Macroeconomic Implications of Gender Inequality and Informality in India

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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?

- Participation in the labour market
- Quality of employment
- Gender wage gaps

- GDP
- Unemployment
- Share of formal vs. informal economy

IGC
International Growth Centre
Relevance to India
Are females participating in the labour market?

Female LFP lower than its peers, 1/3\textsuperscript{rd} of male LFP...

...and declining over time

<table>
<thead>
<tr>
<th>Country</th>
<th>Female (%)</th>
<th>Male (%)</th>
<th>Female to Male Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nepal</td>
<td>70</td>
<td>80</td>
<td>0.87</td>
</tr>
<tr>
<td>China</td>
<td>55</td>
<td>80</td>
<td>0.69</td>
</tr>
<tr>
<td>Russia</td>
<td>50</td>
<td>70</td>
<td>0.71</td>
</tr>
<tr>
<td>Brazil</td>
<td>40</td>
<td>60</td>
<td>0.67</td>
</tr>
<tr>
<td>Indonesia</td>
<td>35</td>
<td>50</td>
<td>0.70</td>
</tr>
<tr>
<td>South Africa</td>
<td>25</td>
<td>40</td>
<td>0.63</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>20</td>
<td>35</td>
<td>0.57</td>
</tr>
<tr>
<td>Bangladesh</td>
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<td>30</td>
<td>0.50</td>
</tr>
<tr>
<td>Turkey</td>
<td>10</td>
<td>20</td>
<td>0.50</td>
</tr>
<tr>
<td>India</td>
<td>5</td>
<td>10</td>
<td>0.50</td>
</tr>
</tbody>
</table>

Source: World Bank, World Development Indicators.

Why?

- **Supply-side constraints**: social norms, safety concerns, lack of public provisions
- **Demand-side constraints**: lower education/skills, lack of formal job opportunities, discrimination
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).
Do women have equal access to other opportunities?

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

**Female-to-Male Ratio**

- **Rural Unemployment**: 1.38
- **Urban Unemployment**: 2.06
- **Unpaid care work (M/F)**: 0.03
- **Average years of schooling**: 0.63
- **Wage gap**: 0.62

Sources: Census (2011); NSS (68th round), Times User Survey, PLFS (2017-18)
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**
Although FLFP is higher, a large proportion of the increased female participants either get employed in low paying informal jobs or stay unemployed.
Are labor market reforms necessary?

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

Gender gaps worsen, as male workers benefit more
How to maximize economic gains?

Combination of Policies

- Increase in women’s safety
- Labour market deregulation reform
- Combination

x axis: # quarters
Policy Implications
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...

...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).

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

Less stringent labour market regulations

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

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.
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)

Note: Gender Gap=(Male-Female)/Male
Source: Global Gender Gap Report, 2017 WB Global Findex, IMF staff calculations