

Gender Pay Gap in the Formal Sector: 2006 - 2013

Preliminary Evidences from Paycheck India Data

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WageIndicator.org

About Paycheck India

[Paycheck India](#) a research initiative at [Indian Institute of Management Ahmedabad](#) is part of [WageIndicator](#), an organization that collects and shares data about wages, labour law and career in more than 70 countries. Paycheck India aims to bring transparency in the labour market by providing salary predictions for 1600 occupations in India through its Salary Checker, regular updates on state wise minimum wages, living wage calculation, public sector wages, labour laws and career advice.

About WageIndicator Foundation

The WageIndicator concept is owned by the WageIndicator Foundation, a non-profit organization. Its Supervisory Board is chaired by the University of Amsterdam/Amsterdam Institute of Advanced labour Studies, the Dutch Confederation of Trade Unions (FNV) and LinkedIn. Started in 2000, the WageIndicator operates globally through a network of associated, yet independent, regional and national partner organisations. These include universities (Harvard Law School, Renmin University, Beijing, Macquarie University, Sydney), media houses (Monster, UOL, Yellow pages, Zhaopin.com), trade unions (Confederation of Dutch Trade Unions - FNV, International trade Union Confederation (ITUC), Hind Mazdoor Sabha (HMS), Trade Union Congress (TUC)), employers' organisations and individual (legal, internet, media) specialists, with whom the WageIndicator engages in long-lasting relationships. The WageIndicator Foundation has offices in Amsterdam (where it is headquartered), Ahmedabad, Bratislava, Buenos Aires, Cape Town, Maputo, and Minsk. There are WageIndicator websites for 78 countries which gives country specific information on [Minimum Wages](#), [Living Wages](#), [wages by occupation](#), [Collective Bargaining Agreements \(CBA\)](#), and Labour Laws. This report has been prepared by the Indian Regional Office of the WageIndicator Foundation and the Indian Institute of Management, Ahmedabad.

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Disclaimer

The data for this report has been generated between 2006 and 2013 (June), through the online voluntary Salary Survey of Paycheck.in. An earlier version of the report "Gender Pay Gap in the Formal Sector: Preliminary Evidence from Paycheck India Data" was published in 2012. Our earlier report covered time period 2006–2011. The total number of respondents was 16,500, out of which 13,729 were males and 2,771 were females.

Since, then there has been a change in the WageIndicator Data Policy. This was done in order to get better outcomes. Thus, the current report 'Gender Pay Gap in the Formal Sector: 2006–2013, Preliminary Evidences from Paycheck India Data' might show some deviations from our earlier report. This report is based on 21,552 respondents over a period of 7.5 years (from 2006 -2013 (June)), out of which 18,043 were males and 3,509 were females.

This report has some minor changes as compared to the previous report:

1. The report has more extensive coverage of Indian States with respect to gender pay gap.
2. The report does not cover gender pay gap with respect to salary groups and the type of contract.
3. Due to insufficient data, the report does not cover gender pay gap for the widowed.

The "Survey Design and Data Collection" section of this report is similar for all the papers that use Paycheck India (www.paycheck.in) Salary Data. This section describes the methodology of survey, data collection, description of research sample and methodology for data analysis. During the data analysis of this report only those variables were considered where there were sufficient female observations.

Executive Summary

Women constitute almost half of the population of India (48%) (Census India, 2011) and thus half the potential labour force¹. We cannot deny the fact that as a group they do as much work as men, if not more, but the type of work they do – as well as the conditions under which they work and their access to opportunities for advancement – differ from that of men. Women are often marginalised in access to employment opportunities and conditions of work; furthermore, many women sometimes forego or curtail employment because of family pressures or responsibilities. The removal of obstacles and inequalities that women face with respect to employment is a step towards realizing their potential in the economy and enhancing their contribution to economic and social development (United Nations, 2011).

This report aims at quantifying the magnitude of gender-based disparities that women face in the organized sector of the Indian labour market, and track their progress over time. The extent of the gender pay gap is measured on various parameters such as age, educational qualifications, industry, work experience, designation, level of skill, marital status, etc., for years 2006 to 2013 (June)².

Some key observations are³:

- The gender pay gap in India for the year 2013 was 24.81%. The gender pay gap in India has been declining over the years. Women earned 44.80% less than men before 2007.

¹But the Labour Force Participation Rate for females in India is only 25.33% (proportion of total labour force) for 2011 (The World Bank, 2011). The LFPR has also been decreasing over the years.

²Disclaimer: This report covers salary data collected by Paycheck.in from 2006 to 2013(June). WageIndicator has collected an improved data set and has revised its data policy. Thus, this report might show some deviations in results from our earlier report (Varkkey, Korde, & Anand, 2012).

³This report does not cover gender pay gap with respect to salary groups and the type of contract. Some parameters in the salary survey have been changed as per WageIndicator Data Policy in order to get better outcomes.

- The gender pay gap varies across Indian states. Women in Uttarakhand earned 9% less than men, whereas women in Bihar earned 63% less than men.
- The gender pay gap increases with age. Women in the age group below 30 years (18 to 30 years) earned 23.07% less than men, whereas women in the age group of above 30-40 years earned 30.24% less than men.
- The gender pay gap increases with higher educational qualifications. Women who attained educational qualification below 10th standard earned 9.37% less than men, whereas women with professional qualifications such as CA/CS/ICWA or equivalent earn 44.25 % less than male.
- The gender pay gap is different across various industries. Women employed in; accommodation & food service activity and industry earned 4.19% less than men whereas those employed in arts, entertainment and recreation industry earned 41.17% less than men.
- The gender pay gap varies with an increase in work experience, following a cyclical pattern. Women with work experience of 31 years or more earned 78.23% less than men whereas women with work experience between 16-30 years earned 24.96% less than men.
- The gender pay gap increases with progression in the occupational hierarchy. Women working as trainees earned only 11.35% less than men whereas women higher in hierarchy in positions of heads earned 38.59% less than men.
- Skill levels also affect the extent of the gender pay gap. For semi-skilled jobs, women earned 6.80% more than men whereas for highly skilled jobs women earned almost 36.77% less than men.
- The marital status of individuals also affects the gender pay gap. Women who were never married earned 26.53% less than men, whereas divorced women earned 28.53% less than men.

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1 The Gender Pay Gap in India

1.1 Background

The world has become a complex place to survive over time with changes in the economic, demographic, environmental and political environment. To survive in this environment, we require a new mind-set that can discard old prejudices and inertia, and accept new ideas and solutions (Hausmann, Tyson, & Zahidi, 2011).

In today's world, where women work alongside men, the issue of fair and equal treatment arises often. In fact, gender inequality related to work is one of the issues that has been raised and debated often. Women constitute almost half the population of India (48%) (Census India, 2011) and thus half of its potential labour force. But the Labour Force Participation Rate of women in India is only 29% for 2011 (The World Bank, 2011). Though the government⁴ has introduced several laws to prohibit inequalities or discrimination against women workers, there still exists a wide gender pay gap in India. In majority of Indian work places, the so-called 'glass ceiling' is not completely broken yet. There are many facets of gender inequality, and in the current scenario, it is 'professional inequality' that incessantly acts as a barrier for women's advancement at the workplace. Professional inequality, as explained by Amartya Sen in one of his lectures, refers to discrimination in terms of employment, remuneration, promotion at work and even occupation (Sen, 2001).

When a woman decides to enter the workforce, she has to deal with gender-biased hiring practices. Even if she somehow manages to enter the labour market, there exists discrimination at every step of her professional life.

⁴ Refer Annexure I – Acts passed by Government of India in the Labour Market

The gender pay gap measures the earning differences between women and men in paid employment in the labour market. *"It is one of the many indicators of gender inequality in a country that emerge on examining the labour market participation in terms of gender"* (Education International, 2011). The gender pay gap has become a universal issue. Various theories have been advanced to explain this gap from an economic perspective. Most of them discuss either the *human capital model* (supply-side factor) that focuses on gender differences in skills, particularly education and experience, or *labour market discrimination* (demand-side factor) i.e. inequitable treatment of equally qualified male and female workers. The human capital approach (Mincer, Polachek 1974) explains that the gender pay gap arises due to differences in productivity or human capital accumulation by male and female workers. Women accumulate less human capital than men because of the traditional division of labour within the family⁵ and voluntary choices exercised by women to invest less in human capital⁶. They either decide not to enter those jobs which require more on-the-job training or exit the job early in life for various reasons which lower their earnings. Simply put, the human capital theory suggests that since women accumulate less experience/skills than men, they are paid less. The gender pay gap not only reflects the fact that women are getting paid less than men but also that women are given less incentives to stand out in the workplace.

But not all of the gender pay gap can be accounted by differences in human capital. Just like the explanation given in the analysis section presented later, the labour market discrimination approach also offers an

⁵Family assigns different roles to women and men. Women are generally expected to allocate more time to home-related activities than work. If women spend more time at work they can enhance their skill sets and thus, productivity and wages.

⁶Human Capital: *"A measure of the economic value of an employee's skill set. The education, experience and abilities of an employee have an economic value for employers and for the economy as a whole"*. Retrieved from Investopedia (<http://www.investopedia.com/terms/h/humancapital.asp#axzz20wnH1zlo>) on 25th September, 2013.

explanation. According to Becker's model (1957), discrimination in the labour market can be explained as the result of employers' tastes or preference⁷. Some employers have a 'taste' for discrimination against women workers and thus, hiring women imposes an additional psychic cost on them. Employers will then hire women only if they are willing to work at low wages and the difference between male and female wages is sufficient to compensate for the additional cost. Bergmann (1974) extended Becker's model to highlight the relation between occupational segregation in terms of gender and wage gap. Bergmann proposed that if employers' taste for discrimination against women becomes very large, it might lead to the complete exclusion of women from 'male jobs' and overcrowding in 'female jobs', thereby depressing the wages in the latter group.

Women represent almost half of India's population but in the workforce, their share is just a little over one-fourth (Planning Commission, 2006). This implies that half of the potential talent base in India is under-utilized because it has the lowest proportion of female employees in the world only 23% (Zahidi & Ibarra, 2010). Thus, the organized sector has not only failed to capitalize on the talents of women in the workforce, but is also not doing enough to even track wage inequality.

1.2 Steps taken by the Indian government to narrow the gender pay gap in India

Women as an independent group constitute 48% of the country's total population as per the 2011 Census (Census India, 2011). The importance of women has been recognised by the Constitution of India; it has not only accorded equality to women but has also empowered the State to adopt

⁷ Becker (1957) had developed a model for race discrimination followed by employers, employees and customers. But the theory behind the model has been used by other economists and Becker himself to explain gender discrimination in employment.

measures of positive discrimination in their favour. A number of Articles of the Constitution specially reiterate its commitment towards the socio-economic development of women and upholding their political right and participation in decision making (Planning Commission, 2006).

Table 1.1 Articles of the Constitution of India

Article	Description
Article 14	Men and women to have equal rights and opportunities in the political, economic and social spheres.
Article 15(1)	Prohibits discrimination against any citizen on the grounds of religion, race, caste, sex etc.
Article 15(3)	Special provision enabling the State to make affirmative discriminations in favour of women.
Article 16	Equality of opportunities in matter of public appointments for all citizens.
Article 39(a)	The State shall direct its policy towards securing the right to means of livelihood for all citizens, men and women, equally.
Article 39(d)	Equal pay for equal work for both men and women.
Article 42	The State to make provision for ensuring just and humane conditions of work and maternity relief.
Article 51(A)(e)	To renounce practices derogatory to the dignity of women.

Source: Report of the Working Group on Empowerment for Women for the XI Plan, Ministry of Women and Child Development, Government of India (Planning Commission, 2006).

Drawing strength from the above, the Government of India has continuously tried to translate the rights, commitments and safe guards for women incorporated in the Indian constitution from a *de jure* to *de facto* status. In this regard, it has also passed a number of legislation at various points of time to ensure that women in the labour market are not discriminated⁸.

⁸Refer Annexure I – Acts passed by Government of India in the Labour Market

Though a large number of women-related legislations are in place, the efficacies of these laws are not satisfactory, primarily owing to poor implementation. A major reason for this is the lack of adequate knowledge regarding these special legislations and also the absence of gender sensitivity on the part of functionaries in law enforcement, police, prosecution, medical profession, judiciary etc. Women themselves too need to be made aware of the special legislations that are available for their protection and rights. Before determining the extent of the gender pay gap in India, it is essential to understand the reasons that could have led to this scenario.

1.3 Reasons for the gender pay gap in India

Empirical studies on the gender pay gap in India also provide evidence of both human capital differences and labour market discrimination (Madheswaran & Khasnabis, 2007). The typical model used by economists to analyze the gender pay gap and its sources involves statistical decomposition of the total wage gap into two categories generally called explained or endowment, and unexplained or treatment components. The endowment effect explains that the wage gap is owing to differences in skills while the unexplained or treatment effect postulates that wage differences arise owing to unequal gender treatment with otherwise equally productive workers. The results of all such studies indicate that a significant gender pay gap does exist in India and discrimination reflected by the treatment effect is more pronounced than the endowment effect (Jann, 2008). Almost two-third (63.5%) of the gender pay gap can be accounted for by discrimination, which is least at the beginning of the career but widens with experience. More experienced women face higher inequality in pay (Duraismy & Duraismy, 1998). The human capital theory argues that women deliberately choose lower paying jobs, but an empirical study suggests that the greater part of the female earnings disadvantage lies in their poor wage position owing to wage discrimination

and not in their occupational distribution (Madheswaran & Lakshmanasamy, 1996).

The main reasons for the gender pay gap are:

- Direct gender discrimination in labour markets: when people who have the same level of educational qualifications and work experience are treated differently because of their gender. This occurs when:
 - There are different pay levels for the same work
 - There are different job requirements for the same pay level
- Occupational segregation is more subtle as well as more delicate to address with specific actions.

The jobs in which women are mostly employed are secretaries, teachers and nurses. And even within these jobs, they are paid less than their male counterparts (IWPR 2009). This basic undervaluation of a women's work is because:

- Since women's primary responsibility is assumed to be of unpaid care work such as looking after children and family, it seems to channel them into similar work areas in the labour market (UNIFEM, 2005). Sometimes, these differences are because of the selection effect (Pertersen & Snartland, 2004). The selection effect suggests that it is not women who choose certain kinds of occupations, but most of the time it is employers who favor men over women.
- In some cases, it is the specific way in which work is attained that plays an important role in financial evaluation: *"The physical strength of the labourer may not be particularly well remunerated unless supplemented with time-served and learned building skills. But by the same token, the 'talents' of women, such as the capacity for and the skills involved in caring, are not rewarded either (Rees, 1992)."*

It is because of this gendered division of work, women may not have sufficient bargaining power and are forced to take up lower paying jobs in the labour market. Besides, women also face general barriers when they enter the labour market which in turn affects their income growth and prospects for promotion.

Yet another reason for the gender bias and the gender pay gap is the duties and requirements of parenthood. Women often take up part-time jobs or a career break when they are required to take care of their children. Those women, who return to the labour market for a full-time job after a break or part-time work, are often offered lower wages than their male counterparts. Even those women who do not have children are not given any preference because they are categorized as potential mothers (Goldberg & Hill, 2007). Women who are not married are denied employment opportunities on the grounds that they might quit jobs in case they are married and have to move with their spouse or take time off when getting married. These factors tend to increase the gender pay gap (Education International, 2011). This report aims to measure the extent of the gender pay gap in India using various parameters.

2 Survey Design and Data Collection⁹

2.1 Survey design

This paper uses survey data of individuals from India. The data has been collected from the continuous and voluntary Paycheck India web survey (www.paycheck.in) that is posted in English and Hindi. The survey contains questions about wages, education, occupation, industry, socio-demographics, and the like (Tijdens et al, 2010).

In 2000, the WageIndicator project (www.WageIndicator.org) started as a paper-and-pencil survey for establishing a website with salary information for women's occupations in the Netherlands. By mid-2011, it had developed into an online data collection tool hosted in over 70 national websites with job-related content, labour law and minimum wage information, collective bargaining agreements, public sector wages, and a free and crowd-pulling Salary Checker presenting average wages for 1600 occupations. WageIndicator project is assisted by world-renowned universities, trade unions and employers' organization. Its international staff consists of some 100 specialists worldwide.

Being an online volunteer survey, the data is biased towards those who have access to the internet and are inclined to complete the questionnaire. Because of this limitation, the data captures only the organized sector in India.

2.2 Data collection

The data for this survey was collected through an online survey questionnaire by the WageIndicator's Indian website, Paycheck India

⁹This section "Survey Design and Data Collection" is same for all the papers that used Paycheck.in Salary data. This section describes the methodology of survey and data collection.

(www.paycheck.in)¹⁰. A total of 21,552¹¹ people across India responded by completing the online questionnaire over a period of 7.5 years from 2006-13¹². These included both male and female respondents from different age groups, varied industries, and various hierarchical positions in their respective occupations. The primary parameters of this study are Gender and Salary, each of which has been tested on various parameters to draw conclusions for the survey.

2.3 Research sample

The primary data for this report is based on a voluntary online salary survey conducted by Paycheck India¹³. Out of the 21,552 online responses obtained through the survey, 18,043 were males and 3,509 were females. Online data was collected over a period of 7.5 years (from 2006 to 2013) from employed individuals, mostly in the organized sector spread across India. The year-wise gender distribution of the overall respondents during the period of survey shows that the ratio of male to female respondents has been 5:1 on an average.

2.4 Data analysis

The objective of this report is to analyze wage differentials between genders. The difference has been analyzed in multiple dimensions: across industries, occupations, educational qualifications, age, etc. Average salaries (median) across various dimensions for males and females have been used to analyze the data in order to find out the percentage difference in earnings.

¹⁰ Available at <http://www.paycheck.in/main/salary/Paysurveyit>

¹¹ Our earlier report covered time period 2006-2011. Total number of respondents was 16,500, out of which 13,729 were males and 2,771 were females (Varkkey, Korde, & Anand, 2012).

¹² Paycheck India dataset is updated half-yearly. Dataset for this report is from 2006 to June, 2013.

¹³ For more information about Paycheck India please visit <http://www.paycheck.in/main/about-us>

The gender pay gap is computed according to the formula:

$$\text{Pay Gap} = \frac{\text{Median wage}_{\text{female}} - \text{Median wage}_{\text{male}}}{\text{Median wage}_{\text{male}}} * 100\%$$

It can be interpreted as the percentage difference between female and male median wages (CELSI, 2012)¹⁴.

During the data analysis only those variables were considered where there were sufficient numbers of female observations.

¹⁴ The formula used here for computation of gender pay gap is used in various reports published by WageIndicator Foundation.

3 Analysis of the Gender Pay Gap in India

3.1 The Gender Pay Gap in India

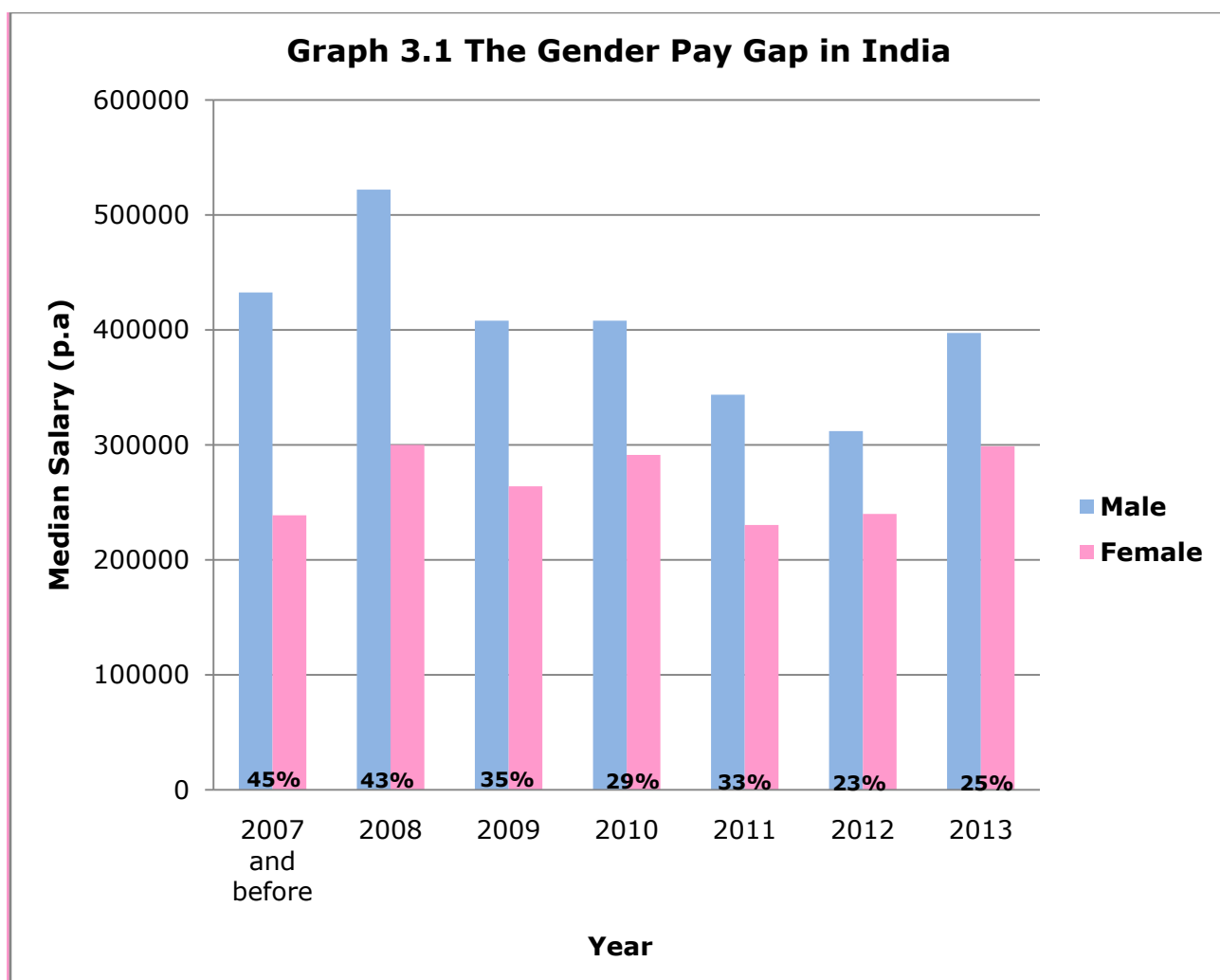
To analyze the differentials between male and female salaries, and to know the parity between salaries of both the genders, year-wise data was analyzed.

Table 3.1 Year-Wise Salary Analysis

Year	Male		Female		% difference in salary of females from males
	Median Salary (p.a. in Rs.)	Count	Median Salary (p.a. in Rs.)	Count	
2007 and before	4,32,600	2061	2,38,800	482	-(44.80)
2008	5,22,000	2541	3,00,000	483	-(42.53)
2009	4,08,000	2124	2,64,000	384	-(35.29)
2010	4,08,000	4539	2,91,264	839	-(28.61)
2011	3,43,728	1638	2,30,400	385	-(32.97)
2012	3,12,000	2695	2,40,000	601	-(23.08)
2013	3,97,368	2445	2,98,800	335	-(24.81)

Table 3.1 shows that females earned 44.80% less than males during and before 2007. However, since 2008, the gap has been constantly decreasing. But the gap still continues to be at an alarming rate of 24.81% in 2013. Looking at the figures, unless there are drastic policy level interventions, achieving equality in pay as a matter of normal progression seems to be a distant dream¹⁵. Graph 3.1 depicts the changes in gender pay gap in India over 7.5 years, i.e., from 2006 to 2013 (June).

¹⁵In fact no country has been able to close down the gender pay gap completely (Tijdens & Klaveren, 2012).



3.2 The Gender Pay Gap across Indian States

The Indian Union is made up of 28 states and 7 union territories. The states enjoy political and administrative freedom while working within the framework of the constitution. There are huge differences between the states in terms of social, cultural and economic setup.

Analysis of Paycheck data¹⁶ clearly shows that the gender wage gap varies across Indian states. The different gender sensitivity perceptions and the prevalent customs of different Indian states results in this variation. Labour Force Participation Rates in different states (Central Statistical

¹⁶This report has more extensive coverage of Indian states with respect to gender pay gap as compared to our earlier report (Varkkey, Korde, & Anand, 2012).

Organisation, 2006) may also affect the degree of the gender pay gap. Although, the cultural restrictions that women face are changing, women are still not as free as men to participate in the formal economy (Dreze & Sen, 1995), (Dunlop & Velkoff, 1999), (Nihila, 1999).

For purpose of analysis, the Indian Union has been divided into six zones - North, East, West, South, Central and North-East¹⁷. The zonal distribution of Indian states with their respective gender pay gap figures is as depicted in Table 3.2¹⁸.

Table 3.2 The Gender Pay Gap across Indian States

Zone	State	Abbreviation	% difference in salary of females from males
North	Jammu & Kashmir	JK	-
	Himachal Pradesh	HP	-(45)
	Punjab	PU	-(11)
	Uttarakhand	UT	-(9)
	Uttar Pradesh	UP	-(15)
	Haryana	HA	-(40)
	New Delhi	DE	-(22)
	Average		-(23.66)
East	Bihar	BI	-(63)
	Orissa	OR	-
	Jharkhand	JH	-(23)
	West Bengal	WB	-(34)
	Average		-(40)
West	Rajasthan	RA	-(44)
	Gujarat	GU	-(37)
	Goa	GO	-(39)
	Maharashtra	MA	-(36)
	Average		-(39)
South	Andhra Pradesh	AP	-(24)

¹⁷ In the light of the vision of Jawaharlal Nehru (first Prime Minister of India), five Zonal Councils were set up vide Part-III of the States Re-organisation Act, 1956 (Ministry of Home Affaris, 2010).

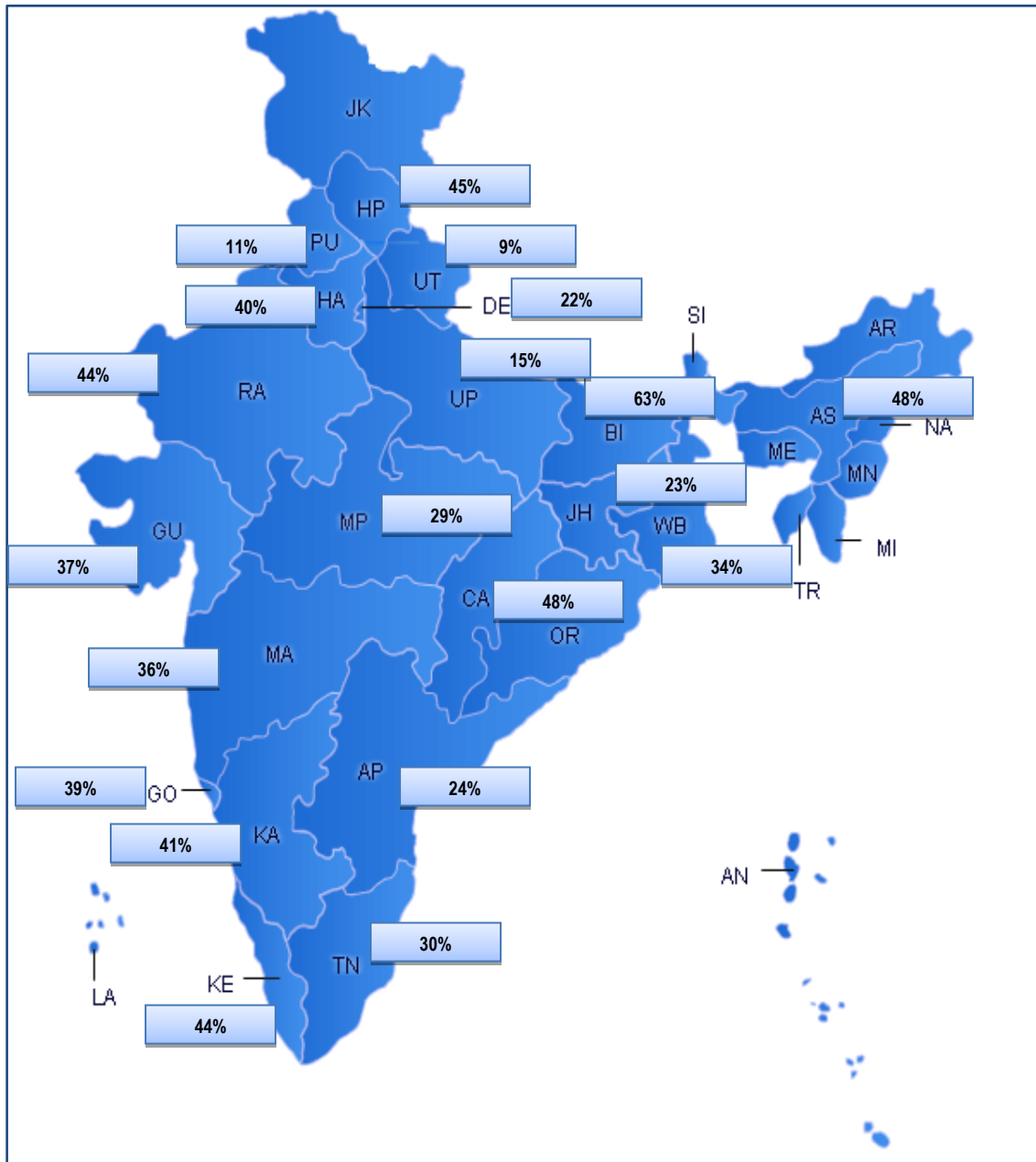
¹⁸Only those states are considered for this analysis which has sufficient number of female observations.

	Karnataka	KA	-(41)
	Kerala	KE	-(44)
	Tamil Nadu	TN	-(30)
	Average		-(34.75)
Central	Madhya Pradesh	MP	-(29)
	Chhattisgarh	CA	-(48)
	Average		-(38.5)
North-East	Assam	AS	-(48)
	Sikkim	SI	-
	Nagaland	NA	-
	Meghalaya	ME	-
	Manipur	MN	-
	Mizoram	MI	-
	Tripura	TR	-
	Arunachal Pradesh	AR	-
	Average		-(48)

The gender pay gap is highest for the states of Bihar, Chhattisgarh, Assam, Himachal Pradesh, and Rajasthan and Kerala, with females earning 63%, 48%, 48%, 45%, and 44% less respectively. Uttarakhand has the lowest gender pay gap with females earning only 9% less than males, followed by Punjab and Uttar Pradesh where women earned 11% and 15% respectively less than males. For all other states, the pay gap ranges between 22% to 43%. Zone-wise analysis of data shows that, the North zone has the least gender pay gap of 24%, whereas the North-east and East zone has the highest gender pay gap of 48% and 40% respectively.

Figure 3.2 gives a pictorial depiction of the gender pay gap across Indian States.

Figure 3.2 Map of Indian States¹⁹



3.3 The Gender Pay Gap with Respect to Age

With increase in age, we would expect an increase in pay, and pay differentials between men and women to reduce. But the socio-economic framework in India does not guarantee that both sexes will receive the

¹⁹Map of India retrieved on 10th May, 2012 from http://www.fileshome.com/India_Flash_Map_Flash_Map_Fla_Map_129689.html. This is a dead link as on 25th September, 2013.

same pay if they fall in the same age groups. This is attribute able to different reasons. Table 3.4 analyses the gender pay gap with respect to age and the latter part of this section also offers a possible explanation for the occurrence of the gap.

Table 3.3 The Gender Pay Gap with Respect To Age

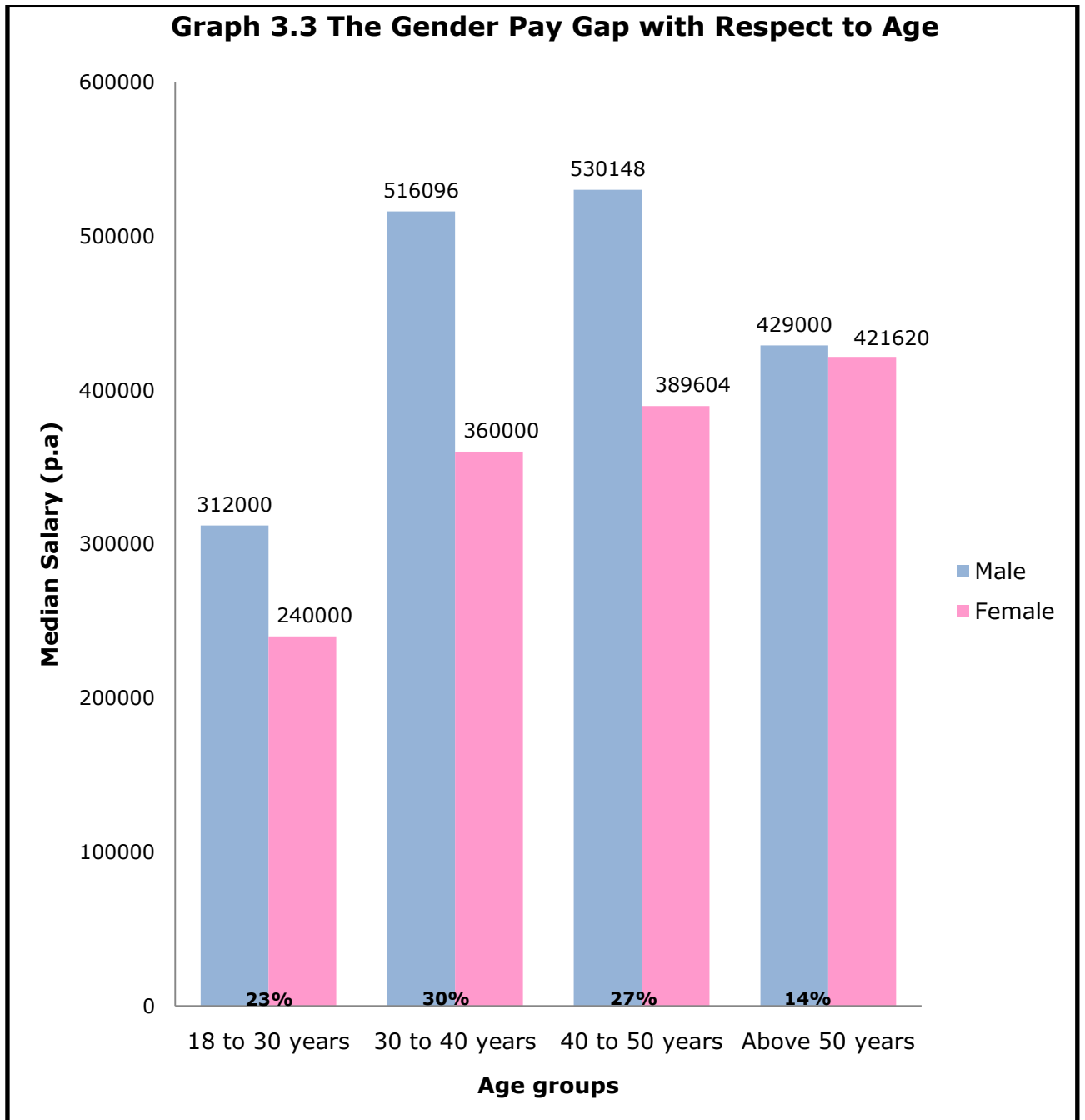
Age groups	Male		Female		% difference in salary of females from males
	Median Salary (p.a. in Rs.)	Count	Median Salary (p.a. in Rs.)	Count	
18-30 years	3,12,000	9506	2,40,000	2299	-(23.07)
30-40 years	5,16,096	6638	3,60,000	936	-(30.24)
40-50 years	5,30,148	1458	3,89,604	197	-(26.51)
Above 50 Years	4,92,000	369	4,21,620	64	-(14.30)

We observe that the wage gap for the age group of below 30 years is relatively low - females earned 23.07% less than males. A possible explanation for this can also be found in section 3.11, where the gender pay gap is the least for unmarried women²⁰. But as the age increases, the gender pay gap widens. For the age group of 30-40 years, the gender pay gap is noticeably high, where females earned 30.24% less than males. This is the age group where women are balancing multiple roles and also usually tend to take frequent career breaks²¹. With more number of career breaks in their job history, the bargaining capacity of women in terms of wages declines. Men in the same bracket earn a higher salary compared to women since they might not take such career breaks or generally have higher bargaining power. But the gender wage gap reduces slightly for the age group of 40-50 years where females earned 26.51% less than their male peers. But for the age group of above 50 years females earn only 14.30% less than males. Again, at an older age, only those women, who

²⁰In most cases, unmarried women are in age group of below 30years.

²¹Career breaks because of child bearing and child rearing.

have a need to work, engage themselves in the labour market. A graphical representation of the gender pay gap with respect to age is shown in graph 3.3.



3.4 The Gender Pay Gap with Respect to Educational Qualifications

Human capital discrimination becomes evident when women have less access to productivity increasing opportunities such as formal schooling or on-the-job training (World Bank, 2012), when compared to men. Sometimes, women especially in India (UNICEF, 2003) are able to obtain just basic education (that too with lot of difficulty, given that the female literacy rate in India is only 65.46%) (National Commission on Population, 2013) or have access only to education of inferior quality as compared to men²². This type of discrimination is also called pre-market (past or indirect) discrimination, because it occurs before the individual seeks employment. An analysis of the gender pay gap with respect to educational qualifications is shown in Table 3.4.

Table 3.4 The Gender Pay Gap with Respect to Educational Qualifications

Education Attainment	Male		Female		% difference in salary of females from males
	Median salary (p.a. in Rs.)	Count	Median salary (p.a. in Rs.)	Count	
No Formal Education	1,26,000	145	1,41,114	76	11.99
Below 10th Std	64,500	281	70,584	40	9.37
Advanced certificate/diploma	3,36,000	709	3,01,260	1636	-(10.33)
Plus 2 or equivalent	1,16,640	810	99,900	108	-(14.35)
Three-year degree (B.Sc., B.A., B.Com, BBA, etc.)	2,40,000	3648	1,99,854	733	-(16.72)
Four/five year degree (BE, MBBS, LLB, etc)	5,40,000	4671	3,90,000	505	-(27.77)
Masters (Arts, science, commerce, etc.)	4,56,000	5928	2,70,120	1636	-(40.76)
CA/CS/ICWA or	7,20,000	5928	4,01,400	81	-(44.25)

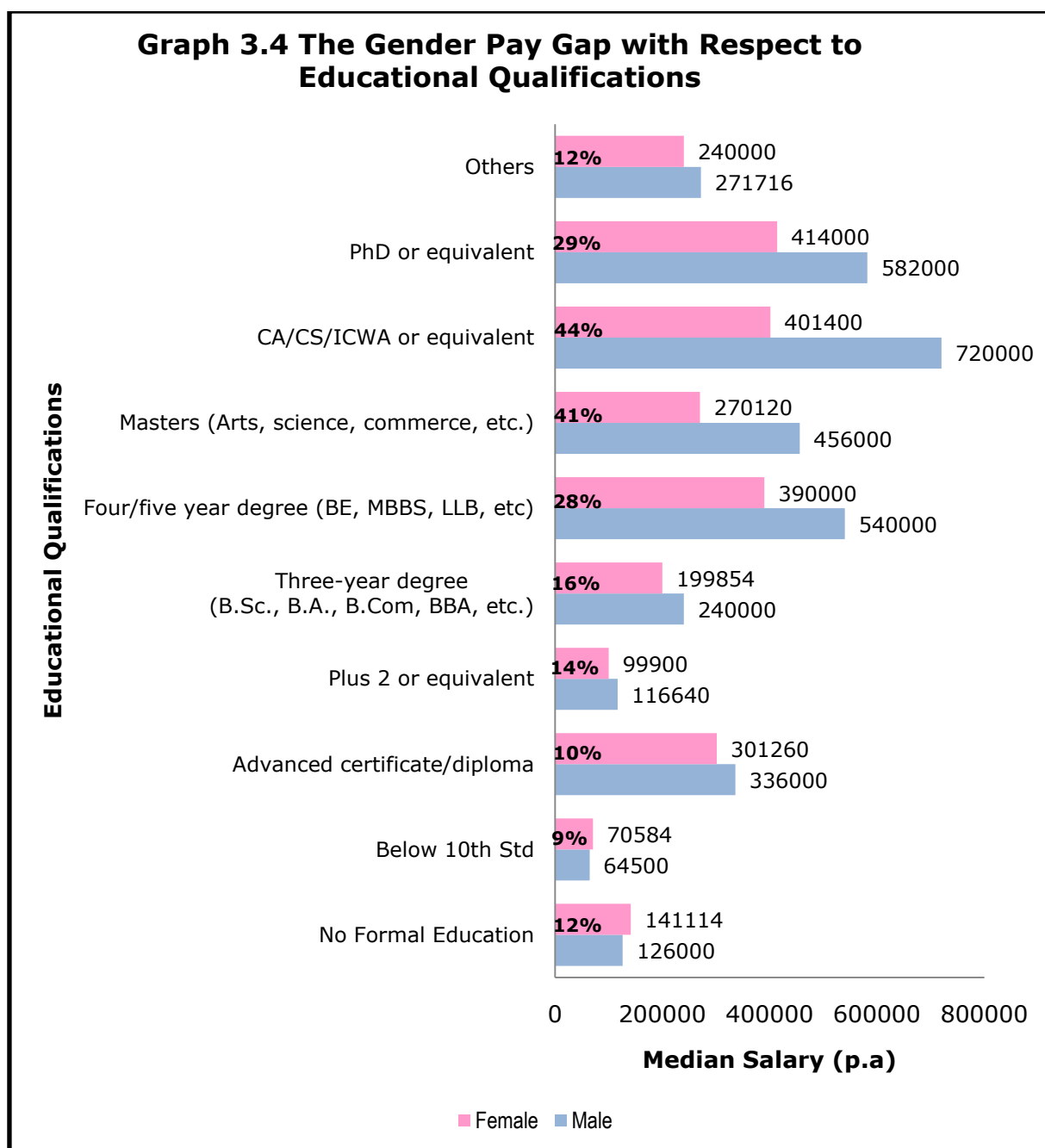
²²In India, due to social factors there is a preference for a male child and hence, more care is taken of the male child.

equivalent					
PhD. or equivalent	5,82,000	123	4,14,000	30	-(28.86)
Others	2,71,716	163	2,40,000	25	-(11.67)

The analysis of the Paycheck data with respect to educational attainment reveals some interesting outcomes. For no formal education and education attainment below 10th standard, gender pay gap does exist but, it is men who earn 12% and 9.37% respectively less than women. But with an increase in education attainment, gender pay constantly increases. For women with some basic education like Advanced certificate or Diploma, Plus 2 or equivalent, and a three-year degree (B.Sc, B.A., B.Com, BBA, etc.) earn 10.33%, 14.35% and 16.72% less than men respectively.²³ However, the data shows that as educational qualifications of women increase, the gender pay gap also increases. Women with four/five-year degree courses and PhD. or equivalent earned 27.77% and 28.86% less respectively than men. For higher educational qualifications like Masters (any stream), CA/CS/ICWA or equivalent, the gender pay gap is the highest - in the range of 40-44%²⁴. So, with women attaining higher educational qualifications, they stand a higher chance of facing discrimination. A graphical representation is shown in Graph 3.4.

²³Some women face pre-market discrimination and are not able to continue their education further. In India, it is usually a custom for parents decide the future for their daughters. The average age of marriage in India is 18.3 (UNICEF, 2001) (though it has been increasing over the years with social and cultural reforms). Parents even decide about the groom and time of marriage in India. This results in an abrupt end to further education for most women in India. In other cases, people anticipate post-market discrimination and choose not to invest further in education especially for women.

²⁴In India, education equivalent to Plus 2 is considered as very basic education whereas post-graduate programmes are considered as higher education. Higher education attainment means advanced knowledge and skills which enables individuals to earn higher wages in the labour market.



3.5 The Gender Pay Gap with Respect to Industry Type

The jobs of men and women differ to a great extent, whether across sectors, industries, occupations, types of jobs, or types of firms. Though *“these differences evolve with economic development, the resulting changes in the structure of employment are not enough to eliminate employment segregation by gender. So, women all over the world appear to be concentrated in low-productivity jobs”* (World Bank, 2012). This is

known as employment (or labour market) segregation based on gender. This segregation in employment in terms of the industry they are employed can help in explaining the differences in earnings between males and females. Table 3.5 shows the gender pay gap in India with respect to industry type.

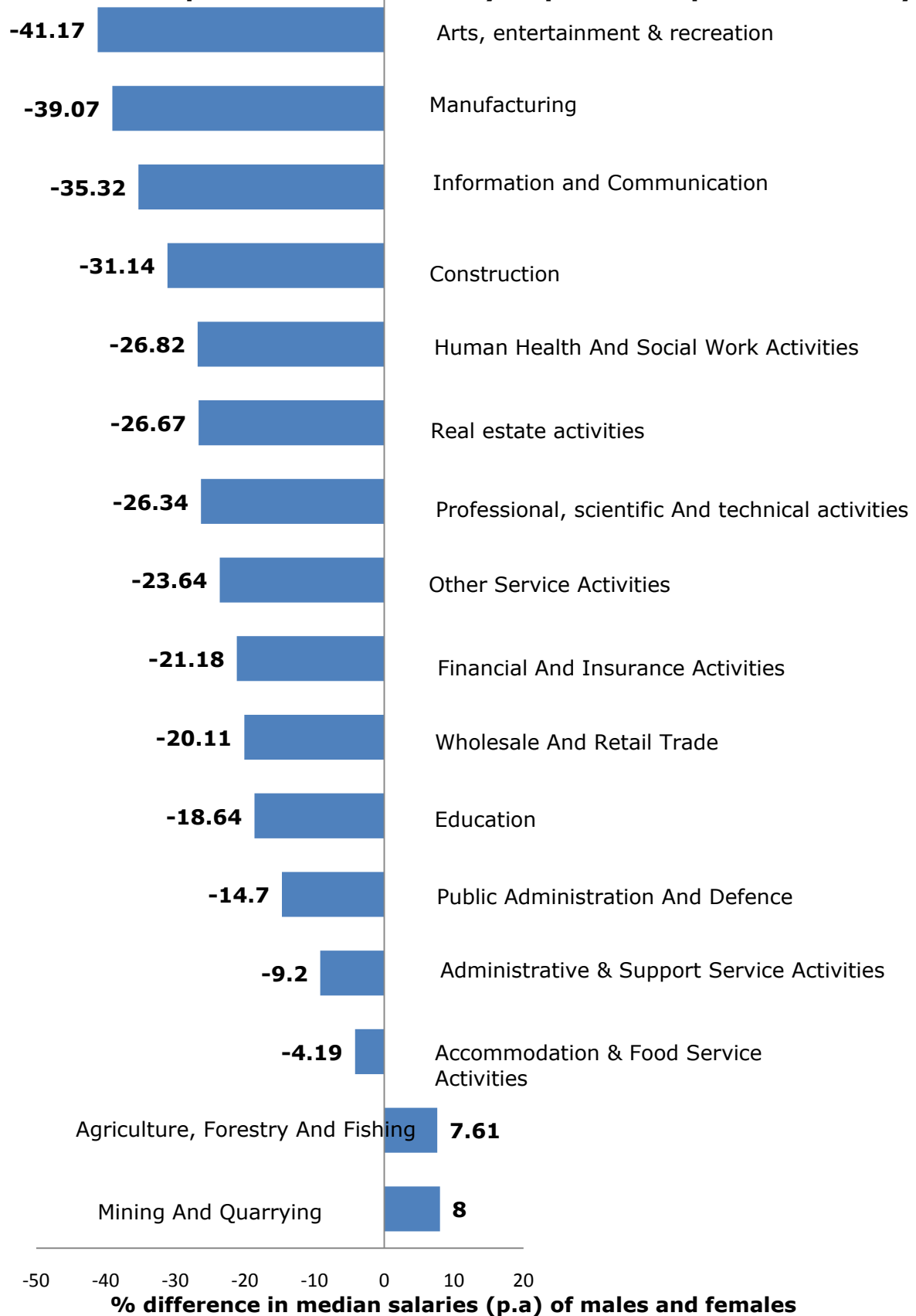
Table 3.5 The Gender Pay Gap with Respect to Industry Type

Industry	Male		Female		% difference in salary of males and females
	Median salary (p.a. in Rs.)	Count	Median salary (p.a. in Rs.)	Count	
Mining and quarrying	4,33,320	91	4,68,000	16	8.00
Agriculture, forestry and fishing	2,52,000	117	2,71,200	24	7.61
Accommodation & food service activities	2,15,700	245	2,06,646	75	-(4.19)
Administrative & support service activities	2,46,486	523	2,23,800	104	-(9.20)
Public Administration and Defence	2,14,680	89	1,83,120	27	-(14.70)
Education	2,65,488	525	2,16,000	229	-(18.64)
Wholesale and retail trade	2,88,000	690	2,30,076	136	-(20.11)
Financial and insurance activities	4,87,200	1978	3,84,000	332	-(21.18)
Other service activities	2,43,588	155	1,86,000	58	-(23.64)
Professional, scientific and technical activities	3,74,736	1747	2,76,000	429	-(26.34)
Real estate activities	3,49,200	175	2,56,062	42	-(26.67)
Human health and social work activities	3,00,000	401	2,19,534	146	-(26.82)
Construction	3,48,240	839	2,39,772	122	-(31.14)

Information and Communication	5,52,000	3992	3,56,982	626	-(35.32)
Manufacturing	3,56,520	3372	2,17,200	484	-(39.07)
Arts, entertainment and recreation	4,08,000	112	2,40,000	35	-(41.17)

All industries face a gender pay gap crisis. Mining and quarrying industry and agriculture, forestry and fishing industry are two sectors where women are paid more than men, 8% and 7.61% respectively. All other industries face a reverse gender pay gap problem. The gap can be small or big, with women being paid less than men. It ranges from a small gap of 4.19% (accommodation and food service) to a substantial gap of 41.17% (arts, entertainment and recreation). A graphical representation is shown in graph 3.5.

Graph 3.6 The Gender Pay Gap with Respect to Industry



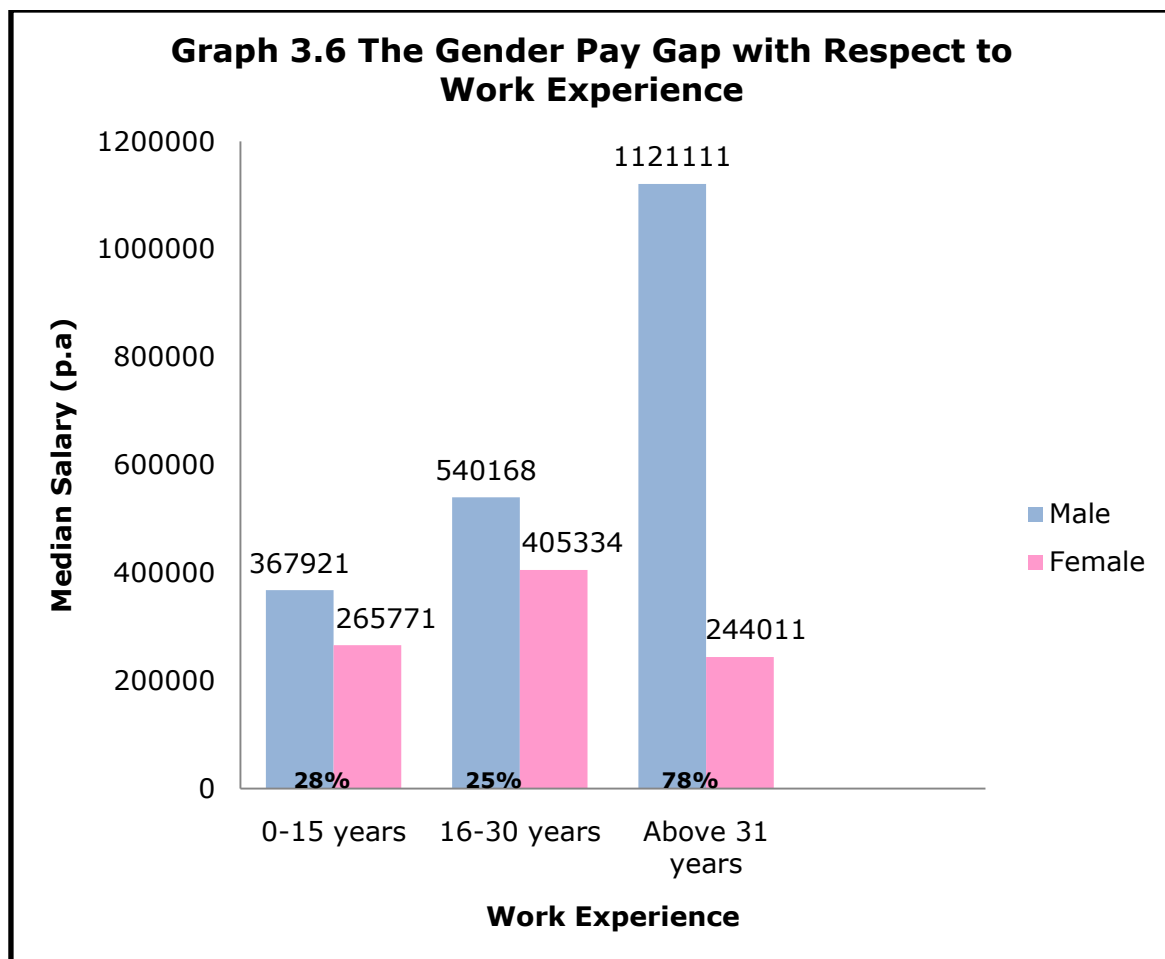
3.6 The Gender Pay Gap with Respect to Work Experience

Human capital can be gained not only by investing in education but also through work experience. It is expected that over a period of time, people with the same amount of work experience should be paid similar salaries. This also assumes that education/skill levels are congruent. The Paycheck data analysis shows a rather unexpected trend, as depicted in Table 3.6 below.

Table 3.6 The Gender Pay Gap with Respect to Work Experience

Work Experience	Male		Female		% difference in salary of females from males
	Median salary (p.a. in Rs.)	Count	Median salary (p.a. in Rs.)	Count	
0-15 years	3,67,921	13121	2,65,771	2756	-(27.76)
16-30 years	5,40,168	3100	4,05,334	417	-(24.96)
Above 31 years	11,21,111	274	2,44,011	29	-(78.23)

The gender pay gap, when analysed based on work experience, has shown a mixed trend. The pay gap has been fluctuating (in terms of an increase and decrease) on alternate work experience groups. We see that the highest pay discrimination is faced by women in the experience group of above 31 years. The women in this experience group earned 78.23% less than men. Women in the experience group of 0-15 years also faced a substantial gender pay gap where they earned 27.76% less than men. For the experience group of 16-30 years, women earned 24.96% less than men and are the ones to come across the lowest pay discrimination. A graphical representation is shown in Graph 3.6.



3.7 The Gender Pay Gap with Respect to Position in Occupational Hierarchy

While assessing the productivity of an employee, the impact of group or team effort cannot be ignored. Unfavourable social interactions on the job can lead to decreased productivity. For example, especially in Indian society, some male workers may become disgruntled when obligated to work with or take orders from women. And therefore, in the interest of productivity and profits, employers may decide to segregate men and women employees on the job. Moreover, many employers have preconceived notions about the job capabilities of women. Thus, it is often seen that women are not preferred for promotion to higher designations in the occupational hierarchy. This may result in most women crowding at

the lower end of the occupational hierarchy²⁵. Table 3.7 analyses the gender pay gap with respect to position in the occupational hierarchy.

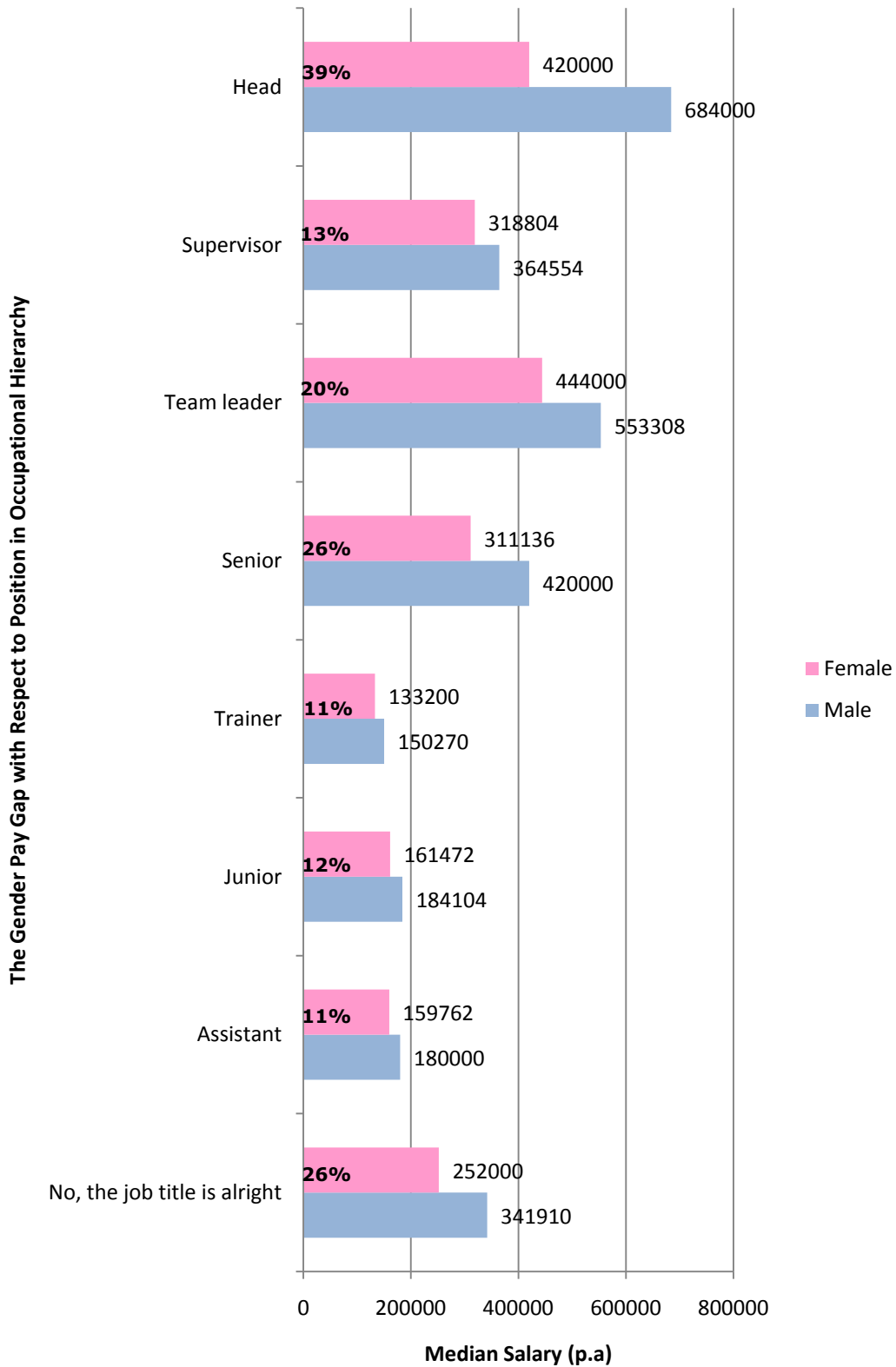
Table 3.7 The Gender Pay Gap with Respect to Position in the Occupational Hierarchy

Position in occupational hierarchy	Male		Female		% Difference in salary of male and female
	Median Salary	Count	Median Salary	Count	
No, the job title is alright	3,41,910	3322	2,52,000	771	-(26.29)
Assistant	1,80,000	1193	1,59,762	404	-(11.24)
Junior	1,84,104	707	1,61,472	203	-(12.29)
Trainer	1,50,270	242	1,33,200	58	-(11.35)
Senior	4,20,000	3354	3,11,136	540	-(25.92)
Team leader	5,53,308	2121	4,44,000	243	-(19.75)
Supervisor	3,64,554	885	3,18,804	104	-(12.54)
Head	6,84,000	1580	4,20,000	208	-(38.59)

At the lowest levels of occupational hierarchy, the gender pay gap is low at around 11.24%. But as women move up the ladder, the gender pay gap widens and is at its peak at top level positions where women earned 38.59% less than men. A graphical representation is shown below in Graph 3.7.

²⁵ Bergmann's crowding model (1974).

Graph 3.7 The Gender Pay Gap with Respect to Position in Occupational Hierarchy



3.8 The Gender Pay Gap with Respect to Level of Skill

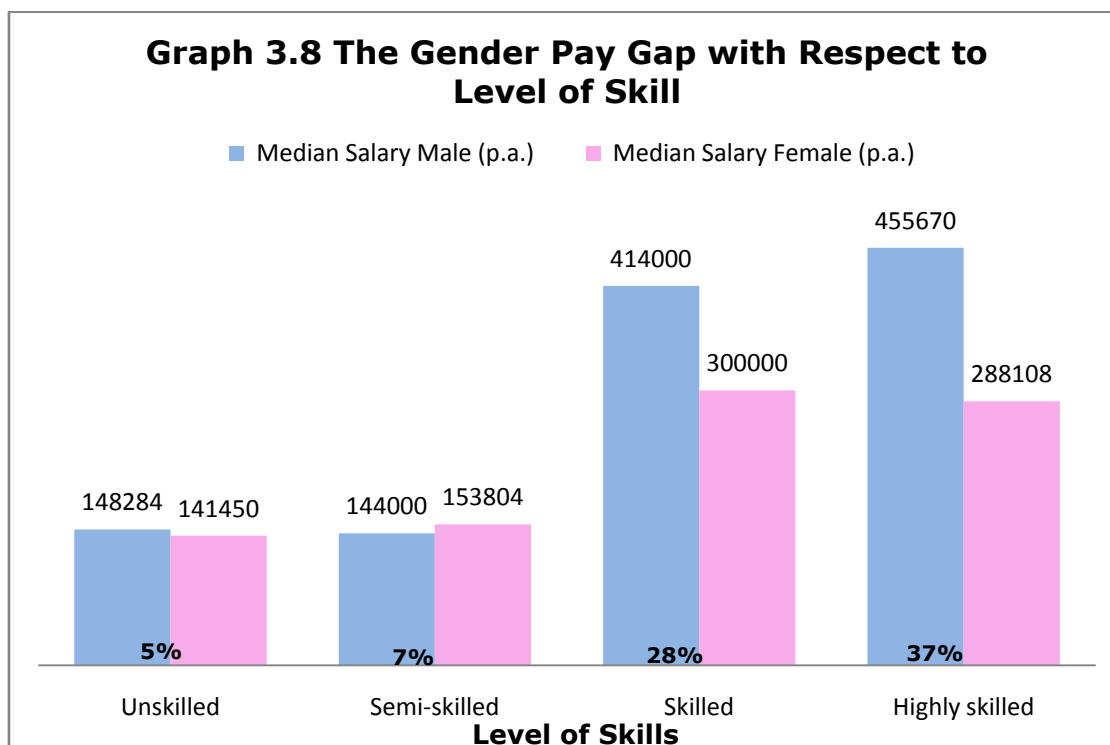
Skill is the ability that an individual acquires from one's knowledge, practice, aptitude, etc. The labour market awards higher wages to individuals with higher skill sets and it is expected that individuals with same skill set should be paid similar wages. Milgrom and Oster illustrated this idea by considering two classes of workers – “a ‘regular’ group and a ‘disadvantaged’ group. If it is easier to hide the disadvantaged group than the regular group, then firms will not promote or pay the skilled members of the disadvantaged group as much as they pay other skilled workers. This leads to persistent discrimination (that is, lower wages and under-representation in senior positions) against the disadvantaged workers and less investment in human capital by members of this group (Milgrom & Oster, 1987)”. The Paycheck data analysis of the gender pay gap with respect to the level of skills required is shown in Table 3.8.

Table 3.8 The Gender Pay Gap with Respect to Level of Skill

Level of Skill	Male		Female		% difference in salary of males and females
	Median salary (p.a. in Rs.)	Count	Median salary (p.a. in Rs.)	Count	
Unskilled	1,48,284	297	1,41,450	97	-(4.60)
Semi-skilled	1,44,000	1972	1,53,804	375	6.80
Skilled	4,14,000	5502	3,00,000	956	-(27.53)
Highly skilled	4,55,670	8889	2,88,108	1816	-(36.77)

It is evident from the table above that the gender pay gap is low for unskilled jobs where women earned 4.60% less men. However, the gender pay gap widens for skilled and highly skilled jobs where women earned 27.53% and 36.77% less respectively than men. This gap suggests that not many women are preferred for skilled jobs. Even if they are able to make it, they tend to be paid less than their male counterparts. The only section where women earned 6.80% more than

men is the semi-skilled jobs category. This also suggests that women are paid higher and preferred over men for such jobs. A graphical representation of the gender pay gap with respect to level of skill can be seen in Graph 3.8.



3.9 The Gender Pay Gap with Respect to Marital Status

Marital status also determines the amount of wages paid to an individual, especially to women. A lower wage is paid to those workers (in these case women) whose labour supply curve is less elastic²⁶. Employers are well aware of the fact that some women are less mobile than men both geographically and occupationally²⁷. Similarly, because of occupational segregations, women do not have access to as wide a range of occupations and job opportunities as men do. Women are also less responsive to wage changes than men; or in technical terms, the supply

²⁶ It should be noted that in this model, the employer need not be prejudiced towards hiring male employees.

²⁷ For example, if a woman's husband has a job in a particular locality, she may be unwilling to accept a job in another locality.

curve of women is less elastic. One more reason attributed to the less elastic supply curve of women is that they are less likely to be unionized than men. Industrial unions establish a uniform wage which makes the labour supply curve perfectly elastic at that wage²⁸. Thus, in firms where men are unionized and women are not, the labour supply of women will be less elastic than for men, resulting in wage differentials that are unfavourable to women. Table 3.9 analyses the gender pay gap with respect to marital status²⁹.

Table 3.9 The Gender Pay Gap with Respect to Marital Status

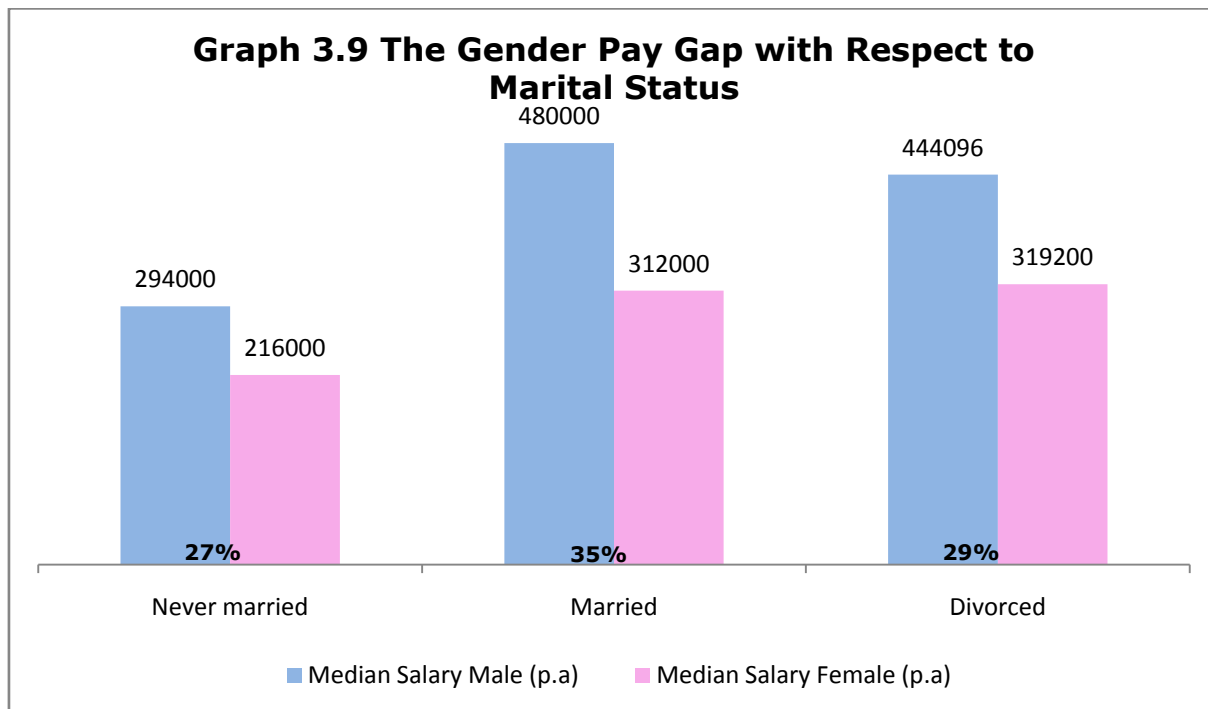
Current marital status	Male		Female		% difference in salary of females from males
	Median salary (p.a. in Rs.)	Count	Median salary (p.a. in Rs.)	Count	
Never married	2,94,000	5974	2,16,000	1372	-(26.53)
Married	4,80,000	9889	3,12,000	1695	-(35)
Divorced	4,44,096	87	3,19,200	79	-(28.53)

The analysis of the gender pay gap with respect to marital status shows some very interesting results. The gender pay gap is lowest for women who are never married; these women earned 26.53% (which is still substantial) less than men. This implies that they are preferred for certain jobs. Again, these are usually entry-level jobs (with low work experience), low paying jobs, etc. The elasticity of labour supply of never married women is relatively higher than other categories. Married and divorced women face a greater gender wage gap where women earned 35% less than men, especially because of their inelastic labour supply curve. The possible explanation of this could be that employers are aware of the inelasticity of married women. This results in the maximum exploitation in

²⁸ The significance of this is that union reduces monopolistic employer's ability to exploit workers.

²⁹ Due to insufficient data, this report does not cover gender pay gap for widowed.

terms of wages. A graphical representation of the gender pay gap with respect to marital status can be seen in Graph 3.9.



4 Conclusion

The issue of gender pay gap is important because it affects a significant portion of the working population. Many reasons contribute to the gap. If the extent of the gender pay gap can be accounted for, then an inquiry can be made into the determinants of the gap. The existence of such a gap is unconstitutional; bridging the gap is also the subject of public policy interventions.

Women constitute for almost half the population of India (48%) (Census India, 2011) and thus, half its potential labour force. But the Labour Force Participation Rate for females in India is only 29% (The World Bank, 2011). Various studies have shown that women are often disadvantaged in relation to access to employment opportunities and conditions of work; furthermore, many women sometimes forego or curtail employment because of family pressures or responsibilities (United Nations, 2011).

Hence, only if the degree of the gender pay gap and its various features are determined, appropriate government interventions can be designed to help in reducing these income disparities (Haas, 2006). This study of the gender pay gap is designed to provide directions in this regard.

The primary data for this report is based on a voluntary online salary survey conducted by PaycheckIndia (www.paycheck.in) collected over a period of 7.5 years (2006-2013). One limitation of this data, being collected through an online voluntary survey, is the bias towards those who have access to the internet and are inclined to complete the web survey. Because of this limitation, the data captures only those working in the organized sector³⁰ in India³¹.

³⁰The employment in the unorganized sector in India cannot be ignored, since it accounts for 95.5% of total employment in 2004-05, with 1.5% each in public and private corporate sectors,

The report analyses the gender pay gap in India on various parameters and also enquires into the reasons for the same. While the gender pay gap computed in terms of a national average (annual gross salary) has been narrowing over the years, it is still very high. Women before 2007 earned 45% less than men, whereas in 2013 they earned 24.81% less than men³².

The gender pay gap figures also vary across Indian states. The gender pay gap is highest for the states of Bihar, Chhattisgarh, Assam and Himachal Pradesh. Uttarakhand registered the lowest gender pay gap followed by Punjab, Uttar Pradesh, and New Delhi³³.

Further, the Paycheck data divulges that the gender wage gap is substantially high for women between 30 to 40 years (30.24)³⁴. All industries³⁵ are faced with a gender pay gap crisis. Ranging from a small pay gap of 4.19% (accommodation & food service activities) to a substantial gap of 41.17% (arts, entertainment and recreation), every industry, small or big, is facing that situation³⁶.

When compared for years of work experience, the highest pay discrimination is faced by women in the experience group of above 31 years 78.23% Women in the experience group of 16-30 years come across as facing the lowest pay discrimination 24.96%³⁷. The gender wage gap is less than 12.29% at the lowest levels of occupational hierarchy. But

7.9% in household excluding informal sector and the balance 84.6% in the informal sector (National Statistical Commission, 2012).

³¹To counterbalance the bias in the web-survey Paycheck India aims to conduct face-to-face surveys in future.

³²Refer Section 3.1

³³Refer Section 3.2

³⁴Refer Section 3.3

³⁵The informal sector is not captured in this survey.

³⁶Refer Section 3.5

³⁷Refer Section 3.7

as women move up the occupational hierarchy, the gender pay gap widens and is at its peak at the top level positions at 38.59% (Head)³⁸.

The gender pay gap is negligible for semi-skilled jobs with a difference of 6.80%, which also implies that women are marginally preferred over men for such jobs. The gender pay gap is low for unskilled jobs at 4.60%. However, the gender pay gap widens to 27.53% for skilled and almost 36.77% for highly skilled jobs³⁹. Moreover, the gender pay gap is the lowest for women who are never married at 26.53%. But it is divorced women who face the highest gender pay gap at 28.53%.

No country has been able to close down the gender pay gap completely (Tijdens & Klaveren, 2012). But looking at the gender pay gap figures in India, unless there are focused policy-level interventions, achieving equality in pay as a matter of normal progression seems to be a distant dream. The Constitution of India does promise equality in all aspects to its citizens, irrespective of any characteristic. But there still exist vast differences in socio-economic aspects, which imply a direct violation of basic rights, especially when it comes to not giving equal opportunity and equal pay to women who choose to work in the organized sector. By denying equality to women, the nation is not harnessing the potential of its labour forced to the fullest. At the same time, it should be also noted that policy interventions should focus on programs that encourage and support women to make their mark in the world of work.

Apart from constitutional provisions, there have been administrative actions initiated in that direction. For example, the government has tried to set norms that would limit discrimination of employees through the Sixth Pay Commission (Ministry of Finance, 2008). With a continuously growing private sector (Economic Survey, 2013) in India, firms will have

³⁸Refer Section 3.8

³⁹Refer Section 3.9

to formulate their policies such that the gap-induced limitations do not contaminate the labour market.

In spite of the efforts, overtime, the gender pay gap has got institutionalized. This is a matter of concern. But time has come now that, we should focus to try and reduce its impact on society. If these issues are not contained right now, then the problem of the gender pay gap can further aggravate. Thus, policy-level interventions will have to be complemented with changes in socio-cultural factors as well.

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Annexure

Annexure I: Acts passed by the Government of India in the Labour Market (Planning Commission, 2006)

Workmen's Compensation Act, 1923

- This Act was aimed at providing financial protection to the workman & his/her dependents in case of accidental injury by means of payment of compensation by a certain class of employers. Due to the difference in bargaining power, there are chances that the woman may be subject to exploitation.

Minimum Wages Act , 1948

- In accordance with Article 39 of the Constitution, this Act was passed to provide for a statutory fixation of minimum wages, since workers are poorly organized and have less bargaining power. It provides for fixation of minimum wages by the government for employment and provides for machinery for fixing and revision of minimum wages

Factories Act, 1948

- This Act was introduced to regulate the condition of labourers employed in factories. However a number of provisions relating to safety, health & welfare of the workers are generally found to be inadequate in view of the large and growing industrial activities.

Contract Labour (Regulation and Abolition) Act , 1970

- This Act provides for the separate provision for utilities and fixed working hours for women

Equal Remuneration Act, 1976

- This Act provides for equal pay to men and women for equal work. Article 42 of the Constitution states that the State shall make provisions for securing just and humane conditions of work and provide for maternity relief. This act was enacted keeping in mind the unequal physical & sociological burden a woman faces at the time of child bearing and rearing.

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