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INITIATIVE FOR WHAT WORKS TO ADVANCE WOMEN AND GIRLS IN THE ECONOMY

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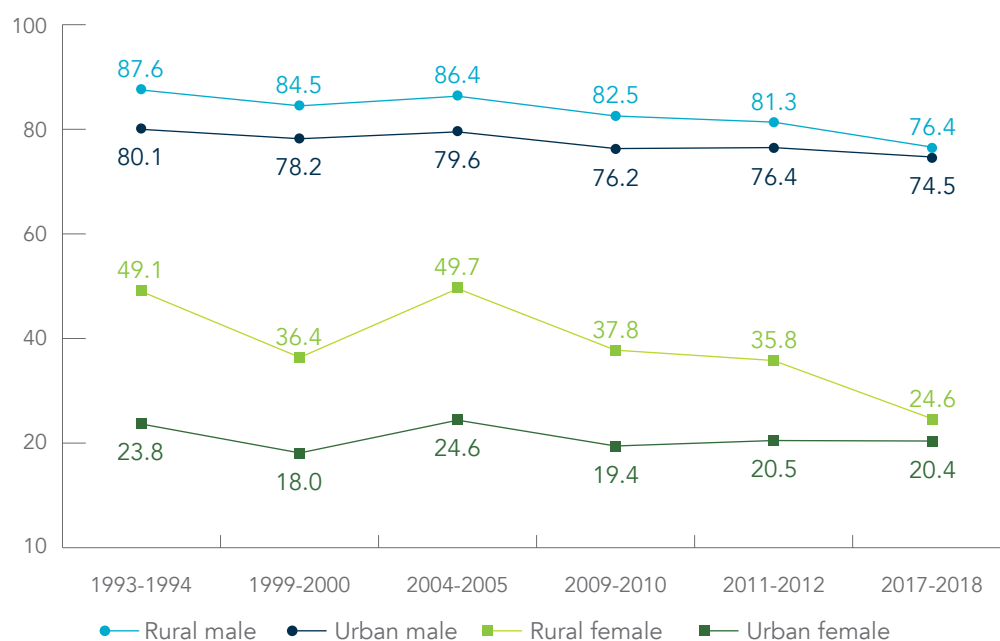FEMALE LABOUR FORCE PARTICIPATION RATE AND EARNINGS GAP IN INDIA

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Introduction

In spite of high economic growth, decline in fertility, and rise in schooling of girls, the Female Labour Force Participation Rate[i] (FLFPR) has declined in rural areas and stagnated in urban areas since the late 1980s (Figure 1). Unlike in India, the global experience has been one of a substantial increase in the FLFPR as a result of similar factors. The recently released Periodic Labour Force Survey (PLFS) 2017-18 confirms the declining trend.

The conventional definition of labour force participation excludes unpaid domestic work and the free collection of goods such as firewood and water, mostly done by women. These activities produce essential goods and services that are used by the household members, and should, therefore, be recognised in the definition of work (Hirway, 2015; Mondal, et al., 2018).
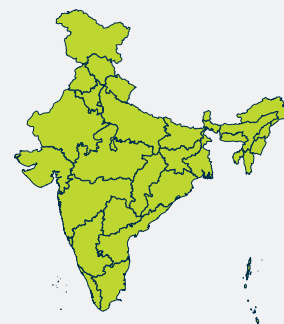
Figure 1: Labour force participation rate (>=15 years)[ii]

Source: NSS EUS; PLFS 2017-18
Trends in Female Labour Force Participation Rate (FLFPR)

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The FLFPR declined between 2011-12 and 2017-18 in almost all states (Figure 2), except Madhya Pradesh and Goa. Most states fall in the upper-right and lower-left quadrants, i.e. high FLFPR and increase/low decline; and low FLFPR and high decline. This suggests that the states that were doing well on FLFPR improved further or at least stemmed the decline, and those that were doing worse, in fact registered a higher decline. In other words, in states like Uttar Pradesh, Jharkhand, Punjab and Odisha, the chances of women in the labour force became even more slim by 2017-18.

Figure 2: FLFPR across states and change between 2011-12 and 2017-18
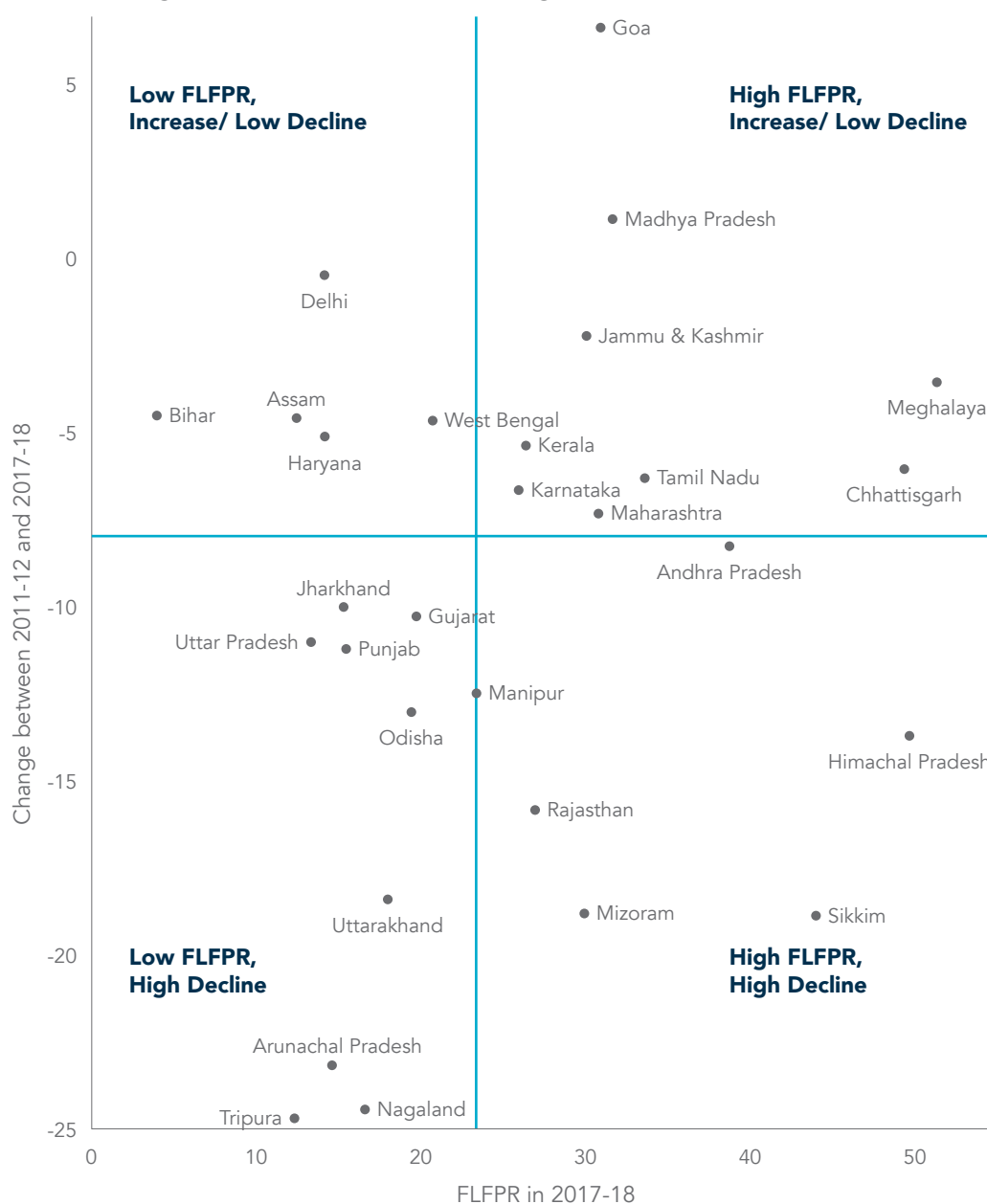
Source: NSS EUS 2011-12; PLFS 2017-18
Note:
1. Blue lines indicate all-India averages of FLFPR and rate of change between 2011-12 and 2017-18. 'Low' and 'high' are defined with respect to these averages.
2. Telangana has been combined with Andhra Pradesh in PLFS 2017-18 data for comparability with NSS EUS 2011-12.
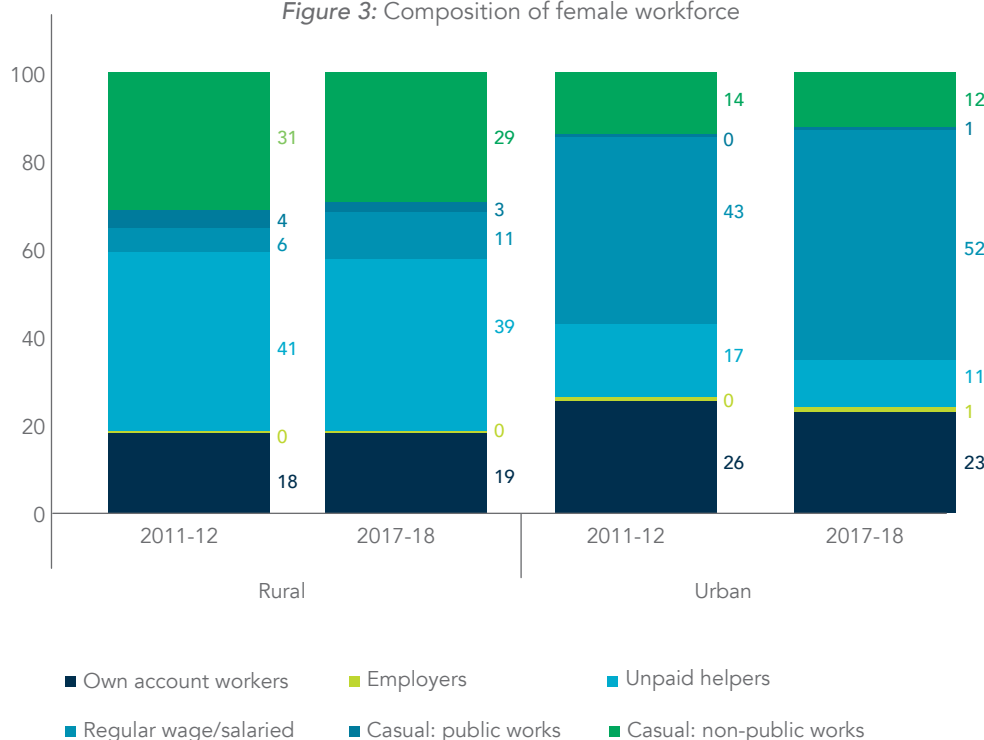
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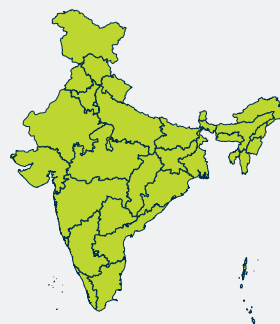
Composition of female workforce

For the women who work, it is relevant to consider their employment type[iii]. In rural areas, around 40 percent of working women are unpaid helpers in household enterprises, and another 30 percent are casual labourers, engaged in non-public work (Figure 3). In comparison, only 3 percent of the female workforce is engaged in public works such as those sanctioned by MGNREGA, indicating the largely precarious nature of casual work women perform in rural areas.

The composition of the female workforce is different in urban areas, where more than half of the working women are regular or salaried workers. In fact, the share of regular employment for women has increased in both rural and urban areas after 2011-12, with many rural and urban women entering community level service jobs as education, health or social workers, or as domestic workers in other households. But this does not necessarily bear good news for three reasons. First, despite the increase, men continue to hold almost 80 percent of regular, salaried jobs. Second, the female-male earnings gap continues to remain substantial, with female regular workers only earning about half of male regular workers' earnings, more so in rural areas (Figure 4). Finally, the increase in regular work for women has mostly occurred in the informal sector, with women entering jobs with no written contracts or paid leaves and other social security benefits. This trend of informalisation differs from the trend faced by daily wagers. In other words, women earn at regular intervals, but their contracts are bereft of any other benefits which would improve the quality of the work undertaken.
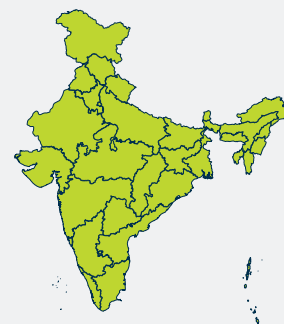
Figure 3: Composition of female workforce

Legend: Own account workers; Employers; Unpaid helpers; Regular wage/salaried; Casual: public works; Casual: non-public works

Source: NSS EUS 2011-12; PLFS 2017-18
Note: The worker types are explained in EndNote iii

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Earnings gap

The female-male earnings gap is particularly stark for those who are self-employed. Self-employed women earn only about 30 to 40 percent of the income earned by self-employed men, as compared to a gap of 52 to 67 percent among regular workers (Figure 4). The median earnings of self-employed women workers are even lower than that of casual women workers (Figure 5). This is not the case for men. At the median, self-employed men in rural areas earn just as much as regular workers in urban areas. But what kind of self-employed ventures do women engage in? A more disaggregated analysis of the PLFS data suggests that in rural areas, self-employed ventures started by women are usually in the domain of agriculture. In comparison, urban women tend to start their own micro-enterprise in manufacturing, trade, food and hospitality, and other services. If the gap in earnings in these domains are as substantial, a detailed analysis is required on why women are not able to scale their activities and earn as much as self-employed men.

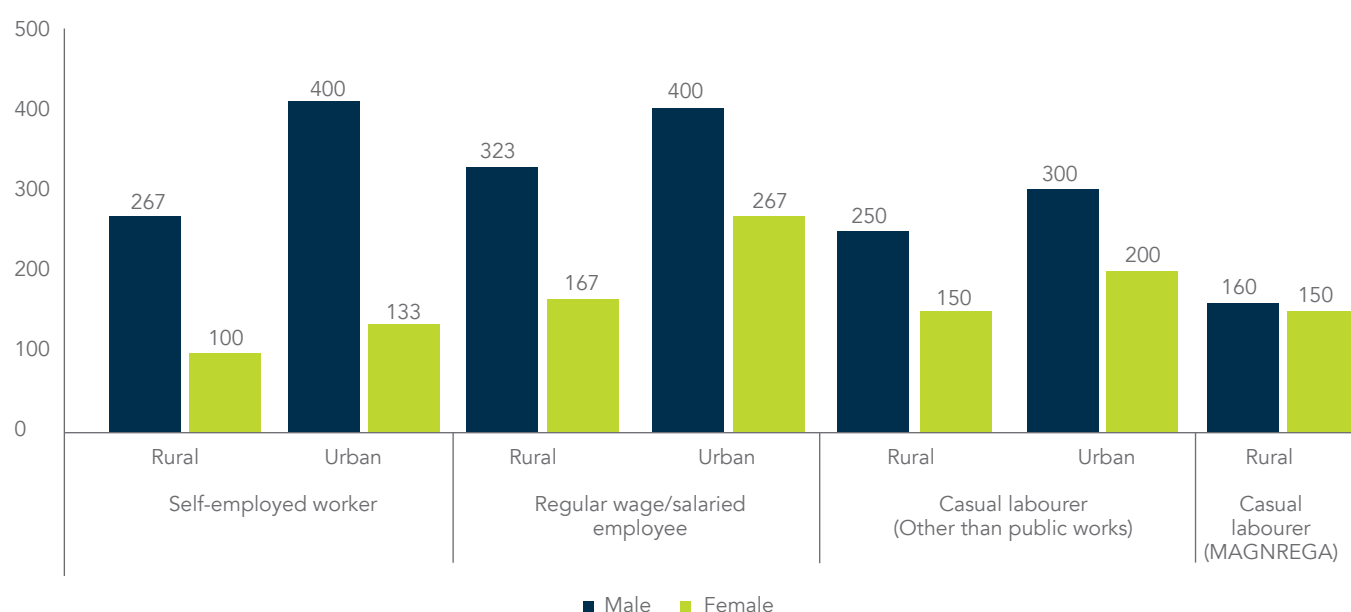*Figure 4:* Female-male earnings ratio
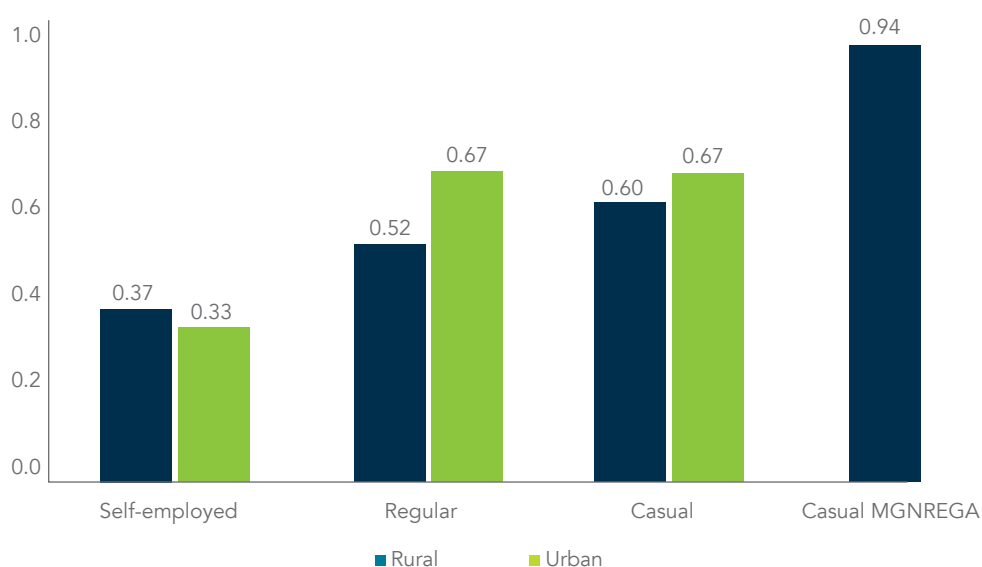


Source: Computed using PLFS 2017-18

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Figure 5: Median daily earnings in 2017-18 (Rs.)

Source: Computed using PLFS 2017-18

In terms of a geographical disaggregation, southern states have a relatively higher FLFPR, on average (Figure 2). The higher male-female earnings gap in these states have been associated, historically, with their higher FLFPR (Boserup, 1970; Mahajan & Ramaswami, 2017). Nevertheless, the southern states of Kerala and Tamil Nadu also have higher share of educated women. These educated women may prefer "white-collar" and "pink-collar" jobs that employ persons with higher average educational levels and offer higher average wages than "blue-collar" jobs . This could be an explanation for the higher earnings gap in these states, and could be explored in future work.

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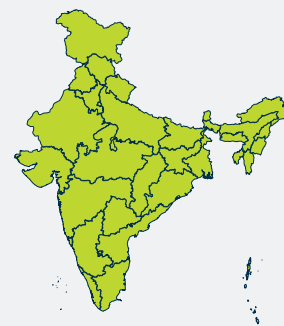
Policy implications

- In recent years, policy priority to skilling programmes has strengthened. However, the PLFS data suggests that less than 2 percent of women (and of the total population) received formal vocational or technical training in 2017-18. Of the women who received formal training, less than half were in the labour force, as compared to 84 percent of formally trained men. Skilling programmes, therefore, need to be assessed through a gender lens.

- Self-help groups under the National Rural Livelihoods Mission (NRLM), and those guided by organisations such as the Self Employed Women's Association (SEWA) and government programmes such as Kudumbashree have been successful in building capacities of women through collective action (Hariharan, 2019). These models could be extended to promote economic self-reliance of women and to encourage them to set up their own enterprises.

- More than half of the urban female workforce are regular workers, but their earnings are less than 70 percent of that of male regular workers. The discussion on the Code on Wages Bill 2019 can be linked to the earnings gap among regular workers, to whom minimum wages legislation would apply.

References

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Hirway, I., 2015. Unpaid Work and the Economy: Linkages and Their Implications. Indian Journal of Labour Economics, 58(1), pp. 1-21.

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EndNotes:

i. The labour force includes persons who are working and those who are seeking work. The Labour Force Participation Rate (LFPR) is the proportion of persons who are in the labour force. The Worker Population Ratio (WPR) includes those who are working as a proportion of the population.

ii. Throughout this brief, the employment status refers to the Usual Principal and Subsidiary Activity Status (UPSS) of individuals above 15 years of age.

iii. Own-account workers operate their own enterprise without hiring workers, while employers hire workers in their enterprise. Unpaid helpers assist household members in running their enterprise, but do not earn a regular wage or salary. The self-employed include own-account workers, employers and unpaid helpers. Regular wage/ salaried workers work in others' enterprises to earn a wage or salary on a regular basis, while casual labourers earn their wages on a daily or periodic basis.

iv. These worker types are defined as in Mondal, et al., 2018. "White-collar" workers refer to senior officials, managers, professionals and technicians, usually with higher education levels and relatively higher average wages. "Pink-collar" workers refer to clerks, sales and service workers who have lower average education levels and wages than white-collar workers. "Blue-collar" workers are craftsmen, machine operators, and those engaged in elementary occupations, and they have the lowest average education levels and wages.