

Macroeconomic Implications of Gender Inequality and Informality in India

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**Expanding India's Labour Force: Gender, Skills and Migration
IGC India Research Conference: Evidence for inclusive growth**

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The views do not necessarily represent those of the IMF, its Executive Board, or IMF Management.



Key question

What policies are needed to improve labour market outcomes of females in India, while also contributing to aggregate economic activity?

**Women's
economic
participation**

Participation in the labour market
Quality of employment
Gender wage gaps

Macroeconomic

GDP
Unemployment
Share of formal vs. informal economy



A collage of images in the background: a large industrial machine with red and blue components; two students in a classroom looking down at a table; a person working on a circuit board; and a city skyline at night.

Relevance to India



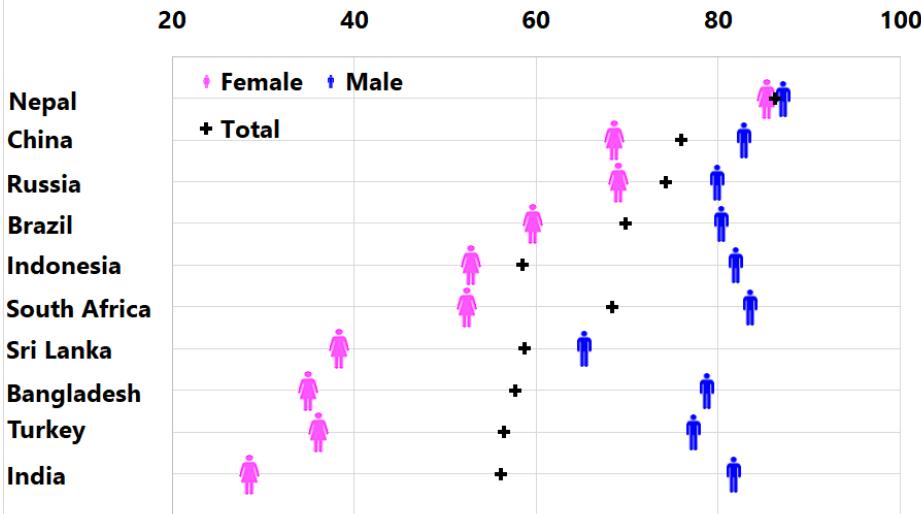
Are females participating in the labour market?

Female LFP lower than its peers, 1/3rd of male LFP...

...and declining over time

Labour Force Participation Rates, 2017

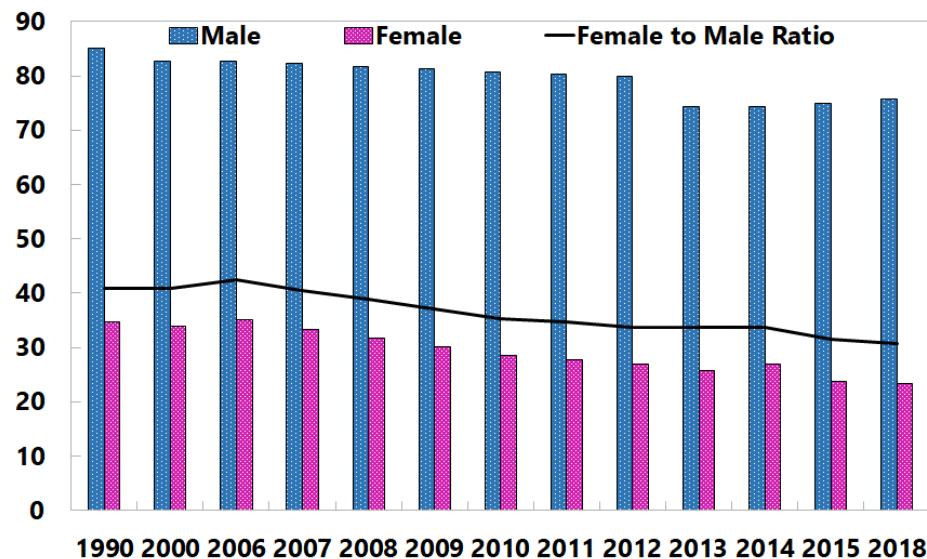
(in percent of population, ages 15-64)



Source: World Bank, *World Development Indicators*.

Female versus Male Labour Force Participation

(in percent)



Source: PLFS (2017-18), NSSO

Why?

- **Supply-side constraints:** social norms, safety concerns, lack of public provisions
- **Demand-side constraints:** lower education/ skills, lack of formal job opportunities, discrimination



How large is the informal sector?

A large informal sector...

...with formal sector hiring more informally over time.

Share of Informality in Labour Market

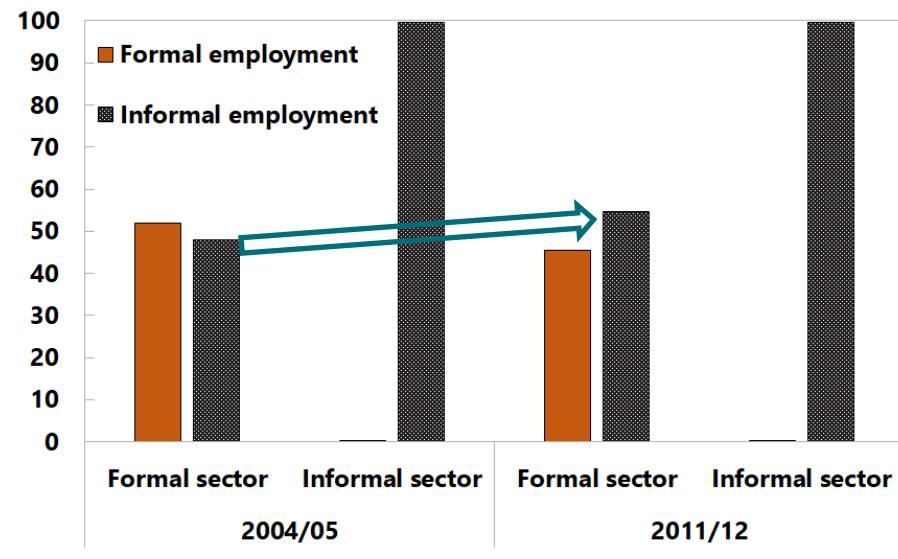
(in percent)



Sources: PLFS (2017-18), NSSO, ILO

Type of employment in each sector

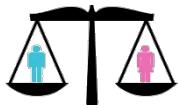
(in percent)



Sources: NSSO

- Less than 20 percent of the workers in the formal sector are females.
- Tight labor and product market regulations have resulted in a large informal sector in India (Besley-Burgess, 2004; Sharma, 2009; ILO, 2012).

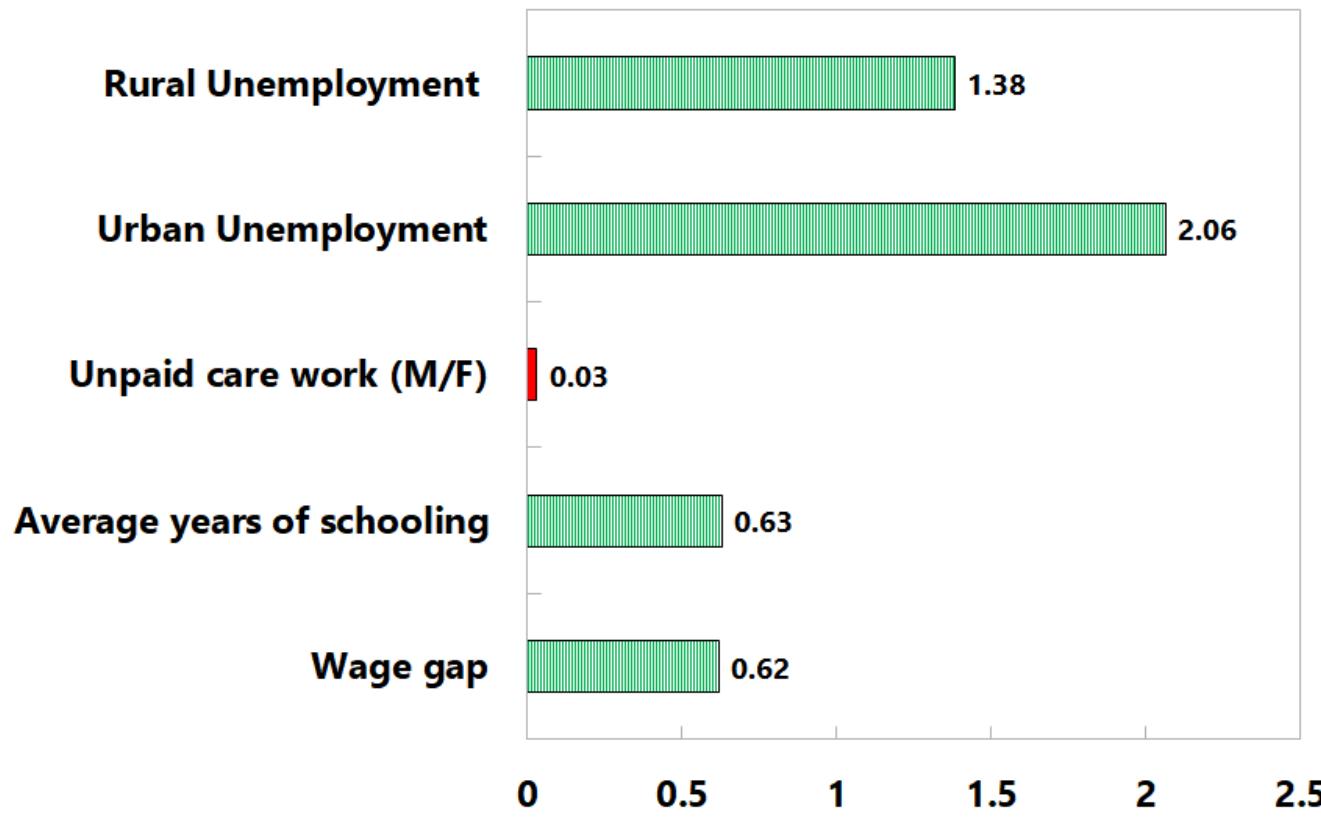
Why?



Do women have equal access to other opportunities?

Moreover, there are gender gaps in wages, education, and unpaid care work.

Female-to-Male Ratio

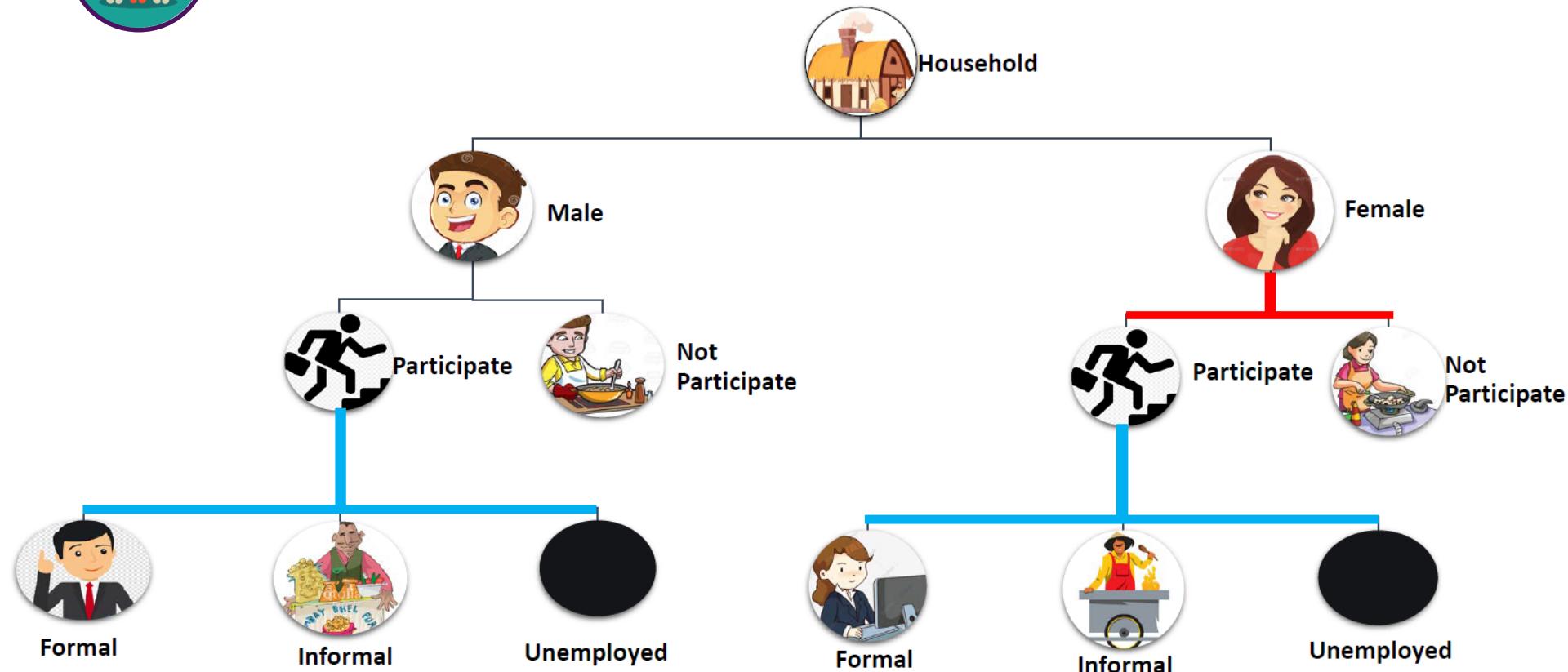




Women's Role in the Labour Market: Macro Perspective



Model & Contribution



Analyze the impact under 3 policies/ scenarios:

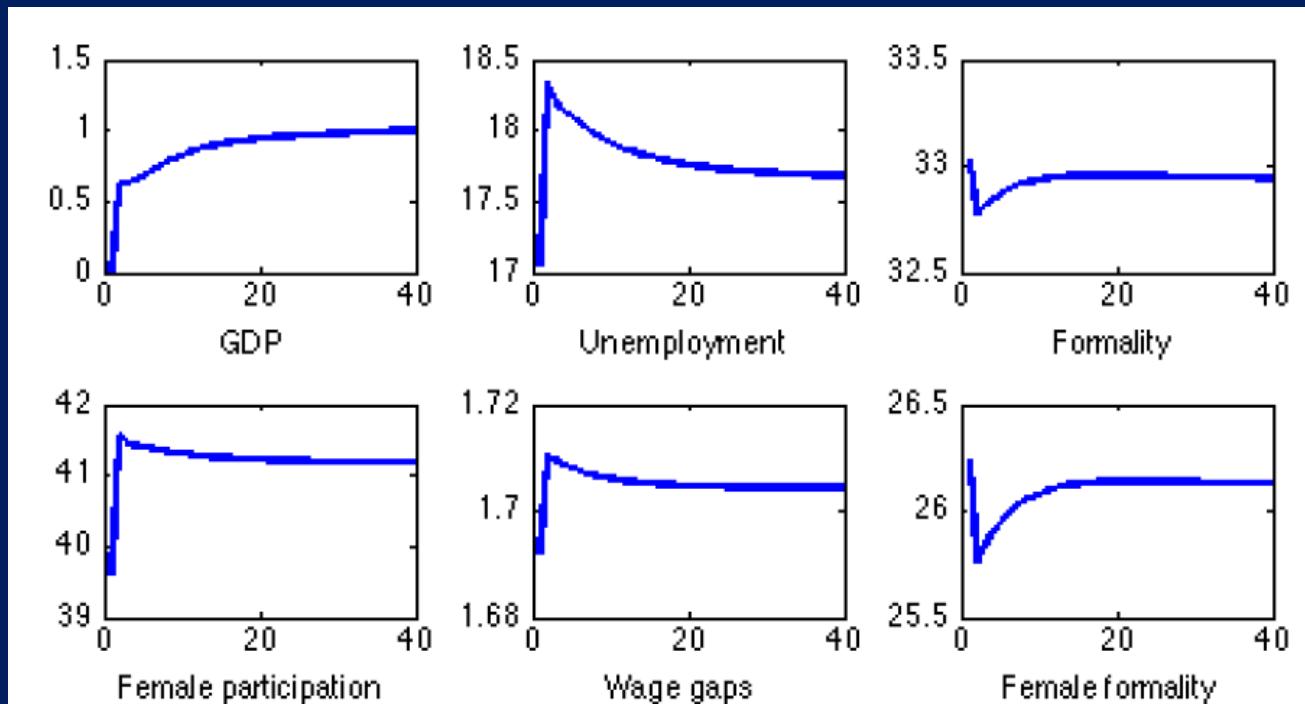
- **Gender-targeted policy**: increase in female safety
- **Deregulation**: less stringent regulations in the formal labour market
- **Combination**



Are gender-based policies sufficient?

Improvement in women's safety and mobility

(women 10% more likely to choose work over staying at home)

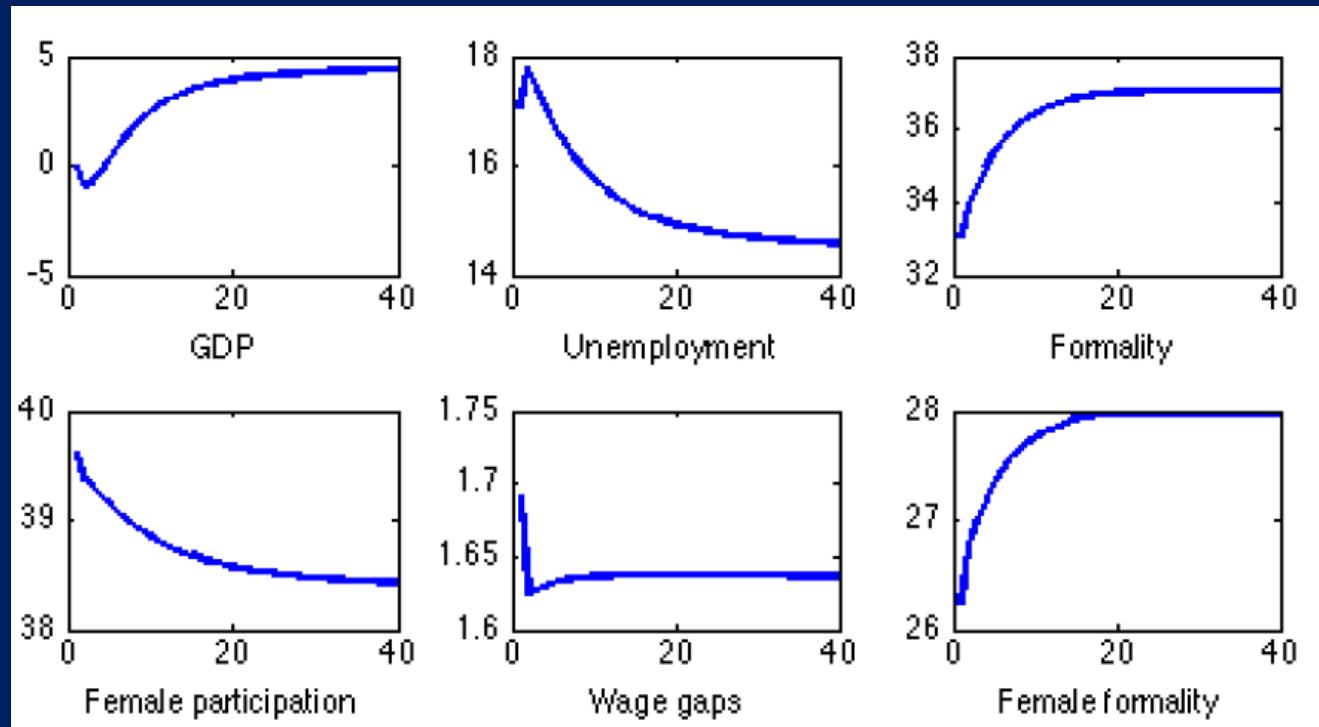


x axis: # quarters



Are labor market reforms necessary?

Lower regulations in the formal labor market
 (10% less costlier for formal firms to hire/ fire workers)





How to maximize economic gains?

Combination of Policies





Policy Implications



Policy Implications

More holistic strategy for women's economic inclusion is needed.

To maximize gains from any gender-targeted policies, deregulation reforms in the labour market are needed.

Adequate infrastructure, public provisions, addressing safety concerns...

Education, appropriate skill training, stricter implementation of anti-discriminatory laws...

Policies should be designed to prioritize getting females into paid work outside the home (i.e. lower constraints on female labour supply), while at the same time...

Less stringent labour market regulations

...making sure that there are enough formal job opportunities (i.e. lower formal labor market rigidities), and...

...that females have access to these formal jobs (i.e. lower constraints on female labour demand).



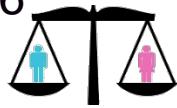




Thank you!



Going beyond?



Does the financial sector serve women?

Unequal access to the labour market leading to gender gaps in financial inclusion? (forthcoming IMF working paper)

