

RGICS



RAJIV GANDHI INSTITUTE FOR CONTEMPORARY STUDIES  
JAWAHAR BHAWAN, DR. RAJENDRA PRASAD ROAD, NEW DELHI-110001

RGICS  
Issue Brief  
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**The Absent Female Workforce in India**

Prepared by: Niharika Bapna  
(Under the guidance of Ms. Barkha Deva)

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### The Absent Female Workforce in India

Since the past decade the percentage of female labour participation in India's workforce has been abysmal which has placed us on the bottom of global rankings. Even though studies show that a number of young women are entering as well as looking to enter workforce they end up working in the informal economy with low wages and no job security. More shockingly highly educated urban women keen on working are not able to do so because of the limited job opportunities in the urban areas.<sup>1</sup> A large chunk of female population is still not a part of the labour market. India's urban female work-force participation rate (WPR), which includes women who are employed as well as those who are looking for work, is one of the world's lowest at 15%. This places us at the eleventh rank from the bottom among 131 countries.<sup>2</sup> As is clearly depicted from figure 1, India is one of the regions with the lowest amount of female labour force participation rate.

Countries like China and Japan have already realised the worth of incorporating educated women into their labour force. Japan has aggressively pursued involvement of the women in workforce, who now form 43% of the labour force, with the government's pro-women policies.<sup>3</sup> Similarly China has realised the value of highly educated women's participation in the labour force. As China capitalises on this human capital, 53% of the highly educated Chinese women have been able to find a 'good job' as compared to only 17% of the highly educated Indian women.<sup>4</sup> Further it is most shocking to note that the participation of women during prime working age is 32% as compared to 75% in China and 65% in Brazil.<sup>5</sup>

At a time when the country is being heralded towards economic growth and a number of initiatives like 'Make in India' and skill development of labour, are being introduced it is necessary that special attention be paid to the rich resource of highly educated women keen on entering the workforce. There is an urgent need for policy changes to tap the potential of these women to better the position of India economically in the world.

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<sup>1</sup> Article (2015), 'Urban India and its Female Demographic Dividend', The Business Standard, July 30, 2015. Available at [http://www.business-standard.com/article/specials/urban-india-and-its-female-demographic-dividend-115073000229\\_1.html](http://www.business-standard.com/article/specials/urban-india-and-its-female-demographic-dividend-115073000229_1.html) Accessed on 19.8.2015

<sup>2</sup> Report (2012), International Labour Organisation. Available at [http://www.ilo.org/global/about-the-ilo/newsroom/comment-analysis/WCMS\\_204762/lang--en/index.htm](http://www.ilo.org/global/about-the-ilo/newsroom/comment-analysis/WCMS_204762/lang--en/index.htm) Accessed on 14.8.2015

<sup>3</sup> Article (2015), 'Number of Japanese Women in Work Reaches Record High', The Financial Times, 'July 31, 2015. Available at <http://www.ft.com/intl/cms/s/0/564cf97e-374e-11e5-bdbb-35e55cbae175.html#axzz3jExMtBiH> Accessed on 19.8.2015

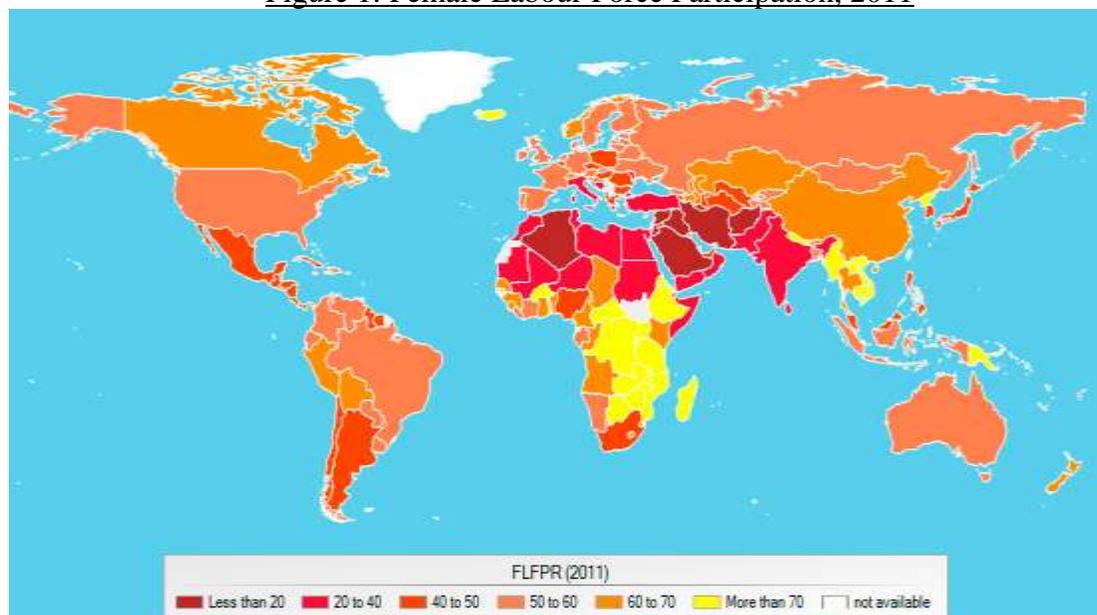
<sup>4</sup> Article (2012), 'China Outpaces India for Women in Workforce', Gallup, November 2, 2012. Available at <http://www.gallup.com/poll/158501/china-outpaces-india-women-workforce.aspx> Accessed on 19.8.2015

<sup>5</sup> Article (2015), 'Growth Declines with Missing Women at Work', The Deccan Herald, June 8, 2015. Available at <http://www.deccanherald.com/content/482152/growth-declines-missing-women-work.html> Accessed on 19.8.2015

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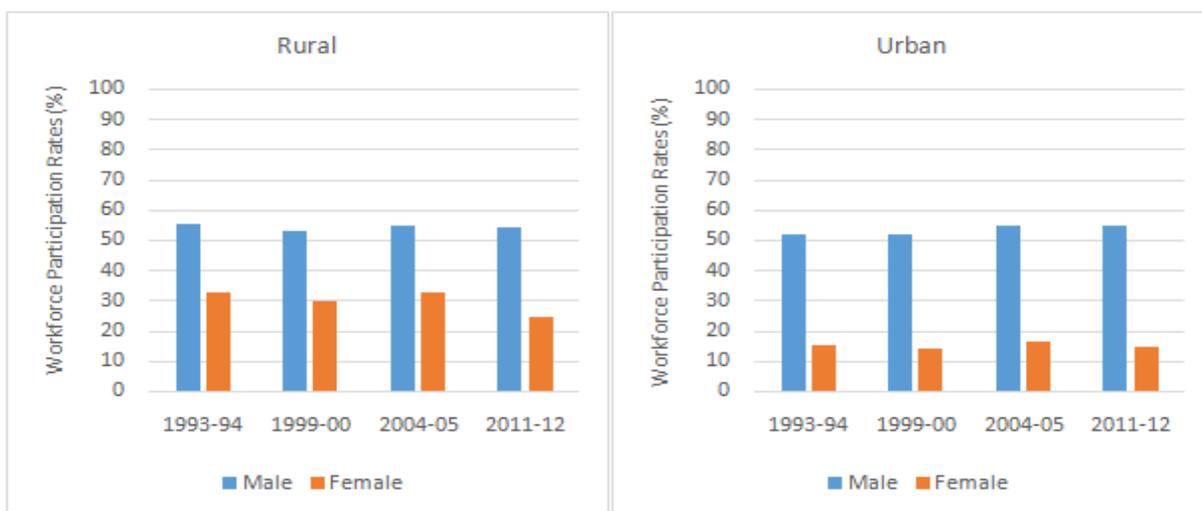
Figure 1: Female Labour Force Participation, 2011



Source: World Bank, World Development Indicators, 2013, ILO KILM database.<sup>6</sup>

There is a great disparity between the WPR of men and women in India, as can be noted from Figure 2. While the WPR for women has been decreasing in both urban as well as rural areas, the WPR of men remains constant if not increasing. Interestingly in the urban areas the WPR for women is lower than even in rural areas.

Figure 2: Work Force Participation (WPR) by gender and place of residence



Source: Employment and Unemployment Survey, NSSO (various rounds)<sup>7</sup>

<sup>6</sup> Working Paper (2013), 'Work, Women and the Economy', International Monetary Fund

<sup>7</sup> The Ministry of Statistics and Programme Implementation. Available at [http://mospi.nic.in/Mospi\\_New/site/inner.aspx?status=3&menu\\_id=31](http://mospi.nic.in/Mospi_New/site/inner.aspx?status=3&menu_id=31) Accessed on 14.8.2015

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The general stylized argument for countering this disparity in the WPR of women is the ‘U-shaped hypotheses’.<sup>8</sup> According to the hypotheses while plotting a graph taking the economic development of a country and participation of female labour as variables, one will obtain a u-shaped graph. Essentially when the country is still in its developing stage, women participate in agriculture and other home based activities in large numbers. At the next stage of development when industries and manufacturing sector catch up, the demand for male labour is more as compared to women, which in turn pushes the women out of the labour market. As the country develops more the education levels rise, fertility rates drop and the social norms weaken, which lets women get into the labour space again.

But is the u-shaped hypotheses the sole explanation for India not seeing more involvement of the women in the working space? Or is it just over-simplification of the complex evolution of female labour participation by ignoring the other multiple factors at play?

It has been observed by the International Monetary Fund that the lack of involving women in contributing to the labour pool will hamper the economic growth of the country.<sup>9</sup> The female labour force participation rate is 33 per cent which is way below the global average of 50 per cent and the East Asian level of 63 per cent.<sup>10</sup> It has been agreed by scholars that when women are able to invest their full potential in the labour market there has to be consequential macroeconomic growth.<sup>11</sup> It thus becomes necessary to understand the reasons behind the low per cent of women representation in the labour sphere and what can be the measures adopted to better the same.

### **Causes for the Decrease of Female Labour Participation**

There are myriad reasons that force women to stay out of the job market, some of which are fairly obvious. These include caste, religion, and marital status of the women among other socio-cultural norms as well as those related inadequate infrastructure. Due to a number of restrictions placed on married women by their husbands and in-laws they end up withdrawing themselves from the job market and taking care of household duties.<sup>12</sup> Studies have indicated that women have chosen to leave their jobs in the past since they had to weigh family commitment over working.<sup>13</sup> This is already a known and established fact that women spend a lot of their time on childcare and household tasks all of which remain unaccounted for during the financial accounting.<sup>14</sup>

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<sup>8</sup> Report (2014), ‘Female Labour Force Participation in Neighboring Countries’, IZA-World of Labour.

<sup>9</sup> Article (2015), ‘Indian Growth Stunted by Women’s Exclusion, says IMF’, The Financial Times, March 16, 2015. Available at <http://www.ft.com/cms/s/0/bc55c5b0-cbc0-11e4-beca-00144feab7de.html#axzz3imzSBnmm> Accessed on 14.8.2015

<sup>10</sup> Working Paper (2015), ‘Women Workers in India: Why so few among so many?’. International Monetary Fund. Available at <http://www.imf.org/external/pubs/ft/wp/2015/wp1555.pdf> Accessed on: 14.8.2015

<sup>11</sup> Supra 3

<sup>12</sup> ILO Asia Pacific Working Paper Series (2014), ‘Female Labour Force Participation in India and Beyond’.

<sup>13</sup> Report (2012), ‘Women Matter: An Asian Perspective’, McKinsey & Company. Available at [http://www.mckinsey.com/client\\_service/organization/latest\\_thinking/women\\_matter](http://www.mckinsey.com/client_service/organization/latest_thinking/women_matter) Accessed on 14.8.2015

<sup>14</sup> Supra 3

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One other very significant factor for women being not absorbed in the labour market is the lack of suitable jobs. This is a very serious concern since even if all the socio-cultural issues regarding working women are rectified; they still would not be absorbed in the workforce because of lack of appropriate jobs. This trend is seen especially in case of women who have attained higher education. It can be observed from figure 3 that at 13.9% the unemployment rate among women living in the urban areas is the highest in case of women who are graduates or have a degree higher than that. A possible reason suggested by a study for this situation is that well qualified women do not wish to engage in menial jobs due to social stigma that condemns them for engaging in jobs below their calibre thereby underlining their inadequacy to find worthy jobs.<sup>15</sup> It may be inferred that the lack of jobs equivalent to the qualifications of women is an important factor that is hindering their absorption in the labour market. For a highly educated woman would want to be employed in a job in keeping with her qualifications as it would not be sensible to be involved in menial work which does not require a person to be highly educated. There is evidence to show that a large number of women who stay at home would be keen on working provided the conditions were 'right' which also included the availability of suitable jobs.<sup>16</sup>

### **Policy Measures to Improve Female Labour Participation**

In the early '90s Nobel Laureate Dr. Amartya Sen had coined the term 'Missing Women of Asia' to bring attention to the vast disparity between the sex ratio of males and females in Asia primarily due to infanticide and sex-selective abortion.<sup>17</sup> This same term can be used in context of the present situation in the Indian labour market where women are grossly outnumbered by men and do not have access to equal opportunities. A report of NSSO identifies the kind of assistance required by the women in order to participate in the labour force. While an easy access to finances is their largest concern, a lack of availability of education is the least.<sup>18</sup> In a situation where educated female labour is not being absorbed for productive income generation it becomes imperative that we come up with policy measures to encourage female labour participation which would help in the economic growth as well as economic development of the country as a whole.

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<sup>15</sup> Supra 10

<sup>16</sup> Article (2015), 'Why Do So Few Women Work in India?', Ideas for India, March 27, 2015. Available at [http://www.ideasforindia.in/article.aspx?article\\_id=431](http://www.ideasforindia.in/article.aspx?article_id=431) Accessed on 19.8.2015

<sup>17</sup> Article (1990), 'More than 100 Million Women are Missing', The New York Review of Books, December 20, 1990. Available at <http://www.nybooks.com/articles/archives/1990/dec/20/more-than-100-million-women-are-missing/> Accessed on 14.8.2015

<sup>18</sup> NSSO report no. 550 of 2010

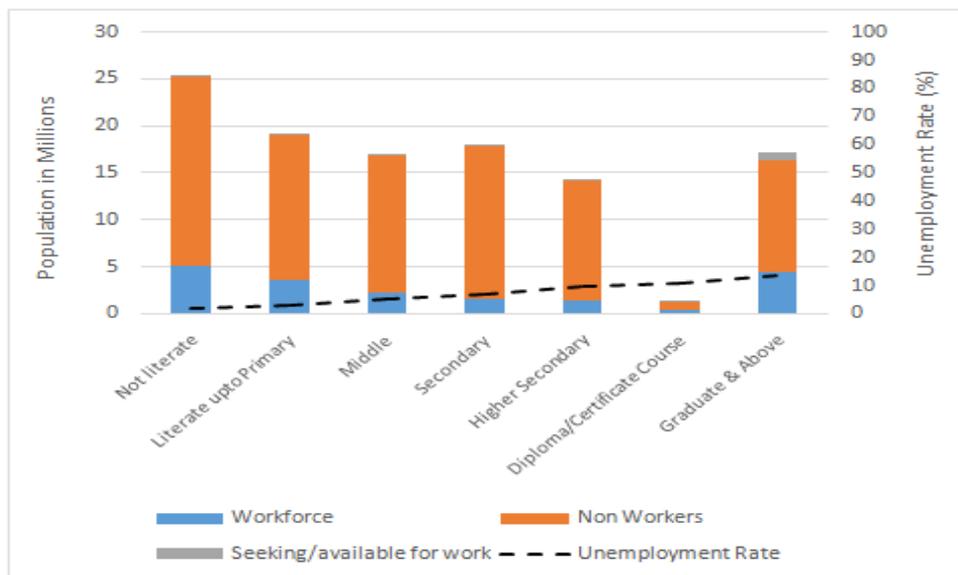
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Following are certain policy change recommendations that could help India in capitalizing on the vast potential that lays unutilised in the form of educate female labour.

Figure 3: Work status of urban women by education levels, 2011-12



Source: Employment and Unemployment Survey, NSSO 2011-12<sup>19</sup>

### Infrastructure Policy Changes

Keeping in mind the fact that women have a greater burden of household responsibilities as compared to men, it is important that they should be relieved of this burden in order to encourage them to take up work. For starters women invest a large amount of their time in taking care of children and the elderly. An NSSO analysis of reasons cited by women who had to quit work identifies the top three reasons as- there was no one to perform household duties (more than 60%), social reasons (15-17%) or they could not afford domestic help (about 10%). The inference that can be drawn is that the ‘stay-home’ phenomenon is not at all indicative of a lack of ambition in the women who have rather opted to stay at home because of other reasons.

In order to let women who have career aspirations take up gainful employment it is necessary that the social infrastructure be strengthened. Doing this will reduce the restrictions that stop them from working. A good start in this direction would be to provide for the establishment of crèches at workplaces which currently is not compulsory in public and private companies. A 2006 draft bill on Crèches in Establishments that is now stalled and a resolution<sup>20</sup> of the Ministry of Women & Child Development recognising the need to “provide and

<sup>19</sup> Article (2015), ‘Urban India and its Female Demographic Dividend’, India Spends, July 30<sup>th</sup>, 2015. Available at <http://www.indiaspend.com/cover-story/urban-india-and-its-female-demographic-dividend-58841> Accessed on 14.8.2015

<sup>20</sup> Resolution No. 16-1/2012-CW-I

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promote crèche and day care facilities for children of working mothers, mothers belonging to poor families, ailing mothers and single parents” is all we have to show for the work done in this regard.

The Rajiv Gandhi National Crèche Scheme for Children of Working Mothers is a scheme that provides for crèche facilities in tribal, rural and urban areas. However, there is no compulsory requirement that makes workplaces adopt this scheme. A strong need is voiced by the working women in society at large for establishing crèches in public as well as private enterprises so that this does not become an impediment in their employment opportunities.<sup>21</sup>

Establishing a sound system of day care facility for children alone has resulted in a spurt of growth in female labour participation rate across the world. In 1986 in Colombia a programme of ‘community mothers’ was started where the parents elected the ‘community mothers’ to take care of their children under the age of 6 years while they worked. A study conducted in 2004 found that the employment of women due to this move had gone up by 25 per cent.<sup>22</sup>

Also, investment in infrastructure like provision of regular electricity and water supply helped women in doing their household tasks thus leaving them time to be employed. Positive results of this move can be best seen in rural and semi-urban areas where access to basic facilities like water and electricity is difficult. As a matter of policy change establishing an extensive and regulated system of providing domestic help to the houses is desirable especially in urban areas where families depend on help to maintain their houses. This would help in job creation for the women hired as help, giving them job security benefits as well since the system will be organised and it will also prevent them being exploited. Additionally by providing them with skills in aspects of housekeeping (like cleaning, cooking, child rearing, elderly care etc) they can provide skilled and professional help to the working women. This policy change can serve a two-fold purpose of providing viable job opportunities for the strata of women working as domestic help and also allowing the educated women a chance to fulfil their career aspirations by getting involved in gainful employment. For instance, in Japan babysitters and housekeepers until now had remained unregulated. They did not need to register their business and they were outside the purview of government policy. Beginning 2015, babysitting will now be classified as “visiting childcare services” in Japan and options will be explored to provide tax deductions or credits from the standpoint of alleviating such expenses for women working outside the home.<sup>23</sup> Thus it is being recognised by other countries as well that by building a strong network of helpers for domestic activities in homes will aid in letting women make their contributions for the development of the country.

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<sup>21</sup> Article (2014), ‘How Crèches at Indian Offices can Empower More Women to Work’, Women’s Web, July 24, 2014. Available at <http://www.womensweb.in/2014/07/more-creches-at-indian-offices/> Accessed on 18.8.2015

<sup>22</sup> Report (2012), ‘Global Employment Trends for Women’, ILO

<sup>23</sup> Article (2014), ‘Rethinking Personal Tax Exemptions to Mobilize Women’s Power’, The Tokyo Foundation, August 6, 2014. Available at <http://www.tokyofoundation.org/en/articles/2014/rethinking-personal-tax-exemptions> Accessed on 18.8.2015

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### **Legal Policy**

An overhaul in the Labour Laws of the country has become necessary in order to make working more comfortable for women. It has been observed that stringent labour laws reduce female participation in urban areas.<sup>24</sup> While the clause in the Factories Act, 1948 that disallows women to work at night is supposed to be changed in order to bring about gender parity, doing so is not the end of it. There is an urgent requirement of infrastructure in order to ensure the safety of women who will be working in these night shifts.<sup>25</sup> A change in legal policy has to go hand in hand with simultaneous infrastructural investment.

A study of MNREGA reveals that the specific steps it had taken to improve the participation of women, like the 33% job reservation and workplaces to be within 8 km radius of their houses, did result in an increase in their participation. It also helped in diluting social stigma associated with working women by giving them opportunity to do suitable work and further gave them financial independence as they had control over their monetary resources maintained in their own bank accounts.<sup>26</sup>

Changes in the pension system have also seen positive outcomes in encouraging people to enter the labour market. By directing changes in the pension schemes as well as increasing the pension age women can be encouraged to opt for working rather than staying at home. A number of countries have used this measure to increase their female labour participation rate. Romania, France, Italy and Jamaica have all increased the retirement age of women up to 65 years in order to increase their participation in the workforce.<sup>27</sup> A similar policy measure in India that allows women to work for longer would serve as an incentive for them to be a part of the labour market.

Thus when specific changes are brought about in regulations dealing with workers desired results can be obtained. Introducing flexible working schedules, providing opportunities for working part-time in jobs meant for educated women and rigorous attempts at financial inclusion will go a long way in easing the way for women into the labour market. For that matter even ensuring that the existing laws are implemented (like the Vishakha Guidelines Against Sexual Harassment at Workplaces) will encourage women to leave the confines of their homes to work.

### **Recruitment policy**

While engaging in recruitment it needs to be understood by corporations and organisations themselves that a gender diverse pool of employees, at the base as well as the managerial level, is going to give them better results. This idea was tested in the McKinsey study<sup>28</sup> where nine dimensions of organizational health for managing a corporation were identified, which included-coordination, direction and control, motivation etc.

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<sup>24</sup> Report (2015), 'Raising the Economic Participation of Women in India', OECD. Available at <http://dx.doi.org/10.1787/5js6g5kvpd6j-en> Accessed on 15.8.2015

<sup>25</sup> Article (2014), 'If Industry Complies with Labour Law Night Shifts will be Much Easier for Women', The Business Line, August 13, 2014. Available at <http://www.thehindubusinessline.com/news/if-industry-complies-with-labour-law-night-shifts-will-be-much-easier-for-women/article6313867.ece> Accessed on 14.8.2015

<sup>26</sup> Supra 22

<sup>27</sup> Supra 22

<sup>28</sup> Supra 13

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among others. It was realised that both men and women acted on different dimensions. While women were better at people development, role modelling and accountability; men were more suited for individual decision making and control and corrective action. It is important for the companies to realise that for obtaining the maximum dividend from their employees they will require the specific skills of both the genders. Once this realisation dawns upon organisations they would themselves adopt policies to encourage female employees to work with them.

Another important observation that can be made among working women is that a majority of times they withdraw from the job market during their late 20s for the sake of growing their families by bearing children. Subsequent years after child birth are devoted by these women in child care. Because of this they have to stay out of the job market at an age when firms and companies recruit people. This loss of years should not serve as an impediment for women in getting jobs. There needs to be policy that allow for a time relaxation at the time of applying for jobs provided the female candidates have the necessary qualifications. This practice will not be entirely new if adopted in India since countries like Malta and Malaysia have already been encouraging women looking to join the work force after a 'career break' by giving them tax exemptions.<sup>29</sup> The rationale for this move is that educated women should not be prevented from contributing to the economic growth of the country only on the pretext that they do not fall in a particular age bracket.

### **Fiscal policy**

The fluctuations in the labour market can be best viewed as a consequence of fiscal policy in the form of increase or decrease in taxation. In India itself women are encouraged to engage in gainful employment by being offered a number of tax subsidies. In order to further strengthen this policy framework the concept of joint taxation should be introduced for married couples. Through this the couples will be provided a tax cut if they file their tax returns together, thereby encouraging married women to work. The concept of 'marriage tax break' has been used by countries to bring about desired results in the population. For instance United Kingdom will be proposing a relaxation in tax liability of married couples this year in order to encourage family creation.<sup>30</sup> Similarly such a tax relief in India can be targeted to get more women employed post marriage. Likewise Singapore too has special working women friendly tax policies such as a separate working mother's child relief which provides assistance to the working mothers on the basis of the number of children they have.<sup>31</sup>

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<sup>29</sup> Article (2013), 'India Can Learn from Others, Tax policies Should Boost Women Empowerment', The Times of India, July 24, 2013. Available at <http://timesofindia.indiatimes.com/business/india-business/India-can-learn-from-others-tax-policies-should-boost-women-empowerment/articleshow/18536156.cms> Accessed on 18.8.2015

<sup>30</sup> Article (2015), 'Millions Set for Tax Cuts as Tories Promised Married Couple Relief', The Express, February 20, 2015. Available at <http://www.express.co.uk/news/politics/559287/David-Cameron-launches-Government-Marriage-Allowance-tax-relief> Accessed on 19.8.2015

<sup>31</sup> Supra 29

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### Conclusion

It is a fact that a large number of educated women are not being able to contribute to the development of the country due to certain social and infrastructural issues as well as lack of suitable jobs. Other countries around the world dealing with similar crisis at different points in time have brought about changes to extend skill based training to the women, child care facilities, improved system of pensions and strong social security incentives to help women get employed.<sup>32</sup> Even though a few measures have been taken to incorporate female labour in India they have not had the desired effects. For example India introduced gender based budgeting in its budget in 2005 which allocates funds for specific development of the women.<sup>33</sup> While schemes and initiatives are identified to aid development of women appropriate amount of funds are not allocated for them making the entire process of gender budgeting redundant. A simple step like asking companies with more than 250 employees to publish the pay of their male and female employees can subsequently narrow the wage differentials between the genders. Such moves can go a long way in remoulding societal notions that do not consider the work done by men and women at par.<sup>34</sup> While it is important to bring about changes in the policy framework it is equally important to see that they serve the purpose they intended to.

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<sup>32</sup> Report (2012), 'Inventory of Policy Responses to the Financial and Economic Crisis' Available at [http://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_elm/documents/publication/wcms\\_186324.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_elm/documents/publication/wcms_186324.pdf) Accessed on 18.8.2015

<sup>33</sup> Article (2013), 'Paradox of the Gender Responsive Budgeting', The Economic and Political Weekly, May 18, 2013. Available at [http://www.epw.in/system/files/pdf/2013\\_48/20/The\\_Paradox\\_of\\_Gender\\_Responsive\\_Budgeting.pdf](http://www.epw.in/system/files/pdf/2013_48/20/The_Paradox_of_Gender_Responsive_Budgeting.pdf) Accessed on 18.8.2015

<sup>34</sup> Article (2015), 'David Cameroon Sets Out to Plans to Tackle Gender Pay Gap', BBC, July 14, 2015. Available at <http://www.bbc.com/news/uk-politics-33515629> Accessed on 18.8.2015