

Labour Market Segmentation and Surplus Extraction: The Indian Case

Satyaki Dasgupta

Graduate Student, Colorado State University, 1500 W Plum Street, Fort Collins, CO 80521

satyaki.dasgupta7@gmail.com

Abstract

The working class in India is divided on the basis of social identities. This is contrary to the orthodox Marxist position which predicted that introduction of capitalism would phase away pre-capitalist social relations, and envisaged a labour force heterogenous only in terms of skill. The current study incorporates social and cultural differences in the value of labour power of workers, and contributes theoretically to the understanding of labour market segmentation. Our major result is that in a society where the social gap between the deprived and the privileged is significant before the advent of capitalism, the process of surplus extraction in the capitalist system segments the labour force and aggravates the prevailing gap further. Our claims are substantiated through data and historical discussion. Therefore, labour market segmentation is at the core of capitalism, and our results imply that capitalism will not eliminate fragmentation based on social identities.

Keywords: Labour Market Segmentation, Capitalism, Theoretical Model, Value Theory, Social relations

JEL Codes: B510, J710, J520, J470

1. Introduction

The capitalist revolution in Europe broke away structurally from the past by decimating feudal relationships and influences of the church (Patnaik 2017; Jal 2014). Marx and Engels (1848, 2), thus stated that, “The bourgeoisie, wherever it has got the upper hand, has put an end to all feudal, patriarchal, idyllic relations.” Marx believed that the traditional social relationships in India would break down under the British colonialism, because the railways would integrate the Indians to the capitalist market (Marx 1853). It was believed that a shift from feudalism to capitalism would bring about industrialisation, urbanisation and modernisation, and people from all castes would get opportunities to explore new avenues in capitalism, and consequently the caste system would effectively dissolve (Patankar and Omvedt 1979; Jodhka 2015).

But modernisation and industrialisation did not, in fact, cause the social fragmentation to go away. Capitalism in India did not develop like it did in the West European countries. Instead of an organic development of industrialisation, commercialisation was forced upon India using market and non-market coercion, and manufacturing sector could not develop to its full potential (Bagchi 1982). This incomplete move to industrial capitalism kept alive the deeply entrenched social divisions among the workers, contrary to Marxist predictions.

The divisions among workers arise out of pre-capitalist social relations, and identities of caste, tribe, religion and gender play an important role in placing workers in the labour market. Situated in the lowest strata in caste hierarchy, Scheduled Castes (SC) or Dalits have been responsible for ‘impure’ jobs like cleaning waste, skinning cattle, working with leather, butchery, fishing, scavenging, and supervising cremation (Mosse 2018; Guru 2000). The ‘polluting’ nature of these works was justified for denying them opportunities necessary for securing higher skilled jobs.

Consequently, they continued to be concentrated in the same occupation (Deshpande et al. 2001; Munshi and Rosenzweig 2006). Muslims in India have faced structural exclusion and discrimination in various spheres of life, which have reduced their access to quality education and they are under-represented in both private and public sector jobs (Wilkinson 2007; Basant 2007; Kalam 2007). Adherence to patriarchal norms has circumscribed the role of women within household premises. Socially reproductive activities which include cleaning, cooking, taking care of children and elderly, are deemed as the primary responsibilities of women (Ghosh 2018). Women are mostly found working in the informal sector as domestic workers, petty vendors, home-based workers, etc. where the quality of employment is abysmal (Goel et al. 2011; Neetha 2004). The problems faced by the working class are exacerbated for women. The expropriation of land driven by industrialisation and globalisation has led to the dispossession and displacement of Adivasis or the STs from their natural habitat (Walker 2008; Bhaduri 2008). This has rendered them landless, pushing them to work as casual labour as they are unable to invest in education and skills which are required to secure a formal job (Meher 2009). There is an overrepresentation of people from among SC, ST and Muslims in the informal sector (Sengupta et al. 2008).

Thus, social identities of workers largely determine their labour market outcome. Certain groups face exploitation which is over and above class exploitation. Therefore, the Marxist notion of double freedom does not hold in the Indian context, because workers are not free from their pre-capitalist identities and their associated oppression. This makes it imperative to incorporate the social and cultural differences among workers in the labour theory of value formulation. The motivation of the current study is such a reformulation and understanding surplus value extraction, thereby explaining labour market segmentation in the Indian labour market. The heterogeneity in labour can not only be explained by differences in skill. We contextualise the problem in the Indian

context, and use Marxist value theory to formulate and posit the effects that differences in social positions may have on the labour market. Our study makes a theoretical contribution by incorporating the role of social and cultural capital, bargaining power, and intensity of labour in surplus value theory. It also contributes to the literature of labour market segmentation as we talk about heterogeneous labour through implementation of differentiated intensities of labour occurring due to differentiated bargaining powers.

The study clubs the workers from oppressed caste, tribe, gender and religion as the subjugated section. The succeeding section uses Marxist theory to identify ways in which higher surplus value is extracted from workers of subjugated identities. Section 3 builds the theoretical model. Section 4 discusses the results from the model in a historical perspective. Section 5 concludes.

2. Placing the subjugated section in the labour market

In what follows, we build up arguments which will set the premise of our theoretical model. The arguments are backed up by data from National Sample Survey Employment Unemployment Survey (NSS-EUS) of the 68th round. The relevant tables are provided in the Appendix. We identify three broad ways in which the workers from the subjugated sections are exploited more than the privileged counterparts.

Changing the composition of the working day

The means of subsistence required for the maintenance of the worker's labour power should satisfy the worker's physical and intellectual needs. This depends on the expectations and habits that workers have built through generations passing through historic processes. The value of labour power, thus, contains in itself not only the physical condition of the worker based on biology but

also a historical and moral element. We argue that the latter is different for the subjugated section of the workers.

The standard of living of the subjugated section is low. The education level has been historically low for Dalits (Guru 2000), Muslims (Shah 2007; Sachar Committee Report 2006) and STs (Guha 2007). Dalits and Muslims face ghettoisation and residential segregation, and this has hampered access to resources like roads, transport, water, electricity, etc. (Mhaskar 2018; Mosse 2018). As far as STs are concerned, their displacement has caused them to suffer from homelessness, landlessness, food insecurity, loss of common property, increased morbidity and mortality (Mohanty 2005). Reduced access to healthcare is another problem faced by Muslims, Adivasis and women informal workers (Goel et al. 2011; Dhawale 2006; Nithya 2014; Oskarsson 2018).

The exploitation and discrimination in various facets have systematically driven down their aspirations and ambitions (Menon 2019; Robinson 2007). The structural component of aspiration decides on a goal taking into account one's social class (Keller and Zavalloni 1964). Aspirations are heavily influenced by cultural and other capital, and interactions with others (Bourdieu 2010). Aspirations are also dependent on peers and their aspirations (Ray 2003). The subjugated section, due to their continued forms of oppression, are deprived of forms of capital. Because of their residential segregation and ghettoised existence, they experience in their close circle discrimination faced by people of these identities. They mould their aspirations incorporating all these constraints. Their lack of social capital and connectedness combined with their vulnerable standard of living contributes to their lack of aspirations.

A person's accumulated capital determines and influences his/her taste and lifestyle (Featherstone 1985). Studies have found that lower class people spend less time in reading, visiting churches, participating in organisations and visiting friends and neighbours (Knupfer 1947; Reissman 1954).

The subjugated section of the working class has low accumulated capital, and their taste is mostly driven by necessity. Accordingly, their requirement for cultural and social satisfaction will be low, and they will require less value of goods and services to reproduce their labour than the remaining section of their working class. Thus, higher relative surplus value can be extracted from workers of these sections through shortening of the necessary labour time.

The argument can be substantiated by Table 1. We have found the monthly expenditure on cultural and social satisfaction by adding monthly expenditure on entertainment (cinema, picnic, sports, club fees, video cassettes, cable charges, etc.) and that on goods for recreation (TV, radio, recorder, musical instruments, etc.). These are lower for people of the subjugated sections.

Increasing the Intensity of Labour

If the working day remains the same, intensification of labour leads to increase in the relative surplus value, since increased intensity reduces the time required to produce the amount of goods and services that the worker would require to reproduce his/her labour, i.e. his/her necessary labour time would fall. Marx mentions that one way in which labour can be intensified is by increasing the supervision of the workers. This should instil discipline among the workers, minimise the number of breaks taken and do away with the unproductive gaps in the working day, and translate into increased intensification of labour.

The prevailing labour intensity is socially determined by class struggle (Green 2001). We argue that the subjugated section does not enjoy working class solidarity, have lower bargaining power, and therefore more intensive labour can be extracted from them than the other section of the working class. The docility and vulnerability can be exploited insofar as they can be disciplined and more intensive labour can be extracted from them.

Class consciousness and class solidarity is crucially dependent on the existence and functioning of a trade union (Maruthakutti et al. 1991). However, social norms have caused the trade union to conform to discriminatory practices, which is why the subjugated section lacks representation. Women have been categorically excluded from being members of trade unions in India (Ratnam and Jain 2002). Hartman (1976) argues that male workers through trade unions consciously chose to keep the sexual segregation of jobs intact. Leadership positions have been rarely offered to workers from lower castes (Ali 2011). There is an over-representation of upper-caste, male members in the unions (Bhattacharjee and Azcarate 2006). Also, majority of SCs, STs, women and Muslims are employed in the informal sector where they do not have trade union. This section of the society also lacks political representation.

Table 2 and 3 support our argument. Union association and political representation is low among workers from subjugated section. Political and social representation could effectively translate into higher solidarity among the working class, and help with social mobility.

Further, capitalist can ensure more intensive labour by giving piece-rate wages to workers, instead of time-rate wages. This controls the intensity because it is in the interest of the worker that he/she will provide more of his/her labour to complete the allotted task, and saves the capitalist supervision cost. Piece-rate wages is probably most common among home-based women workers (Kapadia 1997; Ghosh 2018; Srivastava and Srivastava 2010; Sudarshan and Bhattacharya 2009; Sethuraman 1998; Kalpagam 1985; Harriss-White and Gooptu 2001). There are also cases where women are paid in piece-rates whereas men have been paid in time-rate (Varghese 1999; Lahiri-Dutt 2006). The incidence of receiving piece-rate wages has also been recorded for the oppressed caste (Kapadia 1997; Banerjee and Knight 1985; Gupta 2003), religion (Shah 2007), and tribe

(Dhawale 2006; Meher 2009; Rogaly 2003; Kapadia 1997). Table 4 shows the prevalence among workers from subjugated section receiving payment in piece-rate.

Thus, higher surplus value can be extracted from these workers by subjecting them to more intensive labour.

Division of Labour

The process of manufacturing entails real subsumption of capital, which causes division of labour in the production process. Workers are segmented according to what Marx (1887, 243) calls 'their predominant qualities,' that is, the level of skills the workers inherently possess. Consequently, a hierarchy is created in the labour force, with the worker who has acquired more skill will be at the upper end of the hierarchy.

We argue that such a skill level or quality is not inherently natural, but is acquired through generational processes. The privileged access of Brahmins to education, and discrimination faced by Dalits, Adivasis and Muslims have contributed to concentration of skills and knowledge to only a section of the population (Oommen 2014; Ramachandran and Naorem 2013). Consequently, the phenomenon of occupational segregation is prevalent for workers belonging to SC, ST Muslim categories. We note from table 5 that upper caste Hindu workers are clustered in higher skill level occupation, according to National Classification of Occupations (NCO). This shows us how social hierarchy has been reproduced in the occupational structure.

Concurrently, the practice of sexual division of labour rests the responsibility unpaid household and care-giving activities solely with females. 98.7 percent of the people involved in domestic duties and collecting goods like vegetables, cattle feed, firewood, roots are female. This is reproduced in the labour market, where females over-represent occupations that are an extension of their household work, and are considered to be feminine in nature (Table 6). Hartman (1976)

argues that this segregation is instrumental in capitalist society to perpetuate men's dominance over women, because this maintains the employment of women in low-paying jobs and that ensures the subordinate position as secondary workers that is accorded to women.

Therefore, when labour is subsumed by capital in such a scenario where there already exists a social division of labour, the more privileged section of the working class getting through to the more complex jobs that require more skill, and subjugated section are relegated to the unskilled jobs.

All these aforementioned three methods work and reinforce each other to keep the value of labour power low among the workers from the subjugated sections. This, in turn, contributes in keeping the labour force fragmented.

3. Theoretical model

We incorporate these information in a simple mathematical model, and attempt to explain the situations in which segmentation among workers persist. The model will use the basic Marxian concepts of surplus value.

Surplus Value with homogeneous labour

Let there be N number of workers.

When they are treated equally, they are bargained with together as an entire working class. Let the bargaining power of the working class as a whole be β .

Let the value of intensity of labour be i .

The value of labour power when we factor in intensity of labour is: $e(i).q + m$, where

e is the value of each per unit of goods and services consumed. This is talked about here as a function of intensity i ; q is the quantity of goods and services produced; m is the leisure time that

the worker enjoys. Marx refers to this as the social and historic component of value of labour power. We have discussed as to how this leisure time is affected by the social and cultural capital of the worker.

We have discussed earlier that increase in i , the value of e will fall, because the worker will take less time to produce this value.

Therefore, $e'(i) < 0$

Therefore, the necessary labour is $e(i).q + m$

Let T be the total length of the working day. We assume this is constant.

Therefore, the surplus value extracted from each worker is $T - [e(i).q + m] = T - e(i).q - m$

Hence, the surplus value extracted from N workers is, $SV = N [T - e(i).q - m]$

...Equation 1

We have talked about the bargaining power of the working class, β . We have mentioned how the participation in unions affects the bargaining power of the working class, and a low bargaining power essentially implies that more intensive labour is extracted from the workers, because they can be subject to higher discipline.

We maximise the Nash product in a bargaining game between the capitalists and the workers. The process of bargaining also highlights the importance of collective action to determine the condition of work. This also endogenises the value of intensity of labour, i .

The Nash product is $Z = (SV - \overline{SV})^\alpha (\bar{i} - i)^\beta$,

.....Equation 2

Where α is bargaining power of the capitalist. Due to historical reasons, the power dynamics is always skewed towards the capitalists. It is reasonable to assume $\alpha > \beta$.

\overline{SV} is the ‘fall back’ option for the capitalist, that is the surplus value that the capitalist will get if the bargaining fails. We assume that $\overline{SV} = 0$.

\bar{i} is the ‘fall back’ intensity of labour that the workers have, that is the maximum intensity with which they can supply their labour. This can be interpreted also as the reservation intensity of labour of the workers. $\bar{i} > i$

Substituting the value of SV in equation 1 to equation 2, we have

$$Z = [N (T - e(i).q - m)]^\alpha (\bar{i} - i)^\beta$$

Maximising this product with respect to i will give us an expression of i . which is

$$i = \bar{i} + (\beta SV) / \alpha q N e'(i)$$

.....Equation 3

Surplus value with heterogeneous labour

We assume that there are two sections of the working class: privileged and deprived.

Let there be n_1 and n_2 number of privileged and deprived respectively. Therefore, $N = n_1 + n_2$.

Now, the capitalist may choose to bargain separately with the two sections of the working class.

This is heterogenising or segmentation of the labour force. This may be interpreted as bargaining for better positions with the privileged and for inferior positions with the deprived. This definition is similar to that of dual labour market theory, where there is a clear distinction between primary and secondary segment of the labour market and the mobility between them is restricted. The deprived are relegated to the secondary sector of the labour market.

Let the privileged and deprived have bargaining powers of β_1 and β_2 respectively. As has been discussed before, $\beta_1 > \beta_2$

Let i_1 and i_2 be the intensities of labour that is offered by privileged and deprived respectively.

According to our definition of surplus value, the total surplus value extracted from privileged would be $n_1[T - e(i_1).q - m_1]$, and that from deprived would be $n_2 [T - e(i_2).q - m_2]$

Where m_1 and m_2 are the leisure time enjoyed by privileged and deprived respectively, $m_1 > m_2$.

Therefore, total surplus value extracted when the labour force is segmented,

$$SV' = n_1 [T - e(i_1).q - m_1] + n_2 [T - e(i_2).q - m_2]$$

..... Equation 4

Again, we will maximise the Nash bargaining product, $Z = (SV' - \overline{SV'})^\alpha (\bar{i} - i_1)^{\beta_1} (\bar{i} - i_2)^{\beta_2}$

Maximising this product with respect to i_1 , we get the expression:

$$i_1 = \bar{i} + (\beta_1 SV') / \alpha q n_1 e'(i_1)$$

..... Equation 5

Similarly, on maximizing the product with respect to i_2 , we get:

$$i_2 = \bar{i} + (\beta_2 SV') / \alpha q n_2 e'(i_2)$$

.....Equation 6

Specifying the expression

To make headway, we require to define a functional form of $e(i)$. Since we are looking at the value of goods and services through the phenomenon of intensity of labour, it would be reasonable for us to assume that the value would be linearly and negatively related to the intensity of labour.

Therefore, $e(i) = A - vi$

$$e'(i) = -v$$

Here A would stand for any other factors affecting the value of goods and services. We are concerned only about the intensity aspect of the value of goods. Therefore, we consider A to be constant. To be clear, we are not contending that the value of goods and services is affected solely

by the intensity of labour. But since our interest lies in the intensity of labour, we are clubbing all other associated determinants of this value of goods and services into the variable A.

Now, plugging this value of e(i) in the expression of i in equation 3, we get

$$i = \bar{i} - (\beta SV) / \alpha N v q$$

..... Equation 7

Similarly, $e(i_1) = A - v i_1$; $e'(i_1) = -v$

And, $e(i_2) = A - v i_2$; $e'(i_2) = -v$

Plugging in these values in equation 5 and equation 6, we get

$$i_1 = \bar{i} - (\beta_1 SV') / \alpha n_1 v q$$

..... Equation 8

$$i_2 = \bar{i} - (\beta_2 SV') / \alpha n_2 v q$$

..... Equation 9

Putting in the value of i from equation 7 to derive a value of SV, we get

$$SV = \alpha / (\alpha + \beta) [B - N m],$$

..... Equation 10

where $B = NT - NAq + Nvq i$

Similarly, putting the values of i_1 and i_2 from equations 8 and 9 in equation 4, to derive a value of SV' , we get

$$SV' = \alpha / (\alpha + \beta_1 + \beta_2) [B - n_1 m_1 - n_2 m_2]$$

..... Equation 11

We will look into the situation when the capitalist chooses to heterogenies and segment the labour force and treat the two groups differently.

The capitalist will prefer a heterogeneous labour force, when $SV' > SV$

From equation 10 and equation 11, we can treat this inequality as

$$(\alpha + \beta) / (\alpha + \beta_1 + \beta_2) > [B - Nm] / [B - n_1 m_1 - n_2 m_2]$$

..... Equation 12

When equation 12 holds, the capitalist will choose a heterogeneous labour over a homogeneous one, and thereby engage in labour market segmentation.

β is the bargaining power of the working class as a whole. This working class consists of the privileged, with bargaining power β_1 , and the deprived, with bargaining power β_2 .

Therefore, the maximum value that β can assume is $\beta_1 + \beta_2$

m is the leisure time of each worker when the labour force is homogeneous. m_1 is the maximum value that m can assume, because m_1 is the leisure time associated with the privileged.

When $\beta = \beta_1 + \beta_2$, and $m = m_1$, the condition becomes

$$1 > [B - Nm] / [B - n_1 m_1 - n_2 m_2]$$

Since, $m_1 > m_2$, RHS is less than 1. The inequality holds.

The inequality, therefore, holds when the bargaining power of the homogeneous working class is at the maximum, and the leisure time of each worker in the homogeneous labour force is at the maximum.

This corresponds to the case when the workers are united, they find solidarity among each other through increased bargaining power. The capitalist will fragment them by meting out differentiated treatment to the two sections of the workforce.

On the other hand, minimum value that β can take is β_2 , that is total bargaining power can be as low as the bargaining power of the deprived section of the working class. It cannot be lower.

Similarly, the lowest value of m can be m_2 .

When $\beta = \beta_2$ and $m = m_2$, equation 12 becomes

$$(\alpha + \beta_2) / (\alpha + \beta_1 + \beta_2) > [B - Nm] / [B - n_1 m_1 - n_2 m_2]$$

LHS is less than 1, because $\beta_1 > 0$; RHS is greater than 1, because $m_1 > m_2$

Therefore, the inequality does not hold.

When the bargaining power of the working class and the leisure time of each worker is at its lowest, the capitalist will prefer to homogenise the labour force. Dealing with the labour force separately would mean that the capitalist would need to bargain with sections of the labour force with higher bargaining power and higher requirement of leisure time.

Generalised case

To get a more generalised picture, we formulate a combination of the maximum and minimum values of β and m . We can, then, write:

$$\beta = \mu (\beta_1 + \beta_2) + (1 - \mu) \beta_2$$

$$\Rightarrow \beta = \mu \beta_1 + \beta_2$$

$$\text{And, } m = \mu m_1 + (1 - \mu) m_2$$

In its general form, equation 12 can be rewritten as

$$(1 - \mu) \beta_1 (B - m_2 N) < (m_1 - m_2) [n_2 \mu (\alpha + \beta_1 + \beta_2) - n_1 (1 - \mu) (\alpha + \beta_2)]$$

..... Equation 13

If equation 13 holds, then the capitalist will segment the labour force.

The LHS is always positive. The RHS can be positive or negative

Case 1: $n_2 \mu (\alpha + \beta_1 + \beta_2) - n_1 (1 - \mu) (\alpha + \beta_2) < 0$

$$\Rightarrow n_2 \mu (\alpha + \beta_1 + \beta_2) < n_1 (1 - \mu) (\alpha + \beta_2)$$

..... Equation 14

If equation 14 holds, equation 13 will not hold unambiguously.

Since $(\alpha + \beta_1 + \beta_2) > (\alpha + \beta_2)$, this result can imply two things:

- Other things remaining constant, n_1 is much greater than n_2 . This means that if the number of privileged is much greater than the number of deprived, then equation 14 will hold, as a result of which equation 13 will not hold.

When the number of privileged is high in the workforce, the capitalist will choose to homogenise the labour force. In such a scenario, if the capitalist deals with the two sections separately, then they will extract lower surplus value because with higher number of privileged, the amount of requisite leisure time increases. The capitalist would rather deal with the entire workforce together with a lesser leisure time.

- Other things remaining constant, if $(1 - \mu)$ is much greater than μ , then equation 14 holds and equation 13 does not hold.

This implies that if the combination of β and m are skewed highly to their minimum values, then the capitalist will choose to operate on a homogeneous labour. If the bargaining power of the working class, and the individual requisite leisure time is close to their respective minimum values, then the capitalist will choose a homogeneous labour because the surplus value extracted would be higher.

Case 2: $n_2 \mu (\alpha + \beta_1 + \beta_2) - n_1 (1 - \mu) (\alpha + \beta_2) > 0$

..... Equation 15

If equation 15 holds, equation 13 may or may not hold. The condition in equation 15 is a necessary condition for the capitalist to choose heterogeneous labour, but it is not a sufficient condition. For equation 13 to hold, m_1 has to be sufficiently greater than m_2 . That is, if the historic component of value of labour power of the privileged is sufficiently greater than that of the deprived, the capitalist will heterogenise the labour.

4. Discussion

The situation in India can be understood from Case 2 of our model. One major implication of this case is that in a society where the existing social gap between the deprived and the privileged is significant, the process of surplus extraction in the capitalist system not only segments the labour force further but also aggravates these gaps. Kannan (2019) states that inequalities in social indicators like education, health, etc. between the upper caste Hindus, and Adivasis, Dalits and Muslims have persisted and even increased, especially after the reform period. This is explainable by our results.

The liberalisation reforms undertaken post-1991 in India intensified the process of surplus value extraction, such that the pre-existing gap between the privileged and the subjugated sections served as an incentive to the capitalists to reinforce the segmented labour force. Thus, as argued by Reich et al. (1973), capitalists often consciously use the difference and antagonism to create segmentation within the working class. The capitalist ‘chooses’ to segment the labour force as it increases the surplus value extracted. More surplus is extracted from the deprived, which ensures that they stay socially worse off than the privileged. Our results can, therefore, explain ‘durable inequality’ among social groups as mentioned by Tilly (1998).

The social position of a group of people and labour market segmentation, therefore, cannot be perceived only as a cause-effect mechanism, but as a mutually reinforcing process (Bauder 2001). Reproduction and perpetuation of social inequality through access to greater social and cultural capital is made through capitalistic institutions (Rubstova and Dowd 2004). Due to historical preconditions, the privileged can avail social and cultural capital which are valued by the employer (Bourdieu 1984). When technology evolves, they achieve higher mobility, reinforcing initial social

differences (Piore 1972). The outcome of the economy, therefore, reflects social relations and their effects are manifested in the occurrence of labour market segmentation (D'Amico 1987).

We argue that, unlike neoclassical theories, labour market segmentation is endogenous to the operating of capitalism. Therefore, in India where there is a strong presence of the privileged class (see next section), the expansion of capitalism will not eliminate such fragmentation in the labour force.

Situating the theoretical results in the historical context: Identifying the privileged workers

Social divisions of labour existed in the Indian society before the emergence of British colonialism. However, these relations which kept an upper caste male at the top of the hierarchy were legitimised by colonial administration. They delineated and categorised the caste system and converted them into a set of formal hierarchy (Riser-Kositsky 2009). With the introduction of ryotwari, zamindari and jajmani systems, these relations got reflected in the feudal structure. The landless agricultural labourers were mostly drawn from among Dalits and Adivasis, whereas the middle and small peasants belong to a comparatively higher caste among the lower caste themselves, and the landlords belonged to upper caste (Oommen 2014).

The landless workers were not only bound to their feudal lords, but also to pre-designated caste-based occupations. The landlords and moneylenders, who belonged to upper castes, extracted labour both on the land and on services like shoe making, carrying dead cattle, etc. (Bagchi 1982). Therefore, there existed two types of hierarchy: one related to the land, and the other based on services (Patankar and Omvedt 1979). The bottom rungs of both these hierarchies were filled primarily with people from the subjugated categories.

The British forged a political alliance with the land owners, which further strengthened their position (Patankar and Omvedt 1979). The caste system was not dismantled, as it prevented the fragmented Indians from presenting a united opposition to the colonialists.

The Adivasis were affected as land was transferred to non-tribal population with acts like Land Acquisition Act 1894 (Ambagudia 2010). Besides, their cultural capital was destroyed, whereby structural neglect of tribal languages hampered the intellectual development of tribal children (Oommen 2014). The introduction of machine-made products from the West destroyed the traditional handicrafts and rendered Dalit and Adivasi artisans vulnerable (Riser-Kositsky 2009). Having lost access to land and their traditional profession, their subjugation by the feudal lords increased. Further, the colonialist pressure of growing exportable commercial crops exposed them to price fluctuations in the world market. This caused the landless tillers to be heavily indebted to upper caste moneylenders (Bagchi 1982).

During this period, participation in non-agricultural market economy was limited to landlords and merchants (Patankar and Omvedt 1979). The industrial employment had a strong caste composition. The upper caste Hindu males who enjoyed inherited hegemonic power through exclusive control over land, social and political connections transformed themselves into major figures (Lerche and Shah 2018; Jodhka 2015).

In the post-independence era, policymakers failed to identify the subjugation of Adivasis, Dalits and Muslims among the working class. Thus, land reform policies which were directed to help the working class did not adequately benefit the subjugated section (Oommen 2014). Also, increase in the number of schools did not assist the spread of education among Dalits and Adivasis because of widespread discriminatory practices (Ramachandran and Naorem 2013; Nambissan 1996).

Parallely, progressive mechanisation resulted in their exclusion of women from the workforce (Breman 1998).

In case of industrial employment, pre-existing capital like education and landholdings of workers played a major role in determining their employment (Deshpande 1979). These two pre-requisites were the monopoly of upper caste Hindu males (Nathan 1987; Oommen 2014). They further used their social capital to avail better employment. Studies have highlighted the important role that informal channels, based on ties of caste, religion and language, play in the hiring process (Harriss-White and Gooptu 2001; Ramaswamy 1983; Breman 1998).

The transition of India from tradition to modernity was deemed incomplete (Lambert 1963). The bourgeoisie failed to do away with pre-capitalist social relationship, which were used to further the accumulation process (Bhambhri 2013). With pre-capitalist relations and rituals in place, the workers were not ‘doubly free’ in the Marxist sense (Breman 1998; Jal 2014). They shuffled between agricultural labour and insecure informal work and were exploited not only because of their class position, but also because of their social identity.

In this context, our results would be relevant. We state that if a group of workers have pre-existing social and cultural endowments at a much higher level than the other group, then the capitalists will choose to heterogenise the labour force, because that ensures higher surplus value to the capitalist. From our discussion on history, we note the emergence of a privileged group of workers with greater access to social and cultural capital, causing them to enjoy higher leisure time, greater political representation, and consequently greater bargaining power. Accordingly, with due interests of the capitalists, the labour force has stayed heterogenised whereby non-market differences among workers define labour heterogeneity.

This was evident in the pre-independence era, when caste composition was often used to divide the working class along the lines of identities (Breman 2004; Chandvarkar 1999). The employers, then, consciously chose to heterogenise the labour to keep the threat of worker collusion at bay.

The feudal relationships ensured the supply of a docile and desperate labour force who could be exploited by capital. The subjugation associated with these relationships are also instrumental in keeping the wages low and the lower strata of occupation are primarily over-represented by Dalits, Muslims, Adivasis and women (Breman 1998; Kannan 1998; Kannan 2019). The division of labour in industrial jobs were often arranged on the lines of caste (Nathan 1987). The social identities of workers were used to heterogenise the workers.

Capitalism keeps workers fragmented, encouraging competition among one another as groups or as individuals, preventing them from colluding as workers and building working class solidarity (Patnaik 2017). The perpetuation of stigmatisation and oppression of people belonging to subjugated category of workers furthers division among workers (Lerche and Shah 2018). Social identities cause political forces to struggle within the working class instead of between classes (Harriss-White 2003).

5. Conclusion

The Indian labour market has deep divisions based on pre-capitalist identities. Traditional Marxist interpretation is unable to account for heterogeneity based on non-market identities. The aim of the paper is to explain the phenomenon of labour market segmentation in capitalist labour market in India. We depart from the traditional Marxist method of reducing differences in labour to only skill differences by capturing non-economic differences among the working class by the aspect of social and cultural capital. To this end, we argue that the value of labour power of the subjugated

section would be different from that of the privileged section of the working class. The Marxist value theory is used to formulate the value of labour power differently for the workers of the subjugated section. From our theoretical model, we find that if the difference in the historic component of value of labour power is significantly high between the two sections of the working class, then the process of surplus value extraction will incentivise the capitalist to segment the labour force. Thus, we situate labour market segmentation at the very basis of functioning of capitalism, that is, surplus value extraction.

Although neoclassicals and orthodox Marxists have separate starting points, both these theories predict that with intensification of capitalism, non-market identities of workers and labour market fragmentation based on the same would disappear. These predictions do not hold in the Indian context because social identities play a crucial role in the labour market. The effect that the surrogate version of capitalism had on the Indian labour force has been explained by our theory.

The study is limited to only two perceived sections of the working class. This makes it difficult for us to explore labour market exploitation where multiple overlapping identities are involved.

The study has also not taken into account the role that class struggle or government plays in the process of surplus value extraction. These can be incorporated as further extensions of the current study.

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Appendix

Table 1: Monthly Average expenditure on cultural and social satisfaction

| Category of workers | ST | SC | Upper Caste Hindu | Muslim |
|---|---------|---------|-------------------|---------|
| Monthly Average Expenditure amount (in Rs.) | 277.082 | 252.329 | 457.438 | 269.412 |

Source: Author's calculations based on NSS-EUS 68th Round Data (2011-12)

Table 2: Percentage of workers belonging to their respective social group and sex who are associated with Union

| Sex | ST | SC | Upper Caste Hindu | Muslim | Total |
|--------|-------|-------|-------------------|--------|-------|
| Female | 11.04 | 6.42 | 11.69 | 7.14 | 8.92 |
| Male | 20.84 | 14.61 | 22.58 | 14.76 | 18.15 |

Source: Author's calculation from NSS-EUS 68th round (2011-12)

Table 3: Percentage of workers belonging to their respective social group who are legislators, senior officers and managers

| Categories | Percentage of legislators, senior officers and managers who belong to the particular category |
|-------------------|---|
| SC | 9.11 |
| ST | 3.31 |
| Muslim | 19.13 |
| Upper Caste Hindu | 44.69 |

Source: Author's calculation from NSS-EUS 68th round (2011-12)

Table 4: Percentage of workers belonging to their respective social group and sex who receive payment in piece-rate

| Caste Gender | ST | SC | Upper Caste Hindu | Muslim | Total |
|-----------------|----|----|-------------------|--------|-------|
| | | | | | |

| | | | | | |
|---------------|-------|------|------|------|------|
| Female | 10.77 | 5 | 2.51 | 7.66 | 5.26 |
| Male | 8.88 | 4.44 | 1.98 | 7.25 | 4.29 |

Source: Author's calculation from NSS-EUS 68th round (2011-12)

Table 5: Percentage of workers from their respective category involved in each occupation

| NCO Division | ST | SC | Upper Caste Hindus | Muslims |
|---|-----------|-----------|---------------------------|----------------|
| 2. Professionals | 1.62 | 2.12 | 7.67 | 2.89 |
| 3. Associate Professionals | 2.52 | 2.4 | 5.67 | 2.08 |
| 4. Clerks | 1.35 | 1.78 | 4.05 | 1.01 |
| 5. Service Workers and Shop & Market Sales Worker | 4.35 | 5.05 | 10.29 | 9.68 |
| 6. Skilled Agricultural and Fishery Workers | 41.36 | 17.2 | 28.5 | 16.78 |
| 7. Craft and Related Trade workers | 7.1 | 15.27 | 7.65 | 17.69 |
| 8. Plant and Machine Operators and Assemblers | 2.36 | 5.13 | 6.09 | 8.61 |
| 9. Elementary Occupations | 33.65 | 44.34 | 11.36 | 24.7 |

Source: Author's calculation from NSS-EUS 68th round (2011-12)

Note: Sums of columns do not add up to 100, because we have not considered NCO Division 1

Table 6: Percentage of males and females in vocational training in selected fields

| Field of Training | Male | Female |
|---|-------------|---------------|
| Mechanical Engineering Trades | 96.42 | 3.58 |
| Electrical and Electronic Engineering Trades | 92.91 | 7.09 |
| Civil Engineering and building construction related works | 88.78 | 11.22 |
| Textile related work | 12.76 | 87.24 |

| | | |
|--|-------|-------|
| Artisan/ craftsman/ handicraft and cottage-based production work | 36.25 | 63.75 |
| Health and paramedical services related work | 44.73 | 55.27 |
| Work Related to childcare, nutrition, pre-schools and crèche | 24.12 | 75.88 |
| Beautician, hairdressing and related work | 3.23 | 96.77 |
| Driving and Motor Mechanic work | 96.35 | 3.65 |

Source: Author's calculation from NSS-EUS 68th round (2011-12)