

The case of missing women:

Understanding declining female labour force participation in India

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There has been a lot of discussion regarding the demographic transition that India has been going through, with falling fertility rates and death rates and a swelling up of the labour force. While this demographic transition has the potential to reap dividends; it could also turn into a disaster lest the youth is productively employed.

One of the major precursors to reaping a demographic dividend is the rise in female labour force participation rates that accompanies a fall in fertility rates. In India, the historically low female labour force participation rate has been a drag on the economy and a major hindrance to the modernisation of the labour market. Now, this historically low rate is also falling. The Indian story of a falling female labour force participation rate despite strong growth, rising wages, and a decline in total fertility rates presents a puzzle that is contrary to what has been predicted by standard development theories and by the experience of other countries including China, Bangladesh etc¹. As stated in the

ILO's Global Employment Trends 2013 report, out of 131 countries with available data, India ranks 11th from the bottom in female labour force participation.

TRENDS

In 2012-13, India's Real GDP grew at 5.6% and increased to 7.6% in 2015-16². During this period, the female labour force participation rates (FLFP) fell from 42.7% to 31.1%³. The main highlight is that the female labour force participation rate in rural areas is continuously declining⁴, while that in the urban areas is showing a marginal increase even as the overall rate continues to fall. Infact, 53% of the total fall is attributed to a

¹ With the exception of Turkey

² Ministry of Finance Monthly Economic Report, April 2016

³ National Sample Survey, Employment and Unemployment Schedule, 61st, 66th and 68th rounds, and Labour Bureau's 2013-14 annual employment unemployment data.. (Consist of estimates for females 15 years or above in age)

⁴ Close to 22 million women left the agricultural sector between 2004-05 to 2009-10; 19 million of these were self employed.

drop in participation rates in rural India, among those aged 15 to 24 years⁵.

In the current essay, the factors considered to study the low FLFP rates are: the effect of unearned household incomes, the effect of increasing enrollments in secondary education, limited female mobility across sectors, measurement issues, employment opportunities and finally, other cultural and social factors.⁶

The effect of unearned income: Income and substitution effects

Of all the factors that affect FLFP rates, the simplest is the effect of unearned income (in the form of husband's wage, family wealth etc). In Neoclassical theory, labour supply decisions depend on labour-leisure choice i.e. on income and substitution effects⁷. It is

highly likely that with rising growth, as the incomes and wages of the male workers in the household rises, the income effect outweighs the substitution effect and females choose to supply lesser labour. This effect is higher for females than for males because of the traditionally accepted roles of men and women in the Indian society.

To illustrate, between 1999-2000 to 2004-05, real wages in the agricultural sector were stagnant and growth in this sector was not statistically significant. However, this period witnessed a large increase in the FLFP rates in the agricultural sector due to distress employment. Out of the 18.5 million people who joined the agricultural labour force in this period, 16.9 million were women⁸. However, between 2004-05 to 2009-10, as the real wages in the agricultural sector rose⁹, close to 22 million women left the workforce due to rising incomes at the household level. This clearly shows that increasing household incomes play an

⁵ Further, a larger number of the working women end up in marginal or subsidiary employment in comparison to the earlier year

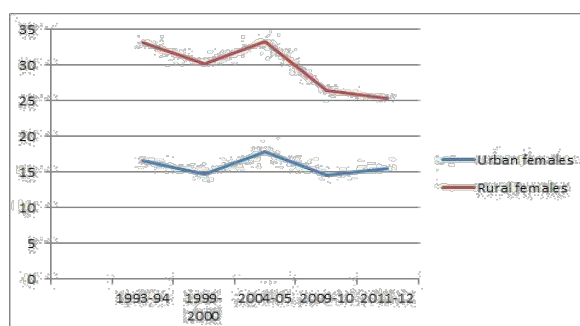
⁶ When studying the effects of any factor, all other factors are held as constant

⁷ Any expected wage is an opportunity cost of not working and thus, contributes to both substitution and income effects while unearned incomes contribute to the income effects. Based on the substitution effect, as wages rise people will choose to work more. However, as wages rise, people might choose to reduce their labour hours because they feel richer due to higher income. An increase in unearned income (non-labor income or labor income earned by other household members, particularly the husband) reduces the marginal utility of the women's

earnings and therefore reduces labor force participation

⁸ Further, this effect was seen across all income groups in the rural areas, primarily because close to 40% of even the rich rural households tend to live just above subsistence levels and were thus, adversely affected by the slowdown in the agricultural wages.

⁹ Due to government schemes to increase the rural sector employment, chiefly due to NREGA (National Rural employment guarantee act) which aims to enhance livelihood security in rural areas by providing at least 100 days of wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work



Graph 1:

*Female labour force participation in
Urban and rural areas*

Source: National Sample Survey, many rounds

important role in determining the FLFP rates controlling for other factors.

Education levels and lack of employment opportunities

Increasing enrollments of women in secondary education are also believed to form an important explanation for declining FLFP rates¹⁰.

As seen from the table, the enrollment ratio of both rural and urban females in the age group of 15-24 years has risen steadily from 1993-94 to 2011-12. In addition, the mean years of education after 14 years i.e. secondary schooling has also been on the rise in both rural and urban areas.

While increasing education levels among women is a positive trend, its effect on FLFP rates requires greater attention. Most human capital theories estimate rising FLFP rates with rising education,

however, a U-shaped curve is hypothesised to exist between the educational status and FLFP in India.

Among the poorest sections of the society, with the added-worker effect and large fluctuations associated with household incomes, the participation rate among women is high. At high levels of education, on the other hand, high potential wages raise the opportunity cost of not working and swamp the negative forces, thus inducing women to work. This is also because the stigma associated with women working in the service sector is lesser.

¹⁰ Rangarajan et al. (2011)

Table 1: Enrolment Ratio and Mean Years of Education of Female Labour Force of Age 15-24 Years

Source: Estimates based on various NSSO rounds

	Enrolment Ratio		Mean Years of Education after 14 Years	
NSSO Rounds	Rural female	Urban female	Rural female	Urban female
1993–1994	8.4	27.8	1.7	2.5
1999–2000	11.3	29.9	1.8	2.7
2004–2005	14.8	33.2	1.9	2.7
2009–2010	15.2	34.5	2.1	3.2
2011–2012	19.7	35.7	2.1	3.4

It has been observed around the world that women in the labour force across the world tend to cluster in certain occupations, especially in the services sector¹¹. Between these two levels of education, women may be discouraged to seek work because of large income effects, lower access to service sector and other socially acceptable jobs. Thus, education seems to play a major role in

¹¹ World Bank, 2011; Gaddis and Pieters, 2012

affecting the preferences of women and their willingness to actively seek a job.

As education levels rise, as has been the case in India, women prefer certain kind of jobs (especially white-collar jobs). Lack of access to these contributes to educated women being discouraged from participating in the labour force¹². How the education-labour force participation link evolves over time depends on the structure of labour demand growth in the economy and the status associated with different types of work¹³.

A problem of measurement:

A third potential contributor to the falling FLFP rates in India is a large number of women who report attending to domestic duties as their primary status. In 2009-10, the number of women attending to

¹² Desai et al., 2010

¹³ For instance, in 1989, almost 65% of the highly educated women were employed in public administration and education. In 2009, this share had fallen to 45%. Further, although the share of women in other sectors like finance and business services has increased overtime, these account for a very less portion of the overall female employment. Thus, as the demand for white-collar jobs is limited to women with a graduate degree or above, the employment growth decline in major sectors like public administration and services might be an important contributor to declining FLFP rates. This effect is further exacerbated due to limited female labour mobility between sectors due to occupational segregation and the attached stigma

domestic duties in India was 216 million, which is larger than the population of Brazil. Among these, 12.7 million women had a graduate degree and above. A major reason behind this is the very belief that it is the responsibility of a woman to undertake all domestic duties. This is even manifest in the fact that men were excluded from the role of domestic work and from all records of extra-domestic work in NSS 55th round. This demonstrates a growing patriarchal role demarcation in India. It is widely seen as very dignified for men to be uninvolved with domestic matters.

As is indicated by the table above, there was an increase in the number of females attending to domestic duties by around 50 million, in which the share of women with a graduate degree and above was 4.6 million.

In rural areas, the number of women who report primarily attending to domestic duties has been steadily rising from 2004-05 to 2011-12 and was at a staggering rate of 92% in 2011-12. During this period, a sharp decline in rural female participation in the labour force was registered.¹⁴

However, these are productive economic activities as, if women did not do these work, someone else would have to be employed to do them and be paid for it. Although the System of National accounts includes the production of goods for self-consumption within its purview, it does not include the 'invisible work' done by women which takes several forms

including, but not limited to, cooking, reproductive activities, care and other responsibilities¹⁵. This mis-measurement may not only affect the level but also the trend in the participation rates.

	Not literat e	Prima ry and Middl e	Secon dary and higher	Gradu ate and above	Total
In 2009- 10	84.8	81.4	37.1	12.7	216.1
Increa se Betwe en 2004- 05 and 2009- 10	13.0	16.8	14.4	4.6	49.4

Table 2: Number of females who reported attending to domestic duties in 2009-10 and the increase in this number between 2004-05 to 2009-10 (all figures in millions)

Source: Estimates based on NSSO 2011

¹⁴ In the same period, the number of women in the urban areas who reported attending to domestic duties first rose and then declined. During this period, a marginal rise in the urban female labour force participation rates was noticed.

¹⁵ As traditional surveys cannot capture this work adequately, time-use surveys can be used to capture such activities

	1993-1994	1999-2000	2004-2005	2009-2010	2011-2012
Required to spend most of the time in domestic duties (%)	88	89.8	88	89	92
Out of the females in (1), the percentage of females reporting 'no other person to do domestic duty' as the reason for being engaged in domestic duties	55	56	55	62	60

Table 3: Responses of Rural Women in the NSSO EUS Reporting Activity Status as Domestic Duties under Codes 92 and 9

Source: Estimates based on various NSSO round

Secondly, as women are traditionally expected to take care of all household responsibilities, it limits their ability and willingness to take up formal employment¹⁶

same activities were conducted outside the household.

There is an opportunity cost in terms of time as well as in terms of wages that could have been received if the

¹⁶ To illustrate the effect that having a broader definition of national income and including household responsibilities might have, a few facts might help. A study conducted by the Organization for Economic Cooperation and Development (OECD) in its 26 member countries and three emerging economies of India, China and South Africa found that Indian women spend 4.3 to 5 hours more on unpaid work than the men, whereas, Indian men spend considerably more time sleeping, eating and relaxing in general

This cost time constraint restricts them from pursuing employment opportunities¹⁷.

However, as a positive change, it is also noted that there has been a fall in the number of women not willing to work. Around one-third of females above 15 years of age in rural areas and more than one-fourth in urban areas, who were engaged in domestic duties (by usual principal activity), were willing to accept work opportunities at the household premises, if such work were made available.

Specifically, there was a strong willingness among females primarily involved in household chores to take up tailoring work within their premises. This highlights the benefits that can be reaped by providing skill training to such females in vocational occupations such as tailoring, beauty-related work etc.

Further, there should be institutional support to help them obtain the required loans, market their products and overcome any logistical difficulties. Currently, only 2-3% of the workforce in India receives some form of formal training.

¹⁷ Between 1999-2000 and 2004-05, due to rural distress, the number of women who reported their principal activity status as 'attending to domestic duties', fell sharply and consequently, the female labour force participation rates rose. However, as the female labour force participation rates in 2004-05 declined (due to a rise in household incomes), the number of women attending to domestic duties also rose. This shows that time constraint restricts most women from pursuing both formal employment and household duties together.

Therefore, in a way, the declining trend in the female work participation rate highlights the lack of skill training and employment opportunities for females.

E. Other factors

While the factors mentioned above are important contributors to declining FLFP rates, several other factors operate at different levels to dissuade women from seeking employment. Workplace safety concerns, the widespread pay-gap between men and women working at the same position and with the same level of education and skills, the fear of harassment, especially prevalent in the informal sector, contribute to the low participation rates.

Additionally, socio-cultural factors such as caste, marital status etc. play an important role in restricting access of women to formal employment. The process of housewifization and sanskritization is common¹⁸. This is a vicious cycle in the sense that usually women without a means of earning income have a lesser bargaining power in

¹⁸ Chakravarti, 1993; George, 2002; Poitevin and Rairkar, 1993

the household which reinforces gender discrimination and further restricts access to paid work. For instance, it has been

noted that married women work less than household (in which the woman has very low bargaining power).

Suggestions:

There are two reasons to be interested in the declining female labour force participation rates: the intrinsic level and the functional level.

Females are an important part of the society and are responsible for its efficient functioning. Thus, they deserve equal access to employment opportunities that will provide them agency, greater bargaining power and allow them to be agents of economic growth. At a functional level, capturing the demographic dividend is contingent upon productive employment of females.

As argued above, the problem of declining female labour force participation rates is a result of various factors working at different levels and in tandem, each supplementing the effects of the others. A few steps that policymakers can take to reverse the current trend are:

1. Methods must be devised to better capture unpaid work done by women. The magnitude of unpaid work by women in

India is extremely large¹⁹. Thus, if this gender parity were to be tackled, we are looking at some big-time growth in our GDP.

2. There must be a move towards equal sharing of work at the household level so that women have more time to devote to formal employment opportunities. This can be facilitated by policies such as longer maternity leaves, contractually fixed working hours (at least for women) and most importantly, the introduction of longer paternity leaves²⁰. This will be an important step by allowing men to participate in child care and other domestic duties. Further, access to water and infrastructural development must be prioritised in order to reduce the time taken by women in attending duties.

¹⁹ According to some studies, if that unpaid work were to be valued and compensated in the same way as paid work, it would contribute US\$300 billion a year to India's economic output

²⁰ Currently, paternity leaves are largely absent in the private and unorganised sectors and even otherwise, the leaves are of a very short duration. The Paternity Benefit Bill, 2017 is due to be tabled soon in the Parliament under which men might be eligible for leave up to 30 days as paternity leave. This will include men in the private and the unorganised sectors as well.

3. The importance of dedicated skill training, especially in rural areas and among women with low levels of education, can hardly be overemphasized²¹. This can be achieved through infrastructural development, hiring females for teaching purposes in rural areas, providing greater incentives for women to attend these vocational schools non-farm jobs that match their educational potential²². As highlighted before, the willingness of women to take up part-time and full-time vocational employment is high. If successfully teamed with skill training, the rural FLFP rates will increase drastically from the current 23.5% to around 39%. In addition, micro-finance and self-help groups must be promoted as these provide women with access to economic opportunities and promote discussions on a variety of social issues.
4. Subsidies for female employment in sectors less explored by women must be provided for a fixed time period so as to promote female mobility across different sectors. This can take the form of the government incentivizing certain sectors to employ more women. For

example, the government could consider paying a part of the income of women in certain sectors.

5. Decent working conditions must be ensured and policies must be devised to ensure safety especially in the unorganized sector as women are heavily represented in the informal economy where their exposure to the risk of exploitation is usually greatest. Further, gender sensitization must be actively promoted and females should be encouraged to speak up against harassment at work. There should also be transparency in the wages paid and stricter punishments against gender-biased pay.

While all of the above tackle certain aspects of the problem, a cultural shift is necessary. Gender-specific constraints must be evaluated and policies must be formed accordingly. The goal should not be to increase just participation rates but ensure decent working conditions for women.

²¹ One of the main drivers of the East Asian Miracle was the human capital formation through adequate skill training

²² Such as jobs in the rural manufacturing sector that allows women to work from their households or as a community so as to avoid the stigma associated with women working in the manufacturing sector.

As highlighted by Amartya Sen, the agency of women is a significant driver of an economy not just in terms of growth rates, but also in terms of its effects of nutrition of children, better healthcare and ultimately, towards creating a better society. Women agency has the power to read to 'development' in the true sense of the word. Thus, it is about time that we start talking about the 'gender dividend' in conjunction with the demographic dividend in India²³.

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