

## Does Caste Matter in the Labour Markets? Evidence from an Industrial Area

**M. Krishna**

*This paper studies the interplay between economic and social forces that determine the labour market outcomes. It is based on a random sample of 367 workers employed in diverse industrial units located at the Peenya Industrial Area in Bangalore, which is considered the largest industrial cluster in South Asia. The field survey encompasses socio-economic variables apropos of personal, household and labour market attributes. The study establishes two features of the Indian labour market: first, social stratification, which is stark in the form of caste, determines not only wage rates but also social capital; and second, the inequality in the distribution of wage is fairly conspicuous among socially and economically disadvantaged groups. The labour market outcomes are inextricably bound together by not only economic forces but also social identities.*

### I Introduction

The interplay between economic and social forces that determine the labour market outcomes has long been one of the foremost areas of research in the domain of labour economics. Interestingly, several researchers have attempted to decipher the operation of the labour markets by taking insights from diverse fields of social sciences, particularly economics, sociology, and anthropology for the last five decades (Driver 1962, Rocher 1975, Holmstrom 1976, Holzer 1988, Granovetter 1995, 2005, Das and Dutta 2007, Deshpande 2010). The functioning of the labour markets, according to the received wisdom, is confined to the two self-regulating and invisible axioms of demand and supply. Apropos of the labour markets, these two axioms represent two principal agents: workers and firms. Put differently, while the former constitute the supply of labour, the latter represents the demand for it. Whilst the supply of labour refers to a segment of the population employed in sundry economic activities, the demand for it comes from firms that confront the fundamental economic problems such as what to produce, how to produce and for whom to produce. In the labour markets, the two agents are intrigued by maximising their own self-interest. More specifically, while the workers attempt to maximise their satisfaction, the firms aim for maximising profit. While maximising utility and hiring of workers, both agents confront challenges imposed by economic forces such as market wage