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A Statistical Portrait of the Indian Female Labor Force

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Introduction:

The female labor force participation rate (FLPR) in India has exhibited significant fluctuations over the decades. Despite strong economic growth, declining fertility rates, expanding educational opportunities, and improved infrastructure, the FLPR in India has generally trended downwards since the 1990s. This metric is crucial for economic development, as increased female participation can drive sustained growth. According to McKinsey Global Institute's report, "The Power of Parity: Advancing Women's Equality in Asia-Pacific," increasing women's labor force participation by ten percentage points could contribute to over 70% of potential GDP growth opportunities in India. Thus, leveraging the country's large female population for economic activities is essential.

India's FLPR trajectory stands in stark contrast to many G20 economies, which have maintained or improved their FLPR over the past two decades. In 2021, India recorded the lowest FLPR among G20 nations, reflecting a persistent decline since the 2000s. Historical data indicates that the FLPR rose from 24.1% in 1955 to 33% in 1972, only to gradually fall to around 23% in 2017. Encouragingly, this trend has begun to reverse, with the FLPR climbing to 33% in 2021. This increase is largely driven by factors specific to location and industry, notably the growing participation of women in agriculture in rural areas.

This report aims to address two key questions:
1. What explains the changing trend in FLPR from 2017-2018 to 2021-2022? and
2. What accounts for the heterogeneity across demography and industries in India regarding FLPR?

These questions are explored using the latest estimates from the Periodic Labour Force Survey (PLFS) conducted between July 2021 and June 2022.

Key Findings

- **Rural vs. Urban Disparity**

Female Labor Force Participation Rates

In India, the FLPR is consistently higher in rural areas compared to urban regions. From 2017 to 2022, the rural FLPR increased from 25% to 37%, while the urban FLPR rose from 20% to 24%. This disparity is driven by the predominant involvement of women in agricultural activities in rural areas,

which often involve low-earning or unpaid roles. In contrast, urban areas tend to offer more regular salaried jobs, which typically provide higher earnings.

Job Distribution and Wages
The job market in rural India is heavily skewed towards agriculture, which results in lower wages for women workers due to the high supply and low value addition of agricultural labor. The majority of female employment in rural regions comprises low-earning, unpaid family work, and own-account work. In urban areas, however, higher-paying regular salaried jobs dominate the employment landscape for women.

- **Industry Influence**

Sectoral Employment
Agriculture remains the dominant sector for female workers in rural areas. However, as household incomes rise, the share of women employed in agriculture decreases, with more women transitioning to manufacturing and services. In urban areas, the services sector employs a larger proportion of women, especially in higher income brackets. This sectoral shift highlights the dynamic nature of employment patterns influenced by economic factors.

- **Education and Employment**

Relationship Between Education and FLPR
The FLPR demonstrates a U-shaped relationship with education levels. Women with diplomas or certificates exhibit the highest participation rates, followed by those with postgraduate degrees. This indicates that both lower and higher educational attainments significantly influence women's decision to join the labor force, while those with secondary education show lower participation rates.

- **Geographical Variation**

Regional FLPR Differences
There is significant geographical variation in FLPR across India. States in the northeast and along the Himalayas, such as Himachal Pradesh (66%), Sikkim (58%), and Nagaland (51%), have higher FLPRs compared to the national average of 33%. Conversely, states in the Indo-Gangetic plains, including Bihar (10%) and Delhi (12%), have lower FLPRs. Southern and western states like Telangana (45%) and Andhra Pradesh (43%) perform better in terms of female labor participation.

- **Social Security and Training**

Access to Social Security
Very few women workers in India receive social security benefits. This lack of social protection is a significant barrier to improving the quality of female employment and ensuring economic security for women workers.

Impact of Skill Training
Informal skill training does not significantly enhance wages for women workers compared to formal skill training. Formal training programs are more effective in equipping women with market-relevant skills that can lead to better-paying jobs and improved economic outcomes.

- **Marital Status and FLPR**

Influence of Marital Status
Married women in rural areas participate in the labor force at higher rates compared to their unmarried counterparts. In urban areas, the participation rate is nearly the same regardless of marital status. This suggests that marriage may not be a significant barrier to labor force participation in urban settings, but it plays a role in rural areas.

Conclusion
The report underscores the complexity of female labor force participation in India, shaped by regional, educational, and sectoral disparities. While recent improvements in FLPR are encouraging, particularly in rural areas, significant challenges remain. Enhancing job quality and providing social security for women are critical steps toward leveraging the full economic potential of India's female population. Addressing these issues is essential for achieving sustained economic growth and ensuring equitable development. The insights from this analysis highlight the need for targeted policies and interventions that consider the diverse socio-economic contexts across India's vast landscape.

Read More: https://www.adb.org/sites/default/files/publication/928471/adbi-statistical-portrait-indian-female-labor-force_0.pdf

Author: Prisha Pachpore, PILOT at Pratham