job for a fixed period of time. Contract workers typically work onsite alongside permanent employees.
Platform and on-demand workers	Platform workers use online platforms to connect with organisations or individuals that require services in exchange for payment. Like contract work, three parties are involved; in this case it is the online platform, the worker and the client. Jobs are typically broken down into specific tasks carried out by workers and are provided on-demand.
Freelance workers	Freelance workers are self-employed and do not necessarily sit with their client company. Instead, they have tasks and activities outsourced to them directly from the client. While freelance workers may use an online platform to find work, they are not hired through a third-party agency. Freelance workers can be hired for lower skilled tasks, but generally perform high-skilled activities.
Permanent employee	A permanent employee is either a full or part-time employee in a company with an open-ended agreement with the employer.
Temporary employee	A temporary employee is either a full or part-time employee in a company with a fixed-term agreement with a company.

Source: Adapted from The Observer Research Foundation and the World Economic Forum (2018) and Eurofound (2018).

2.1 The contractualisation of labour

The overall share of informal workers in India saw a very slight decline between 2004-05 and 2011-12 from 92.7 percent to 91.9 percent. At the same time, however, the share of informal workers in registered/formal firms increased from 13 percent to 17.3 percent as illustrated in *Table 2*.¹⁰ This can in part be explained by the simultaneous increase in contract workers.

¹⁰ A. Srija and Shrinivas V. Shirke, "An Analysis of the Informal Labour Market in India," *Confederation of Indian Industry: Economy Matters* (Year Unknown).

Table 2: Formal-informal employment in organised and unorganised firms (%).

	2004-05		
	Organised	Unorganised	Total
Formal	52	0.3	7.3
Informal	48	99.7	92.7
Total	13	87	100
	2011-12		
	Organised	Unorganised	Total
Formal	45.4	0.4	8.1
Informal	54.6	99.6	91.9
Total	17.3	82.7	100

Source: Adapted from A. Srija and Shrinivas V. Shirke. Data source: Various rounds of NSSO.

Contract workers are individuals hired through a third party to carry out a job, rather than being hired as an employee of a firm. While they are called contract workers, an estimated 68 percent of contract workers in India work without a contract.¹¹ Kapoor (2016) finds that in the organised manufacturing sector, the share of contract workers rose from 15.7 percent to 26.5 percent between 2000 and 2010. During the same time period, the share of permanent workers declined from 61 percent to 51 percent.¹² The trend towards contractualisation has also been observed in the services sector in India, particularly in the IT and financial industries.¹³

A recent survey by the Observer Research Foundation (ORF) and World Economic Forum (WEF) found that of the 774 surveyed companies, nearly a quarter – 24 percent – hire contract workers. On average, 20 percent of surveyed firms' employees are contract workers. For 59 percent of these companies, the hiring of contract workers is a new trend in the last five years.¹⁴

The main reasons studies have suggested for the hiring of contract workers compared to permanent employees are: (1) the desire of firms to avoid labour

¹¹ "Emerging technologies and the future of work in India," *ILO and Tandem Research*, June 2018: 17, ISSN: 2227-4391.

¹² Radhicka Kapoor, "Technology, Jobs and Inequality: Evidence from India's Manufacturing Sector," *ICRIER: Working paper 313* (2016): 8.

¹³ "Emerging technologies and the future of work in India," *ILO and Tandem Research*, June 2018: 17, ISSN: 2227-4391.

¹⁴ Terri Chapman, Samir Saran, Rakesh Sinha, Suchi Kedia and Sriram Gutta, "The Future of Work in India: Inclusion, Growth and Transformation," The Observer Research Foundation and the World Economic Forum, 2018.

regulations and the costs associated with compliance,¹⁵ (2) the wage differential in labour cost between permanent employees and contract workers, (3) the lack of bargaining power of contract workers,¹⁶ and (4) the need for a nimble workforce in the face of market and technological uncertainty.¹⁷ The contractualisation of labour is not all bad, as it provides firms with needed flexibility in the context of technological and business uncertainty, but it also creates risks and uncertainty for the workforce that must be addressed through new policies and a reconceptualisation of social security and safety nets.

2.2 The rise of platform and on-demand work

Just 15.6 percent of India's workforce are regular salaried workers, compared to 51 percent who are self-employed and 33.5 percent who are casual labourers.¹⁸ Self-employment is therefore already an important characteristic of the Indian economy. On-demand work in India has in many ways emerged as a natural extension of what exists. What is relatively new is the emergence of online platforms such as Ola, India's ride hailing app, and UrbanClap, a platform that matches clients with a wide range of service providers from cleaning to party planning. The emergence of such platforms has been aided by improved digital infrastructure, increasing internet connectivity, and rising mobile phone and device ownership. McKinsey Global Institute (MGI) estimates that between 700,000 and 900,000 technology-enabled jobs were created in India between 2014 and 2017.¹⁹

Digitisation has in some ways formalised informal micro entrepreneurship in India by linking self-employed workers to online platforms and to government, financial and other services. This has both expanded markets for individuals and created new kinds of income-generating opportunities. Digitally enabled on-demand workers carry out a wide range of activities such as driving, home repair, food delivery and beauty and wellness, typically doing multiple part-time activities at any given time.

¹⁵ Radhicka Kapoor and P. P. Krishnapriya, "Informality in the formal sector: evidence from Indian manufacturing," International Growth Center: Working paper, 2017.

¹⁶ Chaurey, Ritam, "Labor Regulations and contract labor use: Evidence from Indian firms," *Journal of Development Economics* 114, 2015, pp. 224-232.

¹⁷ "Emerging technologies and the future of work in India," Ilo and Tandem Research, June 2018: 17, ISSN: 2227-4391.

¹⁸ NSSO Employment-unemployment round 2011.

¹⁹ McKinsey Global Institute, "India's Labour Market: A New Emphasis on Gainful Employment," McKinsey, 2017, p. 10.

2.3 The rise of freelancing work

Across the skill-distribution, individuals are finding opportunities as self-employed freelance workers. Firms in India are showing an openness towards engaging freelance and independent workers, with an estimated 20 percent of firms reporting that they hired at least one freelance worker in the last year.²⁰ The industries most commonly hiring freelance workers in India are professional services, IT services, banking and finance, e-commerce, retail and fast-moving consumer goods (FMCG).²¹

Most freelancing work is concentrated in India's largest cities, Delhi, Mumbai and Bangalore. Freelancing projects are relatively short term, with approximately 61 percent lasting between 1-3 months, and 83 percent between 1-6 months. This points to a likely need for highly qualified or skilled workers to undertake short-term and specialised tasks. It also appears that in India, it is not just start-ups that are hiring freelancers, but also large and multinational companies. The main reasons reported by companies for hiring freelance workers include the cost and difficulty in finding permanent employees.²²

This section provided a brief overview of three transformations in employment relations in India. These are: a rise in contractual labour, the emergence of platform and on-demand work and increasing freelancing employment.

3. THE DIGITAL DIMENSIONS OF PARITY

Labour market transformations driven by technological disruption present opportunities for reducing barriers to access and redefine economic participation in India. The emergence of online platforms, freelancing and remote working, for example, are creating income-generating opportunities that may have been previously unavailable. There is also some evidence pointing to a rising interest in non-standard and flexible work arrangements among India's youth.²³

²⁰ Terri Chapman, Samir Saran, Rakesh Sinha, Suchi Kedia and Sriram Gutta, "The Future of Work in India: Inclusion, Growth and Transformation," The Observer Research Foundation and the World Economic Forum, 2018.

²¹ FlexingIt, "Indian Companies Say I Do to the Freelance Economy," FlexingIt, 2016: 3.

²² Terri Chapman, Samir Saran, Rakesh Sinha, Suchi Kedia and Sriram Gutta, "The Future of Work in India: Inclusion, Growth and Transformation," The Observer Research Foundation and the World Economic Forum, 2018.

²³ Vidisha Mishra, Terri Chapman, Rakesh Sinha, Suchi Kedia and Sriram Gutta, "Young India and Work: A Survey of Youth Aspirations," *The Observer Research Foundation and the World Economic Forum* (forthcoming).

In the context of the above trends this section argues that with changing labour relations, the dimensions of parity and work are also changing. The section sets forth three dimensions of equality that are increasingly important: a deepening divide in access to social security and protections, rising disparity in career progression and upward mobility, and greater inequality of opportunity, particularly for India's females.

3.1 The social security and protection divide

The predominant point of provision for social security is employers. In India, however, the vast majority of workers are not employed in firms that are required to provide protections and benefits. Several of the main labour regulations in India are applicable only to large-sized firms, which account for a small fraction of the nation's companies and overall employment.²⁴ The rise in non-standard forms of work such as contractual employment also means a deepening protection divide. For instance, 37 percent of companies in India report providing permanent employees with paid annual leave, and 36 percent, paid sick leave. Among contract workers, however, these numbers drop to 15 and 16 percent respectively. Similarly, 24 percent of companies report providing maternity leave to permanent employees, and 11 percent, retirement plans. This is compared to 10 and 5 percent respectively provided to contract workers.²⁵

The gap in social security and protections between traditional and non-traditional workers in the formal and informal economies in India persists. The changing nature of work, employment relations and digitisation demand new forms of protections, new points of provision, and new mechanisms for delivery. Without a significant overhaul, inequality in access to and quality of protections and social security will widen.

In order to deliver better coverage to workers that are primarily informal and independent, and increasingly digital, the provision of social security should be linked to the individual rather than to employers. Similarly, the predominant model of place-based protections needs to be reconsidered in the context of remote and digital employment. The types of security and protections against harassment in the workplace need to be redesigned to account for increasing digital engagements

²⁴ Radhicka Kapoor and P. P. Krishnapriya, "Informality in the Formal Sector: Evidence from Indian Manufacturing," *International Growth Center: Working Paper*, 2017.

²⁵ Terri Chapman, Samir Saran, Rakesh Sinha, Suchi Kedia and Sriram Gutta, "The Future of Work in India: Inclusion, Growth and Transformation," The Observer Research Foundation and the World Economic Forum, 2018.

between workers and employers. Moreover, the types of protections and benefits that are provided need to be adapted, as the protections and benefits needed among independent workers are likely to vary from those of workers in large organised firms.

3.2 Horizontal stagnation, not upward mobility

The on-demand economy, freelancing work and contractual work provide much-needed opportunities for generating income. However, the rise in non-standard employment risks increasing income inequality. There is a significant disparity in wages between permanent and contract workers in India, with permanent workers on average making 1.5 times more than contract workers.²⁶ Today, the top 1 percent of income earners in India hold 21.3 percent of national income, compared to the 14.7 percent owned by the bottom 50 percent of the income distribution.²⁷ The distribution of wealth is even more unequal. Individuals in the on-demand economy and contractual work not only earn less, but will likely not see major income increases in the medium and long term.

Freelancing and on-demand work also provide few opportunities for career progression and upward mobility. The kinds of jobs and tasks carried out, particularly among contractual and on-demand workers, are unlikely to change significantly over time. That is, the activities and subsequently the required skills of individuals driving for Uber, or subletting their home on a platform such as Airbnb will remain relatively static over time and will have few opportunities to progress upwards. While the ambitions of India's workforce are growing, many of the jobs being created are unlikely to meet their labour market aspirations. This is creating a greater divide between those in the few formal and traditional jobs, and those stagnating in on-demand jobs. In a recent survey, India's youth report that opportunities for upward career mobility, salary and job security are the three most important factors when considering a job. While India's youth have indicated an openness towards new formats of employment, they have a strong desire for upward mobility and the security of traditional jobs.

Research also reveals that workers with non-standard arrangements have significantly less access to training than permanent workers.²⁸ In the context of technological adoption and digitisation, skilling and upskilling throughout the life

²⁶ NSSO Employment and Unemployment 2004-05.

²⁷ World Inequality Database, 2015, <https://wid.world/country/india/>.

²⁸ Andrea Broughton et al., "Precarious Employment in Europe, Part I: Patterns, Trends and Policy Strategy," July 2016, *Directorate General for Internal Policies, European Parliament*, 85.

course are becoming increasingly important. With less access to training, non-standard workers will also face greater barriers in adapting to technological change and subsequent changes in skill demand.

A balanced policy approach will be needed in order to allow for the emergence of new job-creating business models, while at the same time protecting the welfare of workers. Mechanisms for increased income and occupational mobility will also need to be prioritised.

3.3 Rising disparities in opportunity

Many argue that freelancing and other flexible employment options provide a gateway for greater female labour force participation. In reality, they may deepen rather than reduce barriers to equal participation. The assumption that part-time or temporary work are desirable for women who need to balance multiple responsibilities will likely reinforce existing inequalities. Approximately 75 percent of freelancing work in India is part-time and 60 percent is remote.²⁹ Among females surveyed in the *Youth Aspirations in India Survey*, 85 percent report wanting a full-time job. Females also report a strong preference for employment contracts signed directly with their employer, rather than a contract with a third party.³⁰

Further, the wages, protections, security and career progression of many non-standard jobs do not avail themselves to lifting females to parity with their male counterparts who occupy the few traditional and secure job opportunities available. India has a significant and persistent gender wage gap of 34 percent.³¹ It is greatest among casual urban workers at 39 percent, followed by regular rural workers at 38 percent, casual rural workers at 31 percent and regular urban workers at 22 percent.³² This gap persists among freelancers, with highly experienced male freelancers commanding remuneration that is 50 percent higher than their female equivalents.³³

Moreover, an estimated 75 percent of freelancing professionals in India are male, pointing to the fact that new work formats are already replicating existing labour market realities. This also points to the fact that women in India have sig-

²⁹ FlexingIt, "India's Top Tier Freelancers: What They Earn," FlexingIt, November 2017: 9.

³⁰ Vidisha Mishra, Terri Chapman, Rakesh Sinha, Suchi Kedia and Sriram Gutta, "Young India and Work: A Survey of Youth Aspirations," *The Observer Research Foundation and the World Economic Forum* (forthcoming).

³¹ ILO, "India Wage Report: Wage Policies for Decent Work and Inclusive Growth," 2018: 19.

³² ILO, "India Wage Report: Wage Policies for Decent Work and Inclusive Growth," 2018: 20.

³³ FlexingIt, "India's Top Tier Freelancers: What They Earn," FlexingIt, November 2017: 8.

nificantly less access to the internet and mobile devices. Just 30 percent of internet users in India are female.³⁴ The gender divide is mirrored in access to mobile phones, whereby 33 percent of females have access to a phone compared to 67 percent of males.³⁵

The socio-cultural, financial and fluency barriers to accessing and using the internet and mobile devices among women need to be addressed. If the opportunities presented by new formats of work are going to be leveraged, women need equal access to those opportunities. The onus for achieving this is on individuals, households, and the public and private sectors alike. Further, the new digital and remote nature of work presents an opportunity for anonymising freelance and platform workers; this could lead to a reduced bias in hiring and remuneration.

4. CONCLUSION

The employment landscape in India is changing. India is experiencing a demographic shift as its bulging young population enters the working-age population. Employment in manufacturing has stagnated at the same time that individuals are shifting by the millions out of agriculture. At the same time, technological adoption and digitisation are reshaping industries and production processes, business models, and the skill requirements of the workforce.

Digitisation is also enabling the emergence of new formats of work. This paper highlighted three trends in employment relations in India: the increase in contract workers, driven in part by technological disruption and an uncertain business environment; the emergence of the platform and on-demand economy, which is digitally connecting an already independent workforce; as well as an increase in freelancing workers.

Further, this paper argues that with these trends, there are three increasingly important dimensions of inequality that must be at the centre of discussions about the future of work. These are: an increasing social security and protection gap between formal-sector regular workers and non-standard workers; increasing disparity in opportunities for career progression and upward mobility; and finally, increasing inequality of opportunity, particularly for India's females, who have significantly less access to the internet and mobile devices. While new formats of work are creating opportunities for people to earn an income, they are also reinforcing

³⁴ Brian Keeley et al., "Children in a Digital World," *UNICEF*, December 2017: 1.

³⁵ Rohini Pande and Simone Schaner, "The Mobile Phone Gender Gap: Why does it matter and what can we do?," *EPoD*, 2017.

persistent inequalities, and creating new forms of inequality in the labour market. Without concerted efforts, inequality of access to social security and protections, and inequality in upward mobility and labour market opportunities and outcomes are likely to rise in India.

Terri Chapman is an Associate Fellow at the Observer Research Foundation in India, where she leads research on the future of work, education and skills. Her research focuses on the impacts of technology and digitisation on labour markets, employment and social protections. More broadly her research interests include social mobility, welfare, and inequality. Prior to joining the Observer Research Foundation, Terri worked as a management consultant advising public sector clients on regional economic development.