

## **Closing the Wage Gap: Equality of Work and Opportunity**

"Indians today are governed by two different ideologies. Their political ideal set in the preamble of the Constitution affirms a life of liberty, equality, and fraternity. Their social ideal, embodied in their religion, denies them." Dr. B.R. Ambedkar's famous remark encapsulates the duality of India's progress with respect to wage parity. While our legal frameworks support equality, our inherent systemic biases and socio-cultural norms prevent us from delivering true equality.

Although India has made significant strides in economic growth to emerge as the 5th largest economy in the world, the benefits are unevenly distributed. The prevalence of an urban-rural divide, shaped by limited access to education, skill development, and employment opportunities deepens these inequalities. The situation is further exacerbated in the case of women who consistently earn less than men across sectors being at the receiving end of gender bias and societal expectations. This paper seeks to examine the structural challenges that perpetuate wage inequality and propose actionable strategies to help mitigate them.

### **Urban-Rural Divide**

In rural India, employment is often concentrated in informal, low-wage sectors such as agriculture, where opportunities for upward mobility and stable income are limited. By contrast, urban areas offer more diverse employment options and higher-paying jobs in industries such as information technology, finance, and manufacturing. The urban job market is more competitive and tends to favor individuals with higher education and skills, contributing to the gap between rural and urban workers. This divide is further widened by the migration of skilled labor from rural areas to cities, leaving rural economies with fewer avenues and opportunities for economic growth.

There is a substantial wage gap between rural and urban areas, with rural workers, particularly women, earning significantly lower wages compared to their urban counterparts. Drawing on inflation data, together with the rural monthly wage index published by the Indian Labour Bureau, the Ministry of Finance observed negative trends in the purchasing power of rural Indian wages in recent years. Thus, in its Economic Survey 2022–23, the Ministry highlighted a negative growth in real rural wages (i.e, rural wages adjusted for inflation) due to elevated inflation between April and November 2022 (India, Ministry of Finance 2023). This disparity is driven by several factors such as differences in education, access to technology, and the types of jobs available in rural areas, which primarily consist of self-employment or informal employment.

Income inequality is exacerbated by the rural-urban divide as is highlighted by 'The State of Inequality in India' report which indicates that the top 10% of income earners in urban areas hold a significant portion of the national income, while rural households, which make up a large portion of the population, see much slower income growth. This gap is further fueled by the concentration of wealth in cities and the limited redistribution of resources and opportunities to rural regions.

The rural-urban divide thus restricts employment opportunities for rural workers but also deepens wage and income inequalities, especially for marginalized groups like women and lower-caste individuals. Bridging this divide requires targeted policies focused on improving rural education, infrastructure development, and job creation to enhance access to formal employment.

## **Gender Pay Gap**

India's female labour force participation rate remains significantly below the global average, and the gender wage gap continues to be a persistent challenge. According to the **Global Gender Gap Report 2024** by the World Economic Forum, India ranks 129th out of 146 countries in terms of overall gender parity, highlighting the need for more inclusive economic opportunities for women. The South Asian economy has dropped two ranks in the latest global economic parity index, with a slight score decrease of 0.17 percentage points. This minor dip is primarily due to small declines in Educational Attainment and Political Empowerment, although there has been a modest improvement in Economic Participation and Opportunity. While economic parity has been trending upward over the last four editions, India still needs an additional 6.2 percentage points to match its 2012 economic parity score of 46%. To achieve this, India should focus on closing gender gaps in estimated earned income (currently 28.6%), increasing representation in legislative, senior official, and management roles (14.4%), boosting the labor force participation rate (45.9%), and expanding opportunities for professional and technical roles (49.4%). Enhancing these areas could significantly improve India's economic parity score in future reports. The increasing enrollment of women in higher tertiary graduation have led to the creation of a diverse talent pool that India can not afford to leave underutilized.

According to the Women and Men in India 2022 report released by the Ministry of Statistics and Programme Implementation (MoSPI), wage inequality between men and women remains stark, with men capturing 82% of labor income, while women earn only 18%. The gender pay gap typically ranges between 10% to 17%. For some popular tech job roles, this gap can soar as high as 22-30%. This gap has widened, especially at higher wage levels. Some of the factors contributing to this gap in income include occupational segregation, discrimination in hiring and promotions, and societal

expectations regarding caregiving responsibilities which have a disproportionate effect on the career graph and earning capabilities of women.

Gender-based discrimination is found to be extremely high in all categories of employment in both rural and urban areas. The high degree of gender discrimination is best explained by the existence of a large segment of well-qualified women not 'wanting' to join the labour market because of household responsibilities or "social status" within the community (wherein norms constrain their active participation in the labour force) or in caste hierarchy. It is thus patriarchy that makes a large segment of women, who have the same or even higher qualifications as compared to men, stay outside employment.

While legislative measures such as the Equal Remuneration Act of 1976 and constitutional provisions mandating equal pay for equal work are in place, a lot more needs to be done towards implementation and enforcement if we seek to bridge this gap. The gender gap in tech roles originates early in the education system. Only about 20% of engineering students are women, highlighting the challenges they face in accessing good tech education. Moreover, social conditioning and expectations lead women to prioritize family and child rearing over work which has an adverse impact on their compensation when they re-enter the workforce. To mitigate wage disparity arising from the urban-rural divide and gender bias, the following recommendations can be considered:

## **Policy Recommendations**

### **1. Implement Equal Pay Legislation:**

- In 2022, the Indian cricket board's announcement of [equal pay](#) for men and women brought to the fore the ubiquitous issue of pay disparity among men and women. Strengthen laws that mandate equal pay for equal work, ensuring compliance across all sectors, particularly in rural areas.

### **2. Promote Women's Economic Empowerment:**

- The introduction of programs such as the Mahila Shakti Kendra, the Mudra Yojna, Stand Up India Scheme and the Udyogini Scheme are some measures to support women entrepreneurs in rural areas, providing access to finance, training, and resources.

### **3. Enhance Access to Education and Training:**

- Investments in programs such as the Skill India Mission and National Rural Livelihood Mission (NRLM) are targeted towards promoting skill development through vocational and technical training programs for women in rural areas.

#### **4. Support Flexible Work Arrangements:**

- In a bid to encourage businesses to offer remote work, part-time roles, and flexible hours, the government is developing guidelines for flexible work arrangements (FWA) that may include part-time work or reduced work hours. The guidelines may initially focus on industries with more women workers, such as the care economy making it easier for women to enter the workforce.

#### **5. Promote Inclusive Corporate Practices:**

- Provide financial incentives and tax breaks for companies that actively work to reduce wage gaps and promote gender equity in hiring and pay. Research suggests that diverse workforces are more effective and competitive. Companies like PepsiCo, Lupin, and Axis Bank have found that pay equity is a crucial component of diversity and inclusion initiatives. Ignoring these principles can lead to talent attrition and financial losses for organizations.

#### **6. Increase Investment in Rural Infrastructure:**

- Improve transportation, technology, and communication infrastructure in rural areas to facilitate business growth and job creation. Tier 2 cities such as Ahmedabad, Coimbatore, Indore, Jaipur, Kolkata, Lucknow, Mysuru, Nashik, Vadodara, and Tirunelveli that have made investments in infrastructure have become fertile ground for job growth with the rise of GCCs.

#### **7. Conduct Regular Wage Gap Analyses:**

- Establish systems for regularly monitoring wage disparities across regions and genders, using data to inform policy adjustments and initiatives.
- Foster collaboration between government, NGOs, and private sectors to develop and implement effective strategies for closing the wage gap arising due to structural inequalities, disparities in role distribution, barriers in career advancement. The tech industry is currently grappling with a profound demand-supply imbalance, despite a commendable surge in women pursuing tech education. Ensuring pay equity will help to bridge this demand-supply gap for critical roles such as software development, data science, AI/ML, cybersecurity, and cloud computing.

#### **8. Optimised Social Security for the Informal Sector**

- The disparity in social security benefits between the organized and unorganized sectors creates an economic imbalance among workers. While schemes like the Pradhan Mantri Shram Yogi Maan-dhan (PM-SYM) and the Unorganised Workers' Social Security Act, 2008, aim to provide social security for informal workers, these initiatives need to be revamped. Social security benefits for informal sector workers should be

adjusted to align more closely with the wages of formal sector workers possessing similar skills and experience. This adjustment would promote great economic equity between the sectors.

India's economic progress, while significant, is marred by deep-rooted inequalities. The urban-rural divide and the gender pay gap, exacerbated by systemic biases and socio-cultural norms, hinder the realization of a truly equitable society. Despite legal frameworks that promise equality, the benefits of economic growth are unevenly distributed. To address these challenges, India must prioritize targeted policies that bridge the urban-rural divide, promote women's economic empowerment, and enhance access to education and training. Strengthening equal pay legislation, fostering inclusive corporate practices, and investing in rural infrastructure are crucial steps towards creating a more equitable and just society.

The 2030 Agenda for Sustainable Development emphasizes decent work, employment opportunities, social protection, labor rights, and inclusive dialogue. To achieve these goals, India must harness its diverse workforce and ensure equitable compensation for all. In the words of Amartya Sen, "Economic development is not just about growth, but also about the distribution of its benefits."