

Religious Identity-Based Inequality in the Labour Market: Policy Challenges in India

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The Indian economy has registered a sustained, almost four decades long, period of high economic growth. However, not only is this period marked by long spans of jobless and job-loss growth (Kannan and Raveendran 2019), but the economic gains of growth have remained unequally distributed along the lines of social and economic identities, especially gender, religion and caste. For example, [Azam et al \(2022\)](#) find that income mobility in India over the growth period has not been able to offset the existing caste and religion-based social hierarchies, and [Asher et al \(2018\)](#) find Muslims overall suffered downward occupational mobility.

Hindus, as per the official government labour force survey in 2017–2018, comprise about 82 per cent of the total population in the country, followed by Muslims, who comprise about 13 per cent. Other religious minorities in India include Christians, Sikhs, Jains, Buddhists and Zoroastrians, among others. In this chapter, we focus on religious differences between Hindus and Muslims because (a) the Muslim community is the largest religious minority in the country, and (b) the exclusion in economic and social spaces is particularly pronounced for Muslims. While the caste system has usually been associated with the Hindu religious group, for administrative purposes, the population is classified into Scheduled Castes (SCs), Scheduled Tribes (STs), and Other Backward Castes (OBCs). SCs and STs comprise 29 per cent of the Indian population, and OBCs comprise 43 per cent (as of 2017–2018). The caste groups classified as SCs and STs are seen to have faced the most social and economic marginalization, followed by OBCs. This administrative caste classification also forms the basis for caste-based

affirmative action in India in the form of reservation policies. In this context, it should also be noted that while Hindu Dalits, that is, the ‘ex-untouchable caste groups’, are included in SCs, heavily ostracized Muslims have long been denied their pleas to be included in the SC administrative classifications (Deshpande 2011; Chandrachud 2023). Most marginalized Muslim groups have been classified as OBCs.¹

Specifically in terms of labour market opportunities and outcomes, these differences are likely to manifest in the following ways: difference in opportunities and resources, such as access to education, prior to entry into the labour market (Mohanty 2006); persistent inequality in the access to employment and type of occupations in the labour market (Madheswaran and Attewell 2007); and unequal returns in wages, earnings, benefits and so on, when employed in the labour market (Madheswaran and Attewell 2007; Sengupta and Das 2014; Duraisamy and Duraisamy 2017). Notably, these differentials along the lines of caste and gender identity have been well documented in the economics literature, and policy interventions that centre these identities have played a key role in narrowing some group-based differentials, albeit at an excruciatingly slow pace (Mohammed 2019). However, the religion-based inequalities, and their intersection with other identity-based inequalities, have remained relatively underexplored in analysis and underemphasized in policy making.

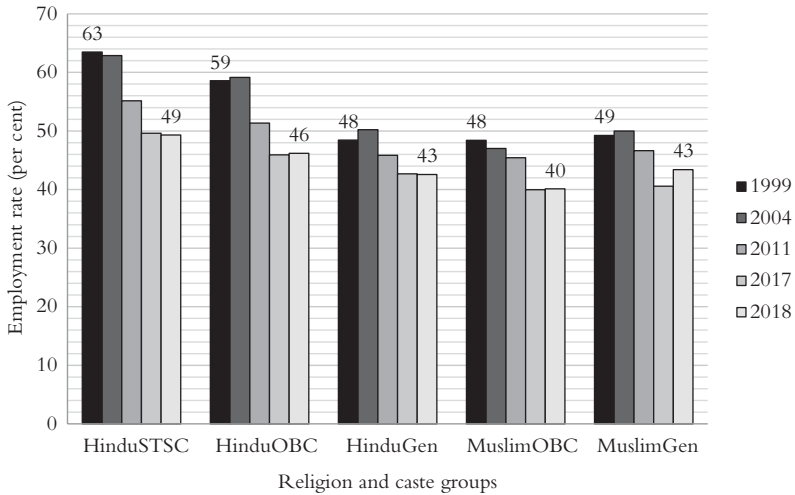
Evolution of religious-based inequality in the Indian labour market

That the Indian growth experience has not produced commensurate levels of employment is evident in the consistently falling employment rate, even during the high growth phases of the economy – from 57 per cent in 1999–2000 to 45 per cent in 2018–2019.² Broadly, the proportionate fall in employment between 1999–2000 and 2018–2019 was similar among Hindus and Muslims (with employment for Hindus in 2018–2019 being 81 per cent that of 1999–2000 levels, and for Muslims 84 per cent). The fall was sharpest for marginalized SC and ST communities, with employment in 2018–2019 falling to nearly 75 per cent of 1999–2000 levels, whereas for the general category it was at 90 per cent. When we overlay religion and caste categories, we find that in terms of employment rates, between

¹ The survey data identifies a very small proportion of Muslims in the SC and ST categories, comprising 0.31 per cent of the population, which are typically those who converted from Hinduism.

² Employment rate is the share of employed individuals in the total working age (15 years or above) population.

Figure 21.1: Employment rate for different religion and caste groups between 1999–2000 and 2018–2019



Source: Author’s illustration based on UNU-WIDER (2021)

1999–2000 and 2018–2019, there has been a steady, and more or less similar, decline across each group (see [Figure 21.1](#)).^{3,4}

While the employment rates provide a preliminary understanding of access to the labour market, the share of the groups in the working age population also needs to be considered. Indeed, the share of Hindus in the workforce has been similar to their share in the working age population between 1999 and 2019. For example, in 2019, Hindus accounted for 81 per cent of the working age population and about 83 per cent of the workforce, suggesting that Hindus were as represented in the workforce as they were in the population. However, for Muslims, their share in the workforce has been consistently lower than their share in the working age population and has been falling. For example, 85 per cent of the Muslim working age population were counted as in the workforce in 2018–2019, compared to 90 per cent in 1999–2000, suggesting a gradual, albeit small, exclusion of Muslims from the workforce.

Some stark results begin to appear when we extend this intersectional analysis of religion and caste to the nature of employment. There is

³ Prior to 2016, labour force surveys in India, known as the Employment–Unemployment surveys, were conducted every five years. Post 2016, labour force surveys have been conducted annually and are referred to as the Periodic Labour Force Surveys. This explains the frequency of data points.

⁴ The religious and caste affiliations are as reported by the household during the survey. We combine the information from the two to identify religion-caste sub-categories.

Table 21.1: Employment arrangements by caste and religious groups (1999–2000 and 2017–2018)

	HinduSTSC	HinduOBC	HinduGen	MuslimOBC	MuslimGen
1999–2000					
OAW	21.9	32.5	36.4	37.9	40.6
Employer	0.3	0.9	1.8	1.3	0.8
Unpaid	14.4	21.7	19.7	15.2	13.5
Salaried	9.5	12.1	25.8	13.6	14.9
Wage	53.9	32.8	16.3	32.1	30.2
2017–2018					
OAW	31.0	38.9	39.7	42.4	42.1
Employer	0.9	2.1	3.2	2.0	2.1
Unpaid	12.3	14.7	12.3	7.6	6.0
Salaried	17.3	22.0	33.5	19.8	23.7
Wage	38.6	22.5	11.2	28.2	26.2

Source: Authors' own calculations using Periodic Labour Force Survey (2017–2018)

evidence to suggest that employer-households typically earn higher than salaried worker households, followed by own-account worker (OAW) households and finally casual wage worker households (Kesar 2020). We find that, as of 2017–2018, general category Hindus were much more likely to be employers (3 per cent) and salaried workers (34 per cent) relative to other caste and religious identity groups (see Table 21.1). The proportion of casual wage workers, the most precarious of employment arrangements, is also much higher for general category Muslims (26 per cent) relative to general category Hindus (11 per cent), and also slightly higher for Muslim OBC (28 per cent) relative to Hindu OBC (23 per cent).

Notably, a gain in the proportion of salaried employment arrangements over 1999–2000 to 2017–2018 is seen across all groups. However, as of 2017–2018, the earnings of Muslim salaried workers and Muslim own-account workers, across general and OBC castes, were lower than their Hindu counterparts' (see Table 21.2).

Another significant change over this period has been the shift in India's occupational structure, with a reduction in the workforce dependent on agriculture, from about 60 per cent in 1999–2000 to 42 per cent in 2017–2018 (Table 21.3). This has, however, not been accompanied by the shift towards manufacturing – a sector usually associated with more secure and regular employment – that one might expect. Instead, there has been a

Table 21.2: Earnings in different employment arrangements by caste and religious groups (2017–2018)

	OAW	Employer	Salaried	Casual wage
HinduSTSC	7,236	14,038	12,751	5,181
HinduOBC	9,229	17,900	14,597	5,848
HinduGen	11,425	25,771	19,188	5,707
MuslimOBC	8,933	17,782	11,373	6,054
MuslimGen	9,683	16,900	12,363	5,991

Source: Authors' own calculations using Periodic Labour Force Survey (2017–2018)

Table 21.3: Distribution of industry within caste–religious category (1999–2000 and 2017–2018)

		Agriculture	Manufacturing	Construction	Services	Total
1999–2000	HinduSTSC	70.5	8.7	6.1	14.7	100
	HinduOBC	63.9	11.6	4.3	20.2	100
	HinduGen	51.4	11.9	2.8	33.9	100
	MuslimOBC	38.8	19.1	6.4	35.8	100
	MuslimGen	41.1	19.0	5.3	34.6	100
	<i>Overall</i>	<i>60.2</i>	<i>11.4</i>	<i>4.6</i>	<i>23.8</i>	<i>100</i>
2017–2018	HinduSTSC	50.7	9.8	16.9	22.6	100
	HinduOBC	45.0	13.4	10.3	31.3	100
	HinduGen	36.1	14.6	5.6	43.7	100
	MuslimOBC	25.3	22.3	13.7	38.7	100
	MuslimGen	28.5	20.9	13.4	37.2	100
	<i>Overall</i>	<i>42.4</i>	<i>13.5</i>	<i>11.5</i>	<i>32.6</i>	<i>100</i>

significant shift towards construction and services (see [Table 21.3](#)). The construction sector typically offers casual wage contracts and precarious working arrangements, while services are mostly associated with regular wage/salaried employment or self-employment with relatively better working conditions.

In general, the exodus from agriculture is seen across all caste–religious groups. But growth in the services sector has mostly favoured Hindus, while the construction sector has been more likely to absorb Muslims. Given that the dominant employment type in construction is casual wage work, while service sector employment tends to be in salaried jobs and self-employment,

this points towards inequalities in the kinds of work that Hindus and Muslims have been able to access during this structural change process.

A challenging policy environment for tackling religion-based labour market inequalities

This brief snapshot of religion-based inequality and its intersection, to some extent, with caste-based inequality in the Indian labour market highlights the role of these identities in determining people's life chances and their likelihood of sharing in the economic growth and industrial development pursued under SDGs 8 and 9. Access to jobs by Muslims vis-à-vis their share in the working age population has followed a similar declining trajectory to that of their Hindu counterparts, and Muslims have become relatively underrepresented in the labour market. Further, Muslims have had less access to the better jobs that are available.

In India, caste-based reservation policies operational since independence have contributed to narrowing wage inequality and increasing occupational mobility across castes (Asher et al 2018; Hnatkovska et al 2021). However, religion-based affirmative action frameworks for minority communities who have faced economic and social marginalization are mostly very weak. The intersectional nature of these job-market inequities in India clearly begs greater attention to religion-based marginalization.

As Asher et al (2018) find, historically marginalized Scheduled Caste groups in India have experienced intergenerational upward mobility, but this has been almost completely offset by declining intergenerational mobility among Muslims. Moreover, the current period in India has been marked by higher (political) ostracization of Muslims through, for example, a significant increase in incidents of violence against Muslims, the amendment of the Citizenship Act to provide persecuted minorities from neighbouring countries a pathway to Indian citizenship (but with Muslims explicitly exempt from this) and ending the special status of the Muslim-majority state of Jammu and Kashmir, without consent from its citizens. In the face of ostracization, long-standing, religion-based economic inequities are likely to be exacerbated, making it even more important to foreground religious identity in analysing and addressing labour market inequities. At the same time, any policy that centres religion-based inequalities would need to carefully consider the negative impacts of identification of Muslims by the state in the current political climate.

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