

DECLINE OF FEMALE LABOUR FORCE PARTICIPATION IN INDIA

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Abstract

This paper attempts to shed light on the causes behind the recent sharp decline in female labour force participation in India and to identify factors underpinning the long-term stagnation in female participation. Through an examination of labour market trends, a series of scenario exercises, and econometric analysis, we analyse four prominent hypotheses of the root causes of declining female participation. The findings in this paper indicate that a number of factors were responsible for the recent sharp decline in estimated labour force participation rates among working-age women. Some factors, such as increased attendance in education and higher household income levels, are no doubt a positive reflection of rapid economic development. Additionally, we find evidence that changes in measurement methodology across survey rounds is likely to have contributed to the estimated decline in female participation, due to the difficulty of differentiating between domestic duties and contributing family work.

Introduction

The National Sample Survey Organization (NSSO) survey on the Employment and Unemployment Situation in India conducted exhibited a marked decline in female labour force participation. The labour force participation rate for women aged 15 years and above fell as compared with the previous survey round. This was driven by declines in female participation rates in both rural and urban areas. The overall female participation rate declined was more than that of male participation.

These declines in participation occurred at a time when India was experiencing high average annual GDP growth of around 8 per cent. It is expected that such a high rate of annual growth over a sustained period would create many new job opportunities and reduce the incidence of poverty. In addition, fertility rates have declined steadily over the past several decades, which would tend to be supportive of increased female participation in the labour market. India also enacted a large-scale public program promoting employment in rural areas. Against this backdrop, the declines in participation appear very puzzling.

The overall female participation rate in India has been persistently low in comparison with other countries in the world. The recent sharp decline in women's participation in the labour market must therefore be viewed in a longer-run context of low and stagnant female participation rates.

Low levels of female labour force participation can have negative economic effects, reducing potential growth rates. An ILO report estimated that global GDP could grow if gender gaps in participation rates moved half way towards the median gap observed across all countries. Given the large potential economic and social benefits of raising female participation in India, this paper attempts to identify the key factors that may explain why women's participation rates have fallen sharply in recent years and why they have stagnated at low levels for a long period of time.

Recent trends in female labour supply

The NSSO surveys measure participation in the labour market according to three different reference periods: one year (usual principal status), one week (weekly status) and on each day of the reference week (daily status). The usual principal status is determined based on the activity on which an individual

spent the majority of his or her time over the past year. In addition to the usual principal status, an individual is assigned a subsidiary status, if he or she worked for a minimum period of 30 days over the past year. It is thus possible for an individual to be classified as inactive according to the usual principal status and as employed according to the subsidiary status.

The analysis of participation in this paper is based on the basis of usual principal and subsidiary status. Individuals who were employed based on the subsidiary status are counted among the active population irrespective of whether they were classified as inactive or active in the usual status. Participation rates based on the usual principal and subsidiary status are higher than rates based on the usual principal status alone, and tend to be higher than the weekly and daily statuses. While analytical results may differ depending on which definition is applied, the overall participation rates for both men and women for each definition have followed the same trends across the five years under consideration.

The sharp decline in labour force participation among females aged 15 to 24 years old, falling was likely driven in large part by increased attendance in education. However, as women in the 25-34 and the 35- 54 age groups also experienced substantial declines in participation, this explanation can only account for part of the recent decline in overall female participation.

Problems in identifying female employment

In conducting its household surveys on employment and unemployment, the NSSO defines economic activity as the “production of all goods and services for market including those of government services, and, the production of primary commodities for own consumption and own account production of fixed assets”. This definition has been consistently applied in each of the four survey periods under consideration and is broadly in line with the definition adopted by the UN System of National Accounts. However, contradictory definitions appear to have been adopted when distinguishing between contributing family workers, classified as employed, and individuals engaged exclusively in domestic care work, who are treated as economically inactive. Despite considering activities such as the free collection of uncultivated crops, forestry, firewood, hunting and fishing for own consumption as economic activities, individuals who attended domestic duties and were also engaged in the free collection of goods for household use are classified by the NSSO, which is considered economically inactive. In addition, it is not clear how survey investigators distinguish between contributing family workers and individuals engaged exclusively in domestic duties within a household. It may be difficult to identify a contributing family worker when work is spread over time in an irregular fashion or when multiple jobs are carried out for short durations.

As a result, a number of individuals may have been classified as inactive in each of the four survey periods under consideration, despite their engagement in market work. In this case, estimates of the labour force participation rate would have suffered from a downward bias. It is expected that this bias would affect women more than men, as evidence from time use surveys in India has shown that women are disproportionately engaged in unpaid work performing domestic duties or care work. Particular concern applies to the survey as it has been reported that this survey round made increasing use of contract workers. These contract workers may not have been trained adequately in classifying individuals according to the definitions adopted by the NSSO. It should be noted here that while this section is concerned with identifying whether measurement issues were a likely contributor to the observed low female labour force participation rates, a separate but closely related issue concerns the

continued allocation of women to unpaid work.

These trends point to changes in the way women who were engaged in contributing family work and domestic duties were classified across the survey rounds. Problems in correctly classifying women in either of these three groups comes as little surprise given the conceptual similarities between persons engaged in domestic duties and those working as a contributing family worker. It appears an increased proportion of this aggregated “contributing family worker/domestic duties” group was classified as contributing family workers, which boosted the estimated female labour force in rural India. In contrast, an increased proportion of this overall group was classified as attending to domestic duties and not as contributing family workers, which reduced the estimated size of the female workforce.

The impact of key factors on female labour force participation in India

In this section, through a scenario analysis we investigate in more detail the four main hypotheses of the root causes of the observed decline in female labour force participation in India, which include:

- i) Increasing attendance in educational institutions;
- ii) Increased household income;
- iii) Changes in measurement methodology across surveys; and
- iv) Insufficient job opportunities for women.

The aim is to develop a better quantitative understanding of the extent to which each of the above factors is affecting overall changes in participation rates. We take each factor in turn, estimating for up to ten different periods the effects of changes in the underlying factor on the overall labour force participation rate.

Conclusion

This paper has attempted to shed light on the causes behind the recent sharp decline in female labour force participation in India, paradoxically coinciding with a period of rapid economic growth, and to identify factors underpinning the long-term stagnation in female participation. Through an examination of labour market trends, a series of scenario exercises, and econometric analysis, we have analysed four prominent hypotheses of the root causes of declining female participation, including women’s increased attendance in educational institutions, increased household income, changes in measurement methodology across survey rounds and insufficient job opportunities for women, stemming from factors such as social status and occupational segregation.

In our scenario exercises, we estimate that the effects of increased education and higher levels of household consumption together accounted. We estimate that the decline in female participation was due to a general lack of employment opportunities for women. We estimate that increased education and household consumption levels accounted decline in female participation, with diminished employment opportunities and other factors.

Through a stylised scenario designed to provide insights into the adverse effect that occupational segregation has on women’s employment opportunities, we estimate that female employment in India could have grown in the absence of occupational segregation, far exceeding the actual female employment growth. Due to a number of factors including social norms, women in India have limited choice in terms of occupation. And as they are disproportionately engaged in occupations experiencing little to no employment growth, this has limited their overall opportunities to seek and find employment. As measurement issues also appear to have played a role in changes in female participation estimates across survey rounds, our findings indicate a need for a careful investigation by the NSSO into

measurement of female activities, particularly with regard to difficulties in differentiating between domestic duties and contributing family work. Reliable measurement, including the design of further time use surveys, across future survey rounds will be essential for the design of policies and programs to enhance employment opportunities for India's women.

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