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Expert Speak

The Untapped Potential of India's Female Workforce

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India has witnessed an increase in the female labour force participation rates over the past two decades. However, when compared to countries with similar levels of economic development as India, the growth trajectory has been rather slow. This is largely due to cultural norms and biases that discourage women from entering the workforce. While there is a long journey ahead, a lot will depend on the government and private sector initiatives to empower women and emphasise their contribution to economic growth of the country. Yuvika Singhal, Economist at QuantEco, talks about the current state of female labour force participation in India.

Globally, the labour force participation of women of working age continues to trail that of men. India is no exception. The situation, however, is more concerning in India, with not only one of the lowest women labour force participation rates (LFPR) globally, but a rate that has been moderating for over the last one decade.

From an economic perspective, what this means is that a large part of the workforce remains outside the productive sphere of the economy. The inclusion of this untapped source of potential talent, even in part, can shift the Indian economy's PPF i.e., the Production Possibility Frontier,[1] sizeably outwards, offering immense economic gains, while being an important component of the so-called demographic dividend.

Current Status of India's Female LFPR

According to data provided by the International Labour Organisation (ILO), India's female LFPR has been on a monotonic downtrend, declining from 32.0% in 2005 to 19.2% as of 2021. In addition, the participation rates are persistently low in comparison to our global peers. On a relative scale, India's female LFPR was ranked at 222nd out of 235 countries for which data was available. Only a handful of Arabic countries trail India, with participation rates even in our less developed neighbours of Pakistan, Sri Lanka, and Bangladesh being higher.

Female LFPR and GDP: The Missing Case of U-curve in India

The best-known hypothesis in labour economics, is the U-curve that is typically observed between female LFPR and GDP (Gross Domestic Product) growth. The stylised argument is that at low levels of development, women work out of necessity. But as a country develops, women withdraw from labour markets with income benefits accruing more to men than women. Only at higher stages of economic development, as education levels rise, fertility rate declines, and social stigmas wane, female LFPR tends to rise once again – completing the U-shape trajectory.

Clearly, in India, despite the GDP growth averaging at 6.6% over the decade prior to the onset of COVID-19, accompanied by declining fertility rate and rising levels of education, the female LFPR has surprisingly been on a downtrend.

[1] The curve depicting the output possibilities of two goods with the given resources.

Understanding India's Low and Declining LFPR

Reasons for India's low female LFPR can be attributed to both, supply and demand side factors.

Supply side:

- Social norms in India restrict the participation of women to predominantly the domestic front. Over the years, the share of women contributing to domestic duties has risen, but is not officially recognised. As per the National Sample Survey Office (NSSO), in 2011-12, 35.3% of all rural females and 46.1% of all urban females in India were attending to domestic duties, compared to 29% and 42% respectively in 1993-94.
- The unearned income, including income from non-labour sources and that received from other household members, has a negative effect on the participation of women in the labour force.
- The rising rate of education among women, lowers the LFPR, as women stay longer in educational institutions, decreasing their representation in the labour force.
- Social stigmas, possibly related to (own or husband's) education and the type of work (at home or outside, manual or non-manual work), negatively affect female employment.

Demand side:

More often than not, a low or declining LFPR is typically seen as a labour supply issue, and not a demand issue. However, declining women LFPR in India is also affected by demand side factors, such as:

- The less than desired pace of job creation in India. More so, this is marked by the decline in agriculture jobs without a commensurate increase in non-farm employment.
- Unavailability of adequate work compatible with household duties, family structure, education level, and employment preferences. Though advent of technology, like the work-from-home culture in the pandemic, may be a good counter factor.

- An overwhelming majority of women who declare themselves to be "not working" outside the home indicate their willingness to work if work was available at or near their home. This unmet demand for work is well documented in several employment-oriented surveys.

And Not to Forget, "Measurement Issues"

Several studies have in the past highlighted the need to reassess calculation of female LFPR in India. The low LFPR is believed to overlook women working in the household, which remains an integral part of women's productive activities.

Towards this, the latest Economic Survey (2022-23) stated that, "There is a need to broaden the horizon of measuring work, which constitutes the whole universe of productive activities alongside employment, especially for women. According to the latest ILO standards, limiting productive work to labour force participation is narrow and only measures work as a market product. It does not include the value of women's unpaid domestic work, which can be seen as expenditure-saving work such as collecting firewood, cooking, tutoring children, etc, and contributes significantly to the household's standard of living".

Policy Design Must Evolve

There runs a two-way causality between economic growth and female LFPR. While higher economic growth is expected to propel female LFPR, the improvement in women's participation can augment an economy's growth potential by pushing the PPF outwards.

While women's employment is shaped by a range of multifaceted supply and demand side factors, Indian policy makers have since long rightly focused on education of girl child (in recent years *Beti Bachao Beti Padhao* program), maternity protection, and child-care needs. To be able to arrest the continuous fall in female LFPR and achieve Prime Minister Narendra Modi's aim of 50% female workforce by 2047 in Amrit Kaal,[2] some policy measures that can be focused upon:

1. Expanding Production Linked Incentive (PLI)[3] schemes for labour-intensive sectors could help create more job opportunities for women. To take the example of the textile industry, according to a recent survey by TeamLease Services, PLI schemes are expected to drive an increase in employment opportunities for the next two years. The textile industry shows heavy inclination towards hiring women in this new surge. This sentiment is also resonated in the pharmaceutical and large scale electronics manufacturing industries.

2. Increasing the technical know-how could help create new opportunities for women and aid in adapting to changing labour market demands. Providing training and support for women to work remotely could help them balance their work and caregiving responsibilities better. As iterated by Prime Minister Narendra Modi, flexible work models can be the key to increasing the labour force participation of women in the country.

3. Incentivising women to start their own businesses can help increase the number of female entrepreneurs in India. In addition to providing financial support, incentives like tax breaks, technical training and mentorship programmes, and business development support can help reduce the barriers to starting a business for women. As per the 6th Economic Survey (2013), less than 14% of all Indian enterprises were owned by women; therefore this could help encourage entrepreneurship among women and have a positive impact on their rate of success.

[2] According to Prime Minister Narendra Modi, Amrit Kaal refers to the next 25 years as the country works towards improving the lives of its citizens and ascending to new heights of prosperity for the country. This includes improving infrastructure, lessening the rural-urban divide, and limited government interference in people's lives.

[3] Production Linked Incentive, or PLI, scheme of the Government of India is a form of performance-linked incentive to give companies incentives on incremental sales from products manufactured in domestic units.

4. Legalising paternal leave could help subvert the gendered ideas of division of labour and encourage more men to take on caregiving responsibilities, thus, helping to reduce the burden of unpaid care work on women. Currently, women in India spend more than five times as many hours as men on unpaid care work, which can limit their ability to participate in the labour force.
5. Increasing social spending on health and education sectors could help create more job opportunities for women, as these sectors employ a large number of women workers. Additionally, investing in these sectors could help improve the quality of the services available to women and their families.
6. Revaluating archaic labour laws could help reduce barriers to women's employment. A recent example of this can be witnessed in states like Andhra Pradesh and Uttar Pradesh, where in 2022, a revision of the Factories Act, 1948, helped relax restrictions and allowed women to work night shift in factories.

As we understand the causes and possible solutions to the dismal state of female labour force participation in India, we must now work towards the implementation of possible solutions. This implementation happens at both, the domestic and work front. As we unlearn designated gender roles, responsibilities, and expectations, creating equitable spaces in our homes, we can expect the workplaces to follow suit and make policies that address the equitable distribution of roles. This also works the other way around, as our policies help create equitable opportunities for both men and women to take up responsibilities inside and outside the house. This creates a positive loop that feeds an equitable future.

Yuvika Singhal *is an economist with almost 13 years of experience in Indian economic research, with specialisation in empirical work in macroeconomics and public policy. Prior to joining QuantEco Research, she has worked with YES Bank and ICICI Bank. She holds an undergraduate and a postgraduate degree in Economics from SRCC and the Delhi School of Economics respectively. She was also awarded the "Global Women Leadership Award" for the year 2022.*