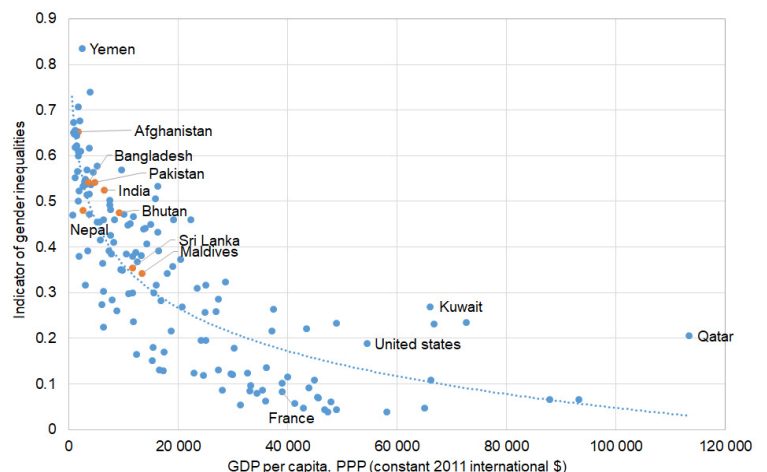


## Female labour force participation in South Asia

*Chloé Stutzmann*

- To quote Kofi Annan, the seventh Secretary-General of the United Nations, "Gender equality is more than a goal in itself. It is a precondition for meeting the challenge of reducing poverty, promoting sustainable development and building good governance". Were women to achieve their full economic potential, there would be a profound effect on economic growth. This would be especially true in South Asia, the region of the world in which there is the most gender inequality on the labour market: in 2018, 77% of men of working age had a job compared to only 25% of women.
- Besides the issue of women's access to jobs, the conditions for labour market participation are unequal. Women in South Asia are afflicted by more job insecurity than men and are disproportionately responsible for unpaid housework, which gives rise, de facto, to a substantial opportunity cost. South Asian women are also underrepresented in positions of authority in the private, public and legislative spheres.
- As the region in which labour market participation is subject to the most gender inequality, South Asia is also the region which could reap the highest potential economic benefits if it were to address this situation. If the gender gap were to be totally closed, it is thought that India could boost its annual GDP by 60% and South Asia as a whole by 48%.
- A number of initiatives to bolster women's economic empowerment and their labour force participation have been rolled out in South Asia. They are wide-reaching, ranging from promoting female education, entrepreneurship and leadership to the broader notion of gender budgeting. Much still needs to be done although South Asia appears to be taking stock of the issue's economic, social and moral stakes and is gradually moving towards more equal participation of men and women in the economy.

**GDP per capita according to gender inequalities**



Source : World Bank and UNDP (2017 data).

Note: The UNDP's Gender Inequality Index (GII) measures gender inequalities in three important aspects of human development: reproductive health, empowerment and economic status.

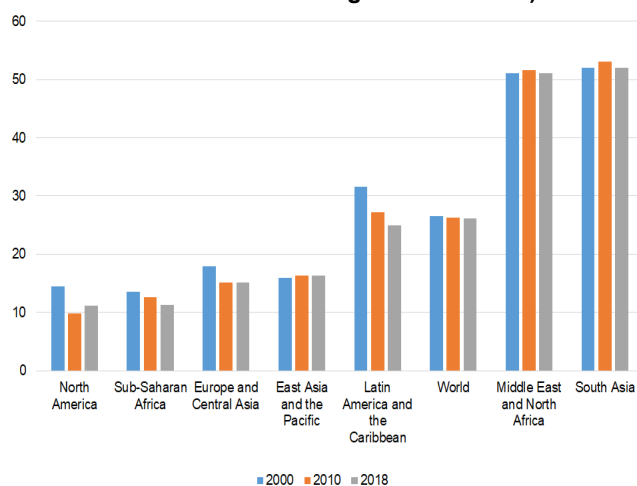
# 1. Significant gender inequalities on South Asian labour markets<sup>1</sup>

## 1.1 A substantial and lasting labour market participation gap

International Labour Organization (ILO) data shows that South Asia is currently the region in the world in which there is the most gender inequality in respect of labour market participation. In 2018, 77% of men of working age had a job in South Asia whereas this figure was a mere 25% for women, giving a difference of 52 percentage points (see Chart 1). In India, which is home to the region's largest economy, the situation is especially worrying as, also in 2018, the country had the region's second most marked gap after Pakistan (54 percentage points of difference in India as against 57 in Pakistan).

The scenario playing out in South Asia is all the more unusual as, whilst most other geographic regions have managed to close the gender gap in participation over the past two decades, the situation has remained very much the same there. Between 2008 and 2018, employment rates for women even fell in Bhutan (by 7.1 percentage points), India (4.6 points), Sri Lanka (1.3 points) and the Maldives (1.3 points).

**Chart 1: Gender gap in labour force participation (percentage points of difference in the participation rates of men and women aged 15 and over)**



Source: International Labour Organization (ILO).

## 1.2 Gender inequality in the quality of jobs

Conditions for labour force participation are worse for women than for men. In South Asia, issues are raised

by both the quantity and quality of female employment. Not only are women more afflicted by job insecurity than men but the opportunity cost of their participation is also much higher as they are disproportionately responsible for unpaid housework. Women spend 6.5 times more time on unpaid work than men in South Asia. This figure is the highest worldwide where the global average ratio is three times more. This burden may cause women to focus on lower standard, informal or home-help jobs which are often less well paid so as to balance housework and paid employment. The overly-high number of women holding down low-paid jobs widens gender pay gaps.

Women's work may also be under-estimated due to the fact that they hold informal jobs. Women in South Asia are more likely to work in the informal sector than men (ILO, 2018;<sup>2</sup> see Table 1). 90.7% of employed women are in informal employment in contrast to 87% of men. With the exception of Sri Lanka, all South Asian countries subject to the survey post higher informal employment rates for women. The gap is especially marked in Pakistan where 80% of men have an informal job whereas the figure rises to 92% for women. Although informal employment does provide vital income, it is by nature more vulnerable to risks and is likely to offer less effective guarantees such as legislation and organised collective action.

**Table 1 : Share of informal employment in total employment of men/women (%)**

	Total	Men	Women
Bangladesh	89.0	87.2	93.5
India	88.2	87.7	90.0
Nepal	94.3	90.7	97.5
Pakistan	82.4	79.6	92.1
Sri Lanka	70.4	72.5	66.6

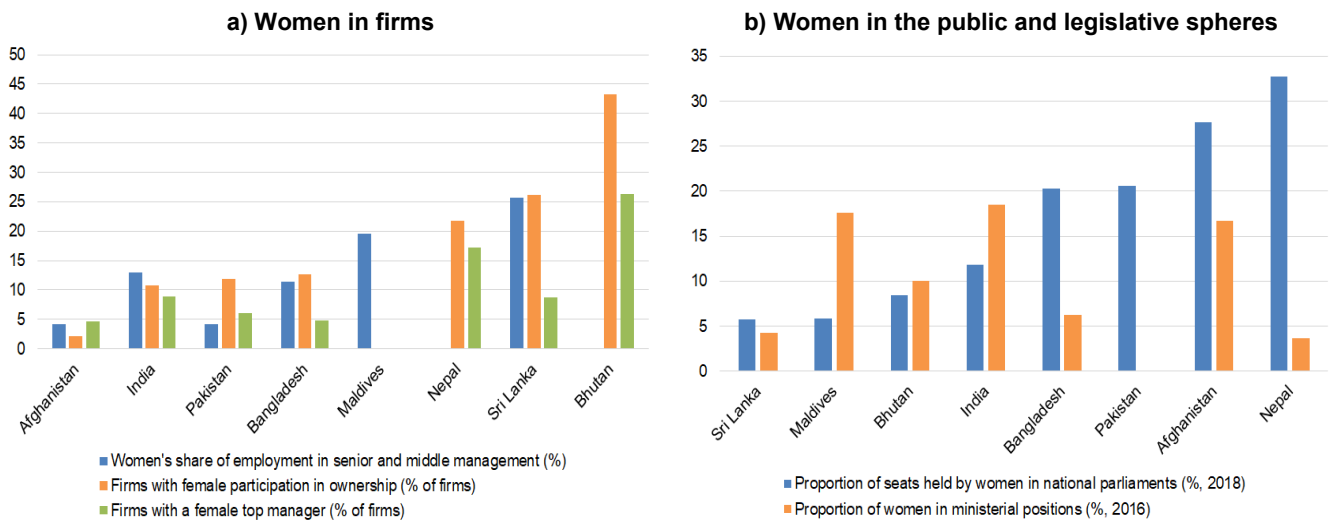
Source: ILO (2018) *Women and men in the informal economy: A statistical picture*.

The gender pay gap is especially wide in India (35%), Pakistan (34%) and Nepal (29%). Low pay also puts a drag on participation. This means that efforts must be made to offer decent jobs as a vital prerequisite for the economic empowerment of women.

(1) This issue of Trésor-Economics was written under the direction of the Macroeconomic Unit of the New Delhi Regional Economic Department (SER) with contributions from the Colombo, Dhaka and Islamabad Economic Departments (SE).

(2) International Labour Organization (2018), *Women and men in the informal economy: A statistical picture*. Third Edition.

**Chart 2: Position of women in firms and in the public and legislative spheres in South Asia**



Source: ILO, World Bank and the Inter-Parliamentary Union (most-recent data).

South Asian women are also underrepresented in positions of authority in the private, public and legislative spheres (see Chart 2). In Afghanistan and Pakistan, only 4% of mid-level and senior supervisory positions are held by women. South Asia has the world's second lowest number of businesses managed by women (11%) after the Middle East and North Africa.

Gender inequalities can be heightened by the fact that women are also less likely to hold political and judicial positions and thereby to have an impact on gender balance in legislation and regulations, and on the manner in which they are implemented. South Asia is the global region with the fewest female ministers as only 9% of these positions were held by women in 2016. There are also many more men than women in national parliaments (only 18% of MPs are women) and the gap is widening. It is the only region in the world where the number of seats held by women has actually declined over the last decade. Nepal and Bangladesh are among the rare countries that are led by women (only 16 countries out of 193 in the world in 2017). Bidya Devi Bhandari has been President of the Republic of Nepal since October 2015 but her role is essentially ceremonial. Sheikh Hasina is currently in her second mandate as Prime Minister of Bangladesh, a position she has held since January 2009.

Lastly, there are few female entrepreneurs at local level and this is probably due to unequal access to funding and technologies. In 2017, 64% of South Asian women had an account with a bank or mobile money service provider compared to 75% of men. Entrepreneurship and raising the capital required to set up or expand a business rely on access to loan and savings services. Unequal access to technology and its use also hinders female entrepreneurship. In India, where only 29% of all internet users are female,<sup>3</sup> women in rural areas often face restrictions on their use of ICTs solely because of their gender.

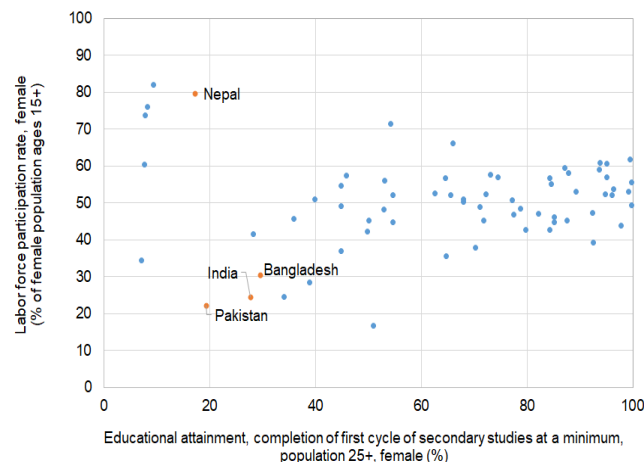
### 1.3 Inequalities persist despite advances in education

This lack of progress in female labour force participation is in stark contrast to ongoing improvements in the educational levels and literacy of South Asian women. Girl/boy enrolment ratios are close to one in primary (1.1), secondary (1) and higher (0.96) education. This means that South Asia is moving towards skills parity without this being reflected by labour market parity either in terms of participation or pay.

(3) UNICEF (2017), The State of the World's Children 2017: Children in a Digital World.

Compared to women's education levels, labour force participation is abnormally low in South Asia (see Chart 3). Nepal is the exception with a particularly high participation rate (80%) especially in light of the average education level of Nepalese women (only 17% of women have completed the first cycle of secondary studies or higher). Conversely, India, Pakistan and Bangladesh post very low female participation rates compared to education levels. For instance, education levels are almost the same in Nepal and Pakistan (17% and 19% respectively) but the female participation rate is substantially lower in Pakistan (22% as against 80% in Nepal).

**Chart 3: Female employment rates in South Asia are low compared to their level of education**



Source: World Bank (2011 data).

## 2. Gender inequalities undermine South Asian economies

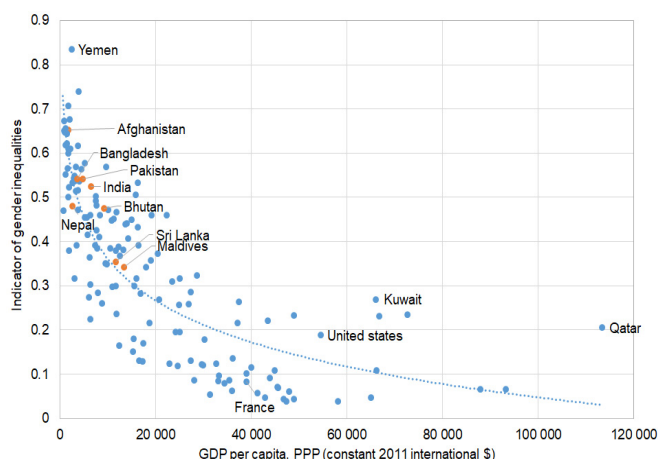
The issue of the contribution of human capital to South Asia's development is crucial and has major repercussions for the region's economic growth. As the region in which labour market participation is subject to the most gender inequality, South Asia is also the region which could reap the highest economic benefits by closing this gap.

Gender inequality goes hand in hand with lower GDP per capita (see Chart on cover page). However, all South Asian countries, with the exception of Nepal, have greater gender inequalities than could be expected given their levels of development, even though they remain fairly close to the trend curve.

Moreover, countries that have rolled out more gender equality policies and programmes tend to have higher GDP per capita (see Chart 4). The lack of gender considerations in Afghan institutions is especially pronounced given the country's development level (point well below the trend curve) whereas, on the other hand, Nepal seems more particularly focused on gender issues in view of its development level.

There are two potential lines of causality. Increased female labour market participation could boost economic development (see below), but the implementation of gender equality policies could also be fostered by economic expansion (stronger call for these policies or bolstered resources earmarked for their rollout in developed countries, etc.). Lastly, other factors could have an impact on both gender equality and economic development.

**Chart 4: GDP per capita according to gender equality policy**



Source: World Bank (2013 data)

Note: The Country Policy and Institutional Assessments (CPIAs) carried out by the World Bank's International Development Association (IDA) evaluate the extent to which each country has promoted equal access for women and men in education, health, the economy and protection under law (1: low; 6: high).

The demographic momentum of South Asia's economies is encouraging for growth. Based on United Nations' data, the proportion of 15-64 year olds in the population should be an average of 66% in 2020, a fifth of whom are aged between 15 and 24 (18% of the total population on average). This concentration of the population represents a "demographic bonus" due to its productive potential for the economy.

Age structures within South Asian economies are positive in the medium/long term with a working age

population that is set to reach almost 1.4 billion in 2030, 670 million of whom will be women, according to the United Nations' World Population Prospects. Nevertheless, low female participation dampens this demographic potential. The total economic dependency ratio could be, de facto, higher than suggested by population forecasts with, at macroeconomic level, adverse effects on available savings, investment and, ultimately, the economic growth of South Asian countries.

A number of studies highlight the macroeconomic repercussions of low female participation in South Asian economies in terms of GDP, growth, income and

productivity. McKinsey (2015)<sup>4</sup> considers that India could increase its annual GDP by 60% and South Asia by 48% by closing the gap between men and women. Cuberes and Teignier (2012)<sup>5</sup> demonstrate that gender gaps in entrepreneurship have a negative impact on aggregate productivity whilst labour force gender gaps reduce income per capita. Gender gaps and the resulting income losses are especially high with a 23% loss in South Asia (excluding India). According to the World Bank, even if 50% of Indian women were to join the work force, the country could boost its growth by 1.5% to around 9% per year.<sup>6</sup>

### Box 1: The indirect adverse effects of gender inequalities

Besides the direct macroeconomic impact of gender inequalities, these may have an effect on a number of variables which, in turn, have a knock-on effect on growth (indirect channels). Gender inequalities can heighten income inequalities, lead to under-investment in human capital, poor corporate performance levels and loss of innovation, and this hampers the growth of South Asian economies.

Many studies have flagged up the inclusion of women as a driver for innovation and performance levels within firms. More equal gender representation in top management could improve corporate governance by bringing informational and social diversity benefits to the top management team (Dezso and Ross, 2011<sup>a</sup>). Ritter-Hayashi *et al.* (2019)<sup>b</sup> show that gender diversity among a firm's owners and workforce, as well as having a female top manager, benefit innovation in South Asia, Africa and the Middle East. By concentrating on India, Esteve-Volart (2004)<sup>c</sup> notes that an increase of 10% in the female-to-male ratio of managers would increase per capita total output by 2%, while an increase of 10% in the female-to-male ratio of total workers would increase per capita total output by 8%.

Although the impact of income inequality on growth is theoretically ambiguous, recent empirical studies point to the fact that income inequality compromises growth. Lower net income inequality is robustly correlated with faster and more durable growth (Ostry, Berg and Tsangarides, 2018).<sup>d</sup> If the income share of the top 20% increases, then GDP growth actually declines over the medium term. In contrast, an increase in the income share of the bottom 20% (the poor) is associated with higher GDP growth (Dabla-Norris *et al.*, 2015).<sup>e</sup> The large gender pay gap in South Asia,<sup>f</sup> and the divergences in labour force participation, directly contribute to increasing income inequality.

Women are more prone than men to set aside a significant proportion of their household income for their children's education. Increased female participation in the economy and income earning could lead to greater

- a. Dezso C. and D. Ross (2011), "Does Female Representation in Top Management Improve Firm Performance?" A Panel Data Investigation.  
 b. Ritter-Hayashi D., Vermeulen P. and J. Knoblen (2019), "Is this a man's world? The effect of gender diversity and gender equality on firm innovativeness".  
 c. B. Esteve-Volart (2004), "Gender Discrimination and Growth: Theory and Evidence from India".  
 d. Berg A., Ostry J., Tsangarides C. & Y. Yakhshilikov (2018), "Redistribution, inequality, and growth: new evidence".  
 e. Dabla-Norris E., Kochhar K., Suphaphiphat N., Ricka F. & E. Tsounta (2015)? "Causes and Consequences of Income Inequality; A Global Perspective", *IMF Staff Discussion Notes* 15/13.  
 f. Particularly in India (35%), Pakistan (34%) and Nepal (29%) (see above).

(4) McKinsey Global Institute (2015), "The power of parity: How advancing women's equality can add \$12 trillion to global growth".

(5) Cuberes D. and M. Teignier (2012), "Gender Gaps in the Labor Market and Aggregate Productivity," Working Papers 2012017, The University of Sheffield, Department of Economics.

(6) <https://www.worldbank.org/en/news/speech/2018/03/17/women-indias-economic-growth>

investment in the human capital of children which would foster long-term growth. Women's employment could be central to poverty reduction in developing economies (Heintz, 2006<sup>g</sup>). Afridi *et al.* (2016)<sup>h</sup> look at the impact of the National Rural Employment Guarantee Scheme (NREGS) in India on children's educational outcomes. The authors find that that increased participation of mothers in the programme is associated with better educational outcomes for their children. Fathers' participation in the NREGS, on the other hand, seems to have a negative effect on children's education. They suggest that greater participation of mothers in the labour market increases their bargaining power and control of utilisation of household income, which would therefore be more geared towards investments in children's education.

g. J. Heintz (2006), "Globalization, Economic policy and Employment: Poverty and Gender Implications".

h. Afridi F., Mukhopadhyay A. & S. Sahoo (2016), "Female labor force participation and child education in India: evidence from the National Rural Employment Guarantee Scheme".

i. India's 2005 Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA or NREGA) provides for a statutory guarantee of up to 100 days of wage employment in a year at a pre-determined rate for rural households (see below). The Act was adopted as part of the National Rural Employment Guarantee Scheme (NREGS), which was initiated in early 2006. The programme is unique in that it includes gender considerations, inter alia, a one-third quota of female participants and an equal wage policy.

### 3. Initiatives to reduce gender inequalities

In view of the social, moral and economic significance of gender equality, a large number of initiatives to boost women's economic empowerment and their participation in the labour market have been rolled out by governments, international organisations and NGOs in South Asia. These initiatives are highly diverse and target many issues ranging from promoting women's education, entrepreneurship and leadership to gender budgeting strategies. Much remains to be done but South Asia appears to be gradually taking stock of the stakes surrounding equal participation of men and women in the economy.

#### 3.1 Women in national plans

One of the most wide-reaching employment programmes introduced in India involves safeguarding rural employment (Mahatma Gandhi National Rural Employment Guarantee Act, MGNREGA). It buttresses employment in rural households by guaranteeing up to 100 days of wage employment per year. The MGNREGA contains gender-related aspects such as a quota of one-third of workdays reserved for women, the provision of on-site childcare if there are more than five children at a given worksite and equal pay for women and men. 43.7 million households benefited from the programme and the introduction of quotas has been broadly successful. Nationwide, female participation has exceeded the one-third quota with women accounting for almost 50% of workdays in 2009-2010. But this participation fluctuates from one state to another. In India's southern states it can be as high as

85% (Kerala), whilst the north, in Uttar Pradesh and Jammu and Kashmir for instance, is far behind with 18% and 6% respectively (Pankaj and Tankha, 2010).<sup>7</sup>

In 2008, the Afghan government adopted the National Action Plan for the Women of Afghanistan (NAPWA 2007-2017), which was the main vehicle for implementing its commitments concerning the empowerment of women and gender equality. To gauge progress towards achieving these goals, 31 indicators that were specific to the plan's pillars were identified in terms of security, legal protection and human rights, leadership and political participation, economy, work and poverty, health and education. The action plan laid a solid foundation for further gender equality and empowerment efforts but is only considered to have been a moderate success as only eight targets were rated as fully achieved. The plan's implementation was thwarted by many factors, including inadequate capacity within the assigned implementing agencies, as well as public resistance to women's empowerment and gender equality. Rolling out programmes for girls' education and women's leadership encountered problems as they went against traditional perceptions of women's roles in society.

#### 3.2 Facilitating access to funding and fostering female entrepreneurship

Improving women's access to financing is a challenge for female entrepreneurship in South Asia. Microcredit programmes have gained significant popularity and

(7) Pankaj A. & R. Tankha (2011), "Empowerment Effects of the NREGS on Women Workers: a Study in Four States".

women have been able to take out small loans and start building a credit history. Bangladesh is a microfinance trailblazer with Grameen Bank, one of the first and largest female-oriented microfinance institutions, whose borrowers were 97% women in 2011.<sup>8</sup>

Nevertheless, discussions surround the effects of microcredit programmes. Banerjee *et al.* (2015)<sup>9</sup> look at the results from the randomised evaluation of a group lending microcredit programme in Hyderabad, India, by a microfinance institution that only lends to women. The programme led to an 8.4% increase in takeup of microcredit. The results show that small business investment increased but that consumption did not rise significantly. Profits increased for businesses that were the most profitable (major impact for those above the 85th percentile of profitability) but use of microcredits did not have a substantial effect on the profits of less profitable firms.

### 3.3 Bolstering female leadership

The Bhutan Network for Empowering Women (BNEW) was set up in 2012 and plays an active part in building networks and heightening women's capacities and leadership so that they can be involved in the governance and development of Bhutan on an equal footing with men. With over 4,000 members spread across the country, BNEW has coverage touching all 205 local governments (Gewogs) in the 20 districts (Dzongkhags) of Bhutan. The Bhutan Women Parliamentary Caucus (BWPC), which was launched in 2019, aims to ensure gender equality in elected offices and leadership by facilitating and organising support for women to succeed.<sup>10</sup>

### 3.4 Cutting time spent on housework

Pradhan Mantri Ujjwala Yojana is a scheme introduced by the Indian Ministry of Petroleum and Natural Gas for providing liquefied petroleum gas (LPG) connections to households living below the poverty line. In India, the

poor have limited access to cooking gas which is mainly distributed in urban areas to middle class and affluent households. Besides the serious health hazards associated with cooking with fossil fuels in the poorest households, LPG connections would reduce the time women spend on cooking. Regular use of LPG for cooking would therefore free up time for paid work in these households.

### 3.5 Promoting education and training for girls

The Adolescent Girls Initiative (AGI), with support from the World Bank, is a public-private partnership to promote the transition of adolescent girls from school to productive employment. It was piloted in Afghanistan, Nepal, Jordan, Liberia, Laos, Rwanda, Haiti and South Sudan from 2008 to 2015 and targeted around 20,000 adolescent girls and young women aged between 16 and 24. The initiative involved pinpointing professions of interest to women that do not conform to stereotypes such as electrician, builder or mobile phone repairer. In Nepal, 4,375 young women took technical and life skills training courses followed by aptitude tests and a placement programme. One year later, average monthly earnings had increased by approximately 45% for the 2010 cohort and 66% for the 2011 cohort.

### 3.6 Gender budgeting

Gender budgeting<sup>11</sup> has become much more widespread in South Asia, especially in India, Bhutan, Nepal, Bangladesh and Afghanistan, with progress depending on the country. Since 2005, the Indian budget has incorporated a gender budget statement which sets out the government's goals in this respect. According to Stotsky and Zaman (2016),<sup>12</sup> 16 out of 29 Indian states have adopted and sustained gender budgeting efforts. States having introduced gender budgeting have made more advances in terms of gender equality in primary education and tend to spend more on infrastructure than the other states.

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(8) <https://www.grameen-info.org/about-us/>

(9) Banerjee A., Duflo E., Glennerster R. and C. Kinnan (2015) "The Miracle of Microfinance? Evidence from a Randomized Evaluation", *American Economic Journal: Applied Economics*, 7(1), pp.22-53.

(10) <https://www.businessbhutan.bt/2019/08/22/strengthening-womens-participation-in-leadership/>

(11) Brunetto A., Debever C., Nakaa M. and L. Rabier (2019), "Gender budgeting in France", *Trésor-Economics* No. 251.

(12) Stotsky J. and A. Zaman (2016), "The Influence of Gender Budgeting in Indian States on Gender Inequality and Fiscal Spending", *IMF Working Papers*, 16(227).

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