

CSE Working Paper  
#22

# Inequalities in the Gendered Labour Market: What can be done?

Santosh Mehrotra

July 2019

Centre for Sustainable Employment

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## **Inequalities in the Gendered Labour Market: What can be Done?**

Santosh Mehrotra  
Centre for Informal Sector and Labour Studies,  
Jawaharlal Nehru University, New Delhi

### **Introduction**

Globally, research has shown that, there is a high correlation between the level of per capita income and the rate of female labour force participation. At the same time the agency and autonomy of women in a country improve with the level of female labour force participation.

Sen (2000) has argued that the autonomy and agency of women in a society and their empowerment is enabled by four conditions in their lives. First the higher the education level of women, the more empowered they are likely to feel. Second, if they are working outside the home, they are likely to feel a sense of autonomy and empowerment. Third, they should also have an independent source of income from that of the significant other in their household. Finally, their empowerment can be usually enhanced if they own assets and have access to them. One can see from this analysis that the first three requirements for women's empowerment are related to each other and to some extent co-dependent. We will keep these considerations in mind as we analyse labour markets and how women engaged with them in different parts of the world.

The importance of labour force participation for women is well illustrated by this extract from a UNIFEM study:

For most of these women, livelihoods remain uncertain, and autonomy provisional, subject to factors outside their control, including the rising costs and care burdens they experience as a result of cuts in government spending and the privatisation of social services. But for a few, those with a paid job or a small business and money they can call their own, economic empowerment conveys the right to imagine a different future. With it comes the courage to stand up against husbands and partners, parents and in-laws, to assert their rights to decide whether and when to have sex, or bear children, to resist violence, to make household decisions (UNIFEM, 2000, p.18).

Women's work outside the home is seen as equally important in the 2030 Agenda for Sustainable Development. More jobs—and quality jobs—for women, universal social protection and measures to recognise, reduce and redistribute unpaid care and household work are indispensable to delivering on the new transformative sustainable development agenda, which aims to reduce poverty (Goal 1) and inequalities (Goal 10), to achieve gender equality (Goal 5) and to promote inclusive and sustainable economic growth, full and productive employment and decent work for all (Goal 8). These reaffirmed the universal

consensus on the crucial importance of gender equality and its contribution to the achievement of the 17 Sustainable Development Goals.

This paper is organised as follows. In Section 1 we lay out the criteria or conditions for decent work, for the general workforce but especially for women. In Section 2 we go on to discuss the labour force participation rate of women by region, and why it is important for inclusive growth. In Section 3 we examine the current reality with respect to the work of women and men, relative to the principles or conditions for decent work as spelt out in section 1. Finally, in Section 4, drawing upon the preceding sections, we discuss both macro-level development strategy, as well as meso-level policies that could promote both the conditions of decent work as well as the labour force participation of women.

### **1. Conditions of Decent Work**

The International Labour Organization (ILO) defines the concept of decent work along these four pillars: full and productive employment, rights at work, social protection and promotion of social dialogue. We assume that the availability of such conditions of work in developing countries would contribute significantly to inclusive growth. However, as we argue, with relatively rapid growth in most developing regions until the global economic crisis (2008), the majority of countries have moved into at least low-middle country (LMIC) status (from low-income (LIC) status), but as a result the majority of the world's poor are also now in LMICs. The four conditions of ILO's decent work are also far from being achieved,

For the most part in LICs and LMICs women's work, especially for the relatively poorly educated, is confined to working on the family farm. 'Full and productive employment' could only be achieved, realistically, if 'unlimited supplies of labour' (Lewis, 1954) were to move to the 'capitalist sector', that is, to industry and services. This should ideally apply to women as well men.

Structural transformation is normally accompanied by a rise in the share of output as well as employment in non-agricultural activities, and a corresponding decline in the share of agriculture (Kuznets, 1960). We hypothesise that if the conditions of work for women in developing countries are to improve they should have a progressively higher participation in non-agricultural work, which itself is contingent upon *reasonably rapid non-agricultural job growth*. In other words, if structural transformation is rapid and is accompanied by non-agricultural job growth then the possibility for women's' labour force participation in non-agricultural work increases. Hence, we suggest that the first condition for women achieving decent work conditions is reasonably rapid growth in non-agricultural employment , where women can take advantage of this job growth. 'Full and productive employment' would not make sense otherwise. In this context, inclusive, rapid non-agricultural job growth would require macro-level interventions to identify the kind of growth needed.

Family labour on the family farm is normally unpaid and therefore also undervalued. In the process of structural transformation labour moves out of agriculture into non-agricultural work as the productivity in both industry as well services is higher than in agriculture. Not surprisingly wages and incomes in agriculture tend to be lower than in industry and services.

The next three conditions of decent work – rights at work, social protection and promotion of social dialogue – are in turn dependent upon the availability of formal work conditions. However, globally, 61 per cent of all workers are informal if we include agriculture, while 50 per cent of workers are informal excluding agriculture. The percentages tend to be much higher in developing countries, as we discuss below. Given that in the developing world, more women are in informal work than men, these three conditions of work for women are unlikely to be realised in the near future. ‘Rights at work’ or the implementation of minimum wage laws, might make realistic sense when there is legislation to reflect such rights. Similarly, ‘promotion of social dialogue’ – the fourth condition for decent work – is itself contingent upon some level of worker organisation. But most women workers are informal, and one of the defining characteristics of informality is the fragmentation of the workforce into millions of miniscule units where work is performed, making it practically impossible to even conduct a ‘social dialogue’ or discuss a minimum wage.

Hence, based on a recognition of these realities this paper proceeds in a slightly different mode. Countries might begin to align to the ILO definition of Decent Conditions of Work only when some preconditions are met, the first of which is rapid structural transformation characterised by rapid growth of non-agricultural jobs. This is a precondition for job growth *for women* in the non-agricultural sectors.

A second condition for better (though not decent) work for men as well as women is *real wage growth or a rise in income from self-employment*, along with job growth. The reality of labour markets in developing countries indicates that the Lewisian transition out of agriculture of “unlimited supplies of labour” (Lewis, 1954) will enable a rise in real wage growth only if the job growth in non-agriculture is fast enough. In other words. the labour market especially in agriculture needs to tighten for real, sustained wage growth to occur across the economy. So, the growth of real wages for men and women is another condition for decent work for women, given that the latter’s market wages are everywhere lower than that of men, regardless of the level of development of a country. In this context, rapid non-agricultural job growth combined with real wage growth would be macro-level interventions that mark the kind of growth needed for it to be inclusive.

A third condition for better (if not decent) work for women is that in their childhood and adolescence they are prepared for the formal non-agricultural job market. This is because employees that manage to access formal jobs have acquired the *education and skills* that are necessary for participation in formal industry and services. In the absence of reasonable levels of education there is a presumption that workers, including women, that move out of

agriculture in search for non-agricultural work will be absorbed in the informal labour force. Thus, another instrument to ensure better conditions of work for women is access to higher quality schooling and vocational training.

A final condition for decent work for both men as well as women is that even if a significant proportion of the workforce including women is engaged in informal work, the state should ensure *social insurance* for such workers. The provision of social insurance in the informal sector can bridge the divide between formal and informal work that is so widespread in the global south. Decent work, as defined by ILO, assumes a formal work environment. Given the growth of informality in the world, inclusive growth must be conceptualised differently from before (as India is beginning to do). It is possible, we argue, for social insurance to be provided even in the presence of informality.

We will keep these criteria in mind when examining women's work in the following three sections.

## **2. Why Female Labour Force Participation Matters for Inclusive Growth**

There is a basic reason why women's labour force participation (LFPR) is so important to their autonomy and for their inclusion in the growth process. Traditionally, in low-income countries women work in agriculture, mostly on the family farm, as unpaid family labour. While this form of work is counted in the System of National Accounts as work, the fact is that such unpaid work has not contributed to their autonomy. Structural transformation involves a rise in the share of industry and services in both output and employment, and a fall in the share of agriculture. Except in Sub-Saharan Africa, this structural transformation has proceeded rapidly, in which a rise in the LFP rate for women becomes an unintended outcome of structural transformation. What is remarkable is that this structural transformation, although gathering pace in South Asia, has not quite managed to raise the LFP rate of women in the region, unlike in other regions of the global south.

Cross-country evidence suggests that female LFPR is high in low-income countries as well as in upper-middle and high-income economies, but relatively low in lower-middle-income countries, creating a U-shaped relationship between national income and female labour force participation (Psacharopoulos and Tzannatos 1989; Schultz 1990, 1991; Pampel and Tanaka 1986; Kottis 1990). This pattern is consistently seen in multi-country studies from the 1950s and 1960s through the 1990s (Sinha 1967; Durand 1975; Goldin 1995; Mammen and Paxson 2000; Juhn and Ureta 2003). As women move out from agriculture or low productive work, the female LFPR falls, bottoms out and then moves upwards (in a U-shaped curve), when they acquire education and return to the labour force at more advanced stages of development to participate in remunerative, non-agricultural jobs.

The gendered structure of labour markets also contributes to this U-shaped trend (Durand 1975). Several researchers have attributed this relationship to changes in labour market structure (Sinha 1967; Durand 1975; Juhn and Ureta 2003), social norms regarding the nature of women's work (Goldin 1995), and cultural factors such as religion, social mobility, and family structure (Youssef 1974; Semyonow 1980; Horton 1996). The Indian scenario possibly resembles the same U-pattern with female LFPR/WPR, with female LFPR declining over a period of very high economic growth, probably to reach its minimum (Mehrotra and Sinha, 2017a; Mehrotra and Sinha, 2017b).

A rise in women's participation in economic activities is intrinsically important for inclusive growth. Women constitute at least half the population, and their contribution to economic production, should be valued as much as their contribution to social reproduction. However, it should also be valued for macro-economic reasons. OECD calculations (OECD 2015) show that in India raising the participation of women in the labour market with a package of pro-growth and pro-women policies can boost the growth rate by about two percentage points over time. Female employment is crucial, not just because it has a positive effect on their own quality of life but also because it significantly improves the living standard of the entire household (Subbarao and Rainey 1993; Dreze and Sen 1989).

However, globally, over the last 20 years, the average labour force participation rate of women aged 25-54 has fallen slightly, from 66 to 63 per cent. There are big regional differences. Women's LFPR has risen slightly in Europe and Northern America, from 76 to 79 per cent, while men's participation rate has fallen slightly from 92 to 91 per cent. In sub-Saharan Africa, where women's LFPR rose from 71 to 75 per cent, men's rate fell from 93 to 90. In Northern Africa and Western Asia, women's participation rate has increased from 29 to 34 per cent, while men's rate has stagnated at 93 per cent.

The most dramatic increase in women's participation rate has taken place in Latin America and the Caribbean, from 57 to 68 per cent. But here also there has been a slight fall in men's participation rate from 95 to 94 per cent.<sup>1</sup>

The rate has fallen significantly in two regions: Central and Southern Asia from 42 to 37 per cent, mainly due to the fall in India (the fastest growing large economy in the world since 2015); and only slightly from 79 to 77 per cent in Eastern and South-eastern Asia. The female LFPR in South Asia is the lowest for any region in the world (barring the Middle East and North Africa, where income levels may be higher but cultural barriers to women's labour force participation are prevalent). Additionally, the gender gap in South Asia was 50 percentage points in 2012. What is worrying is that the gender gap in LFPR in South Asia had increased in the last decade, unlike all other regions where the gap has fallen. This has to be seen in the context that open unemployment is low in South Asia (4.5 per cent) but vulnerable employment (defined as own account workers plus unpaid family workers) is extremely high (at 76 per cent in 2012) among women (ILO 2016).

### **3. Decent Work for Women – Current Realities**

#### *The Predominance of Women in Informal Work in Developing Countries*

It is not just that women have a much lower participation rate in the labour force. They also have large numbers in vulnerable informal employment.<sup>2</sup> In sub-Saharan Africa and in Southern Asia, a high proportion of women work as contributing family workers (34.9 per cent and 31.8 per cent, respectively) or as own-account workers (42.5 per cent and 47.7 per cent, respectively) – who are inevitably informal (ILO, 2018).

More than two-thirds of the employed population in emerging and developing countries are in informal employment (69.6 per cent), while in developed countries less than one-fifth of the employed population (18.3 per cent) are informal. When the share of informal employment is disaggregated by sex, men (63.0 per cent) have higher rates of informal employment than women (58.1 per cent) around the world, but there are actually more countries (55.5 per cent) where the share of women in informal employment exceeds the share of men. Women are more exposed to informal employment in sub-Saharan Africa, the Latin American countries and most low and lower-middle income countries.

Young people and older persons are found to be more affected by informality than persons aged between 25 and 64. So young women are especially exposed to informal employment.

In 2015, a total of 586 million women globally were own-account or contributing family workers (counted as informal self-employed), as opposed to wage workers which has always been seen as a better form of employment (the exception being highly-educated professionals who are well paid self-employed/own account workers). There is a negative correlation between the share of informal employment in total employment and the proportion of waged workers and a positive correlation with the proportion of own-account workers. Women are more likely to be in informal employment than men in countries with the lowest level of GDP per capita.

Globally, women tend to have lower levels of education. People with higher levels of education are less likely to be in informal employment (ILO, 2018). Half of all those engaged in informal employment globally have either no education or only up to primary level of education and just above 7 percent of informal workers worldwide reach tertiary level of education. The positive effect of the increase in the level of education on access to formal employment is obvious among employees and employers, but far less among own-account workers, whose exposure to informal employment remains high (over 60 per cent) whatever their level of education. Nearly 91 percent of women with either no education or primary education are in informal employment as compared to 87.2 percent of men with similar level of education. Among the less educated workers, women have higher levels of informality than men in both developing, emerging and developed countries, but this pattern is reversed among women and men at secondary or higher levels of education.

Women remain over-represented as contributing family workers. Some progress has been made, however, in closing the gender gap in this regard. Globally, the share of contributing family workers has decreased significantly among women (by 17.0 percentage points over the last 20 years) and to a lesser extent among men (by 8.1 percentage points over the same period), resulting in a decrease in the gender gap from 19.5 percentage points in 1995 to 10.6 percentage points in 2015 (ILO, 2016). This trend is part of an economic restructuring shift away from agricultural work, which largely consisted of subsistence and small-scale activities.

Globally 52.1 per cent of women and 51.2 per cent of men in the labour market are wage and salaried workers. This in itself is no guarantee of higher job quality. In fact, globally, nearly 40 per cent of women in wage employment do not contribute to social protection (ILO, 2018). This share is 63.2 per cent in sub-Saharan Africa and 74.2 per cent in Southern Asia, where informal employment is the dominant form of employment. In Southern Asia, for instance, informal employment represents over 80 per cent of non-agricultural employment. In three out of six regions, informal employment is a greater source of non-agricultural employment for women than for men (sub-Saharan Africa, Latin America and the Caribbean, and Southern Asia). In this regard, gender gaps in informal employment can reach up to 13 percentage points, as is the case in sub-Saharan Africa.

#### *Trends in Informality Over Time*

Comparable data available over time does not allow us to draw conclusions on global or regional trends. However, there is evidence of diverging trends depending on regions or countries. In Latin America trends seem to show a decrease in the share of informal employment in the recent past such as in Argentina or Peru. Similar trends can also be observed in Vietnam and to some extent in South Africa. In contrast, trends in Europe and Central Asia (with the exception of Armenia), show an increase in the share of informal employment as illustrated by the Russian Federation and Serbia. Finally, several countries such as Pakistan and Côte d'Ivoire remain at a high level of informality without clear downward or upward trends.

#### *Why has Informal Work Persisted in the Global South?*

In the development literature there were early expectations that informal work will disappear with economic growth. However, there are at least two major differences between the conditions under which developing countries are industrialising today, and the conditions faced by the now-industrialised countries over a century ago. First, there have been massive changes in technology. The techniques of industrial production in developing countries used now, usually borrowed from industrialised countries with a rather different factor endowment, mean that the output elasticity of employment is much lower than it was over a century ago.



The technologies imported by developing countries were the product of the second industrial revolution (and to some extent of the third, the digital one) in the advanced capitalist countries. In the phase of import-substituting industrialisation in most developing countries, import and capital-intensive products and technologies inappropriate to their factor endowment created a situation wherein formal sector manufacturing output has grown, but formal employment has not grown commensurately (Stewart, 1974). When labour moved out of agriculture, it did so into urban informal employment.

The second difference in the industrialisation experience of the now industrialised versus the developing countries is the huge demographic pressure faced by the latter during their first industrial revolution, compared to that faced by the former at an earlier comparable phase of development. During the first century after the first industrial revolution began, the total population of Europe grew only from 185 million in 1800 to about 400 million in 1900. However, over the next century (1900-2000) when developing countries were attempting their own industrial revolution, populations growth was much higher. Under the circumstances, the prospects for the formal sector of industry or services to absorb the growth in labour force is very limited indeed. As a result, growth in informal work was inevitable.

Two sets of theories have attempted to explain the continued existence of informal work. The first set emphasises growth performance and patterns, and the second focuses on institutions. The first set (Lewis, 1954; Harris-Todaro, 1970; Maloney, 2004; Fields, 1990; Ranis and Stewart, 1999) argue that output growth in the formal sector has been inadequate, with the consequence that employment has grown in the informal sector as the labour force has expanded. Alternatively, growth in the formal sector might generate low levels of employment because of the technology used with an industry (as we noted above).

The second set of hypotheses focuses on institutions (de Soto, 2000; Woodruff, 2001; Djankow et al, 2002; World Bank, 2007; Heckman and Pages, 2004; Galli and Kucera, 2004; Besley and Burgess, 2004; Loayza and Rigolini, 2006; Lemos, 2007). These include: i. labour market institutions and regulations and ii. the protection and formalisation of property rights.

While these two sets of theories tend to focus on *why* informal work emerged in the developing world, the continued persistence of informality is a result of the pattern of growth that emerged under conditions of rapid globalisation (and in that sense would belong to the second set of hypotheses about institutions, though in this case global rather than national institutions). Globalisation can increase production linkages between formal and informal establishments, for instance, through sub-contracting in global supply chains. This could cause an expansion of an upper-tier informal firm generating *modernising* informal employment (Ranis and Stewart, 1999). Yet it might also cause an expansion of *traditional* informal employment, in that a sizable share of employment in labour-intensive, export-oriented industries is in households (as well as being disproportionately female) (Carr and Chen, 2001).

### *Sectoral Segregation and Gender*

Globally, the services sector has overtaken agriculture as the sector that employs the highest number of women and men. By 2015, slightly more than half of the global working population was working in services (50.1 per cent). While 42.6 per cent of all men work in services, substantially more than half of the world's women are employed in that sector: since 1995, women's employment in services has increased from 41.1 per cent to 61.5 per cent (ILO, 2016).

Sectoral and occupational segregation contributes significantly to gender gaps both in the number and the quality of jobs. Women in employment are over-represented in a narrow range of sectors and occupations. In upper-middle-income countries, more than one third of women are employed in wholesale and retail trade services (33.9 per cent) and in the manufacturing sector (12.4 per cent). In high-income countries, the major source of employment for women is the health and education sectors, which employ almost one third of all women in the labour market (30.6 per cent). Agriculture remains the most important source of employment for women in low-income and lower-middle-income countries. In Southern Asia and sub-Saharan Africa, over 60 per cent of all working women remain in agriculture, often concentrated in time and labour-intensive activities, which are unpaid or poorly remunerated.

Since the last two decades skill-based technological change led to occupational segregation increasing further, notably in developed and emerging countries. Between 1995 and 2015, employment increased fastest in emerging economies. The absolute change in employment levels was twice as high for men as for women (382 million for men and 191 million for women), regardless of the level of skills required. This reflects the gender gaps in employment mentioned above, given that women have lower levels of education. In other words, inclusive growth, where women are included in the absolute change in employment requires women with higher levels of education.

In developing countries, medium-level skills dominate total employment change (68.4 and 77.9 per cent of the change in employment levels for men and women, respectively). The figures for emerging economies are 53.2 and 46.4 per cent, respectively. (ILO, 2016).

In developed economies, on the other hand, high-skilled occupations dominate employment change (65.4 percent for women and up to 76.6 percent for men). High-skilled occupations expanded faster for women than for men in emerging economies, the only group of countries where there is a gender gap in high-skilled employment in women's favour. Meanwhile, low-skilled occupations expanded faster or just as fast for men as for women across all regions.

Gender gaps in the distribution of unpaid household and care work imply that women are more likely to work shorter hours for pay or profit. In both high and lower income countries, women continue to work fewer hours in paid employment, while performing the vast majority of unpaid household and care work. On average, women carry out at least two and a half times more unpaid household and care work than men in countries where the relevant data are available (ILO, 2016). Women, however, continue to work longer hours per day than

men when both paid work and unpaid work are taken into consideration. In particular, employed women (either in self-employment or wage and salaried employment), have longer working days on average than employed men, with a gender gap of 73 and 33 minutes per day in developing and developed countries. Such factors affect their capacity to increase their hours in paid work. Hence, inclusive growth for such women is only possible if men share unpaid care work.

In fact, globally women represent less than 40 per cent of total employment but make up 57 per cent of those working on a part-time basis. Data from 100 countries shows that more than one third of employed women (34.2 per cent) work less than 35 hours per week, compared with 23.4 per cent of employed men (ILO, 2016). Overall, the gender gap for part-time employment between women and men in employment is 11 per centage points. In addition, underemployment is significantly higher for women than it is for men. In some countries in sub-Saharan Africa, time-related underemployment for women is as high as 40 or 50 per cent of total employment.

### *The Gender Wage Gap*

Globally, the gender wage gap is estimated to be 23 per cent; in other words, women earn 77 per cent of what men earn (ILO, 2016). Even when considering hourly wage rates (given the fact that women are working shorter hours than men), women face a gender wage gap, of 10 per cent or more. These gaps cannot be explained solely by differences in education or age but are also linked to the undervaluation of their work and of the skills required in female-dominated sectors or occupations, and the need for women to take career breaks to attend to additional care responsibilities. Reductions in the gender wage gap can be attributed to explicit policy actions to address gender imbalances in the labour market, rather than to general improvements in living standards. Some countries with high per-capita levels are among those with the highest gender wage gaps. We discuss actions that could promote inclusive growth for women later in the paper.

### *The Gender Gap in Social Protection*

The gender gap in employment and job quality means that women have limited access to employment-related social protection, where such schemes even exist. Lower rates of formal wage and salaried employment, together with fewer hours and fewer years in insured employment for women, have adverse consequences for seniority premiums in pay and for coverage by employment-related contributory schemes. Here, maternity cash benefits and health care are especially important in the definitions of inclusive growth for women.

Due to gender gaps at work, coverage by contributory compulsory social protection schemes is lower for women than for men. Globally, the proportion of women above retirement age receiving a pension is on average 10.6 percentage points lower than that of men. Nearly 65 percent of people above retirement age without any regular pension are women. This means that 200 million women in old age live without any regular income from social

protection, compared to 115 million men. While virtually all countries provide some forms of maternity protection for employed women, close to 60 percent of women workers worldwide (nearly 750 million women) do not benefit from a statutory right to maternity leave. Globally, only an estimated 330 million women workers (28.2 percent) would receive either contributory or non-contributory cash benefits in the event of childbirth (ILO, 2016). Levels of non-contributory benefits tend to be modest, however, and are often insufficient to lift mothers and their children, and also older women, above the poverty line.

### *Poverty, Informality and Gender*

When comparing poverty rates between men and women in informal employment, most developing countries and more generally, most countries with a high incidence of poverty show a higher poverty rate for women than for men, meaning that more women than men in informal employment live in households which are below the poverty line. The situation is reversed when comparing poverty rates for women and men in formal employment (ILO, 2018).

## **4. What can be Done?**

The discussion in this section follows two tracks. First, we make a case for a macro strategy that can promote growth, with greater inclusion than seen until now. Second, we make a series of suggestions for meso-level policies, that will help women in particular, as their labour force participation increases in developing and emerging market economies.

### **a. Macro-strategy for Job Growth and Structural Change with Inclusion**

We reviewed the literature on the process of structural change in Asia, Sub-Saharan Africa and Latin America, examining studies that analysed data over a 50-year period (in most cases from 1960 to 2010). One strand of arguments is more pessimistic about the scope of inclusive growth and structural change in developing countries (McMillan and Rodrik, 2011). Another strand, however, offers more ground for hope (de Vries, Timmer, Klaas, 2017; Diao, Harttgen, McMillan, 2017).

We take up the pessimists' argument first. McMillan and Rodrik (2011) argue that historical trends in industrialisation imply that even the most successful countries of the future are likely to fall far short of the industrialisation levels that have been the norm in economic history. They say the data indicates that de-industrialisation is now happening at lower levels of income. Manufacturing's share of employment peaked at above 30 per cent in the United Kingdom and Germany, and at around 25 per cent in Japan and South Korea. But in China, manufacturing employment rose to slightly less than 35 per cent in the mid-1990s before it started to fall gradually. Vietnam, Cambodia, and other smaller countries are unlikely to surpass such levels. The apparent failure of African countries to industrialise to date and the de-industrialization of Latin America have to be seen against this global context. As their

study says, “The industrialisation-led growth model may have run its course. The question is, what will take its place?” (p. 32)

We don’t wish to underestimate their apprehensions; de-industrialization fears are real. However, the authors also have valid counter arguments. First, diversification into manufacturing can sometimes be facilitated by the presence of natural resources. India has vast mineral resources that still lie untapped due to poor policies. Ethiopia has its high-quality livestock to facilitate the production and export of designer shoes. Second, Chinese manufacturers are now looking for low-cost suppliers themselves, a space that Vietnam, Cambodia, and Bangladesh have already occupied, and continue to do so. India is moving in too, and so can countries in Africa. Third, even if the growth in high-income countries has slowed since 2008, there are huge domestic markets in India and regional markets in Africa.

Moreover, as Baldwin (2011) has emphasised, the spread of global supply chains — or “globalization’s second unbundling” — has facilitated the spread of industry from the advanced countries to the periphery. The Southeast Asian countries were beneficiaries of this spread since the 1980s. India is now building an East Coast Economic Corridor (an infrastructure and industrial corridor) to plug into such global value chains. New entrants do not have to build entire supply chains (from intermediate inputs to final products) at home; they can simply join existing global supply chains by producing a narrow range of components.

The first decade of the 21st century was very good for developing countries and their mostly poor citizens. Their economies expanded at unprecedented rates, resulting in both a large reduction in extreme poverty and a significant expansion of the middle class. In fact, their growth rates were an average four percentage points higher than those of the advanced countries—versus only 1.3 percentage points in the 1990s. This growth was led by the efforts of China, India, and a small number of other Asian countries, and assisted by the weaker economic performance of the rich countries. Latin America and Africa resumed growth as well, catching up with—and often surpassing—the growth rates they experienced during the 1950s and 1960s. As a result, the developing countries moved more quickly to close the income gap with the advanced countries, a process known as economic convergence. More recently, however, that process has slowed down—reflecting a narrowing of the advanced and developing country growth rate differentials since 2010—making it unlikely that poorer countries will be able to close the development gap with richer countries soon.

McMillan and Rodrik (2011) maintain that despite significant improvements in policy regimes in Africa—macroeconomic stabilisation, external opening, democratisation—the rate and direction of structural transformation have been disappointing in this region. And in Latin America, although privatisation and liberalisation may have contributed to sector-specific productivity growth, they seem to have done so at the expense of economy-wide productivity.

They also maintain that it is possible to invest significantly in fundamentals (improved governance, human capital, macro-economic stabilisation) – which these countries have

indeed done – without reaping much reward in terms of structural transformation. Since the early 1990s, Latin America has considerably improved its governance and macroeconomic fundamentals, yet structural change in the region has been, if anything, growth reducing. Manufacturing and some other modern sectors have lost employment to lower-productivity services and informal activities (McMillan and Rodrik 2011).

Studies show some facts about the pattern of structural change over the course of development. As countries grow, the share of economic activity in agriculture decreases, and the share in services increases. The share of activity in manufacturing appears to follow an inverted U-shape; it increases during low stages of development as capital is accumulated, and then decreases for high stages of development where higher incomes drive demand for services and labour costs make manufacturing difficult (Herrendorf, Rogerson, and Valentinyi 2014; Duarte and Restuccia 2010).<sup>3</sup>

There is indeed evidence with respect to the phenomenon of ‘premature de-industrialisation’ (in Africa and in India). De Vries et al ((2017) who, like us, are more optimistic, find that in their study of 11 African countries, eight of them have incomes well below the level of income at which the manufacturing employment share begins to decline (as identified by Herrendorf, Rogerson, and Valentinyi, 2014). Additionally, in five countries—Ethiopia, Kenya, Malawi, Senegal, and Tanzania—the employment share in manufacturing is still growing. Of the high income countries in the Africa sample—Mauritius, Botswana and South Africa—Mauritius appears to have followed a path much like the high income East Asian countries in the sample. Manufacturing share of employment and value added reached very high levels and has only recently been replaced by similarly or more productive services. In short, they say, ‘it seems difficult to make the case that Africa is de-industrializing’ (p.16).

In Sub-Saharan Africa, agriculture, at 35 per cent of average productivity, has the lowest productivity by far; manufacturing productivity is 1.7 times as high, and that in mining is 16.8 times as high. Most of the employment in the African sample is in the most unproductive sectors (agriculture and personal services), with roughly two-thirds of the labour force in these two sectors with below-average productivity. Hence, the potential for structural change to contribute to labour productivity growth is still quite large.

Thus, here are some important stylized facts about countries in Africa. First, when the patterns of employment in Africa are compared to the patterns observed in other regions across levels of development, the de Vries et al sample shows that the agricultural employment share is decreasing in income, while the services employment share is increasing. Second, the levels of employment shares in agriculture and services are similar to those observed in other countries at similar levels of income. Third, all of this holds for industry and manufacturing in the eight low-income African countries. Fourth, in Botswana, Mauritius, and South Africa, the patterns in industry are similar but the levels differ, and in the case of manufacturing, the relationship between income and employment shares follows more of an upward sloping line than an inverted U-shape. And finally, structural change

continues to remain a potent source of labour productivity growth in much of Sub-Saharan Africa.

Countries in Africa started with the highest employment share in agriculture in 2000, at close to 60 per cent for all of the African countries and 70 per cent for the low-income African countries. The next highest initial employment shares in agriculture were in Asia, at more than 40 per cent, and in Latin American, at less than 20 per cent. By this measure, African countries clearly had (and still have) the most to gain from structural change. In all country groups, the share of employment in agriculture fell, with the greatest decline in low-income Africa, at 9.3 per cent. The manufacturing employment share only increased in the low-income African countries, while it actually fell in the developing Asian countries and in Latin America. However, this is clearly not the case in India, even though the manufacturing share has stagnated since 1991. But we would argue that that is because of the absence of a concerted industrial policy, both in India, as well as in much of Africa.

2000-2010 was the one of fastest periods of GDP growth in Africa in the last 50 years. Structural change became growth enhancing in Africa during this period. For the African countries from 2000 to 2010, structural change accounted for 40 per cent of Africa's annual labour productivity growth. This positive contribution of structural change to economy-wide growth paints a somewhat more optimistic picture of growth in Africa than did the results in McMillan and Rodrik (2011).

We would argue (Mehrotra, 2018; Mehrotra, forthcoming) that India, much of Africa and many Latin American economies have much greater potential for manufacturing output and employment growth than is recognised by Rodrik (2014) or McMillan and Rodrik (2011). The failure lies in the fact most countries abandoned industrial policy after the onset of the Washington Consensus (and the post-Washington Consensus) policies. Except India and to some extent, Brazil, most emerging market economies also abandoned a planning framework – quite unlike the majority of East and Southeast Asian economies.

We emphasise the 'special' properties of industry—such as increasing returns, learning by doing, and coordination failures—and would call for a 'big push' type of industrial policy (for example, Murphy, Shleifer, and Vishny 1989; Mehrotra, forthcoming on India). Not surprising, UNCTAD (2018) has recently documented the growth in the number of countries that have articulated industrial policies, including in the advanced capitalist countries. More recent work on structural change has typically focused on documenting the facts of structural change and estimating the contribution of structural change to economy-wide productivity growth. New sources of both output and job growth that will accompany industrial growth can thus be tapped, including job growth in modern financial services (banking, finance, pensions, insurance), distribution services (trade, transport, hotels), telecommunications (mobile telephony), apart from government/private services (in health and education).

From a gender perspective, with Klasen (2018) we would argue that all the resulting job growth offers new opportunities for women. The pattern of growth and employment

dynamics matter for women's economic opportunities. While growth based on natural resources does little to promote female employment opportunities, growth strategies based on export-oriented manufacturing can promote employment of women, particularly those with medium levels of education. But we see no special reason why export-oriented manufacturing alone will generate more jobs than production aimed at the domestic market, or for that matter a sub-regional market. As jobs grow with non-agricultural output growth, consumption of industrial goods will expand for those emerging out of poverty, as has happened on a vast scale in China and India (see Mehrotra et al, 2014). Similarly, growth in non-tradable sectors benefiting from government support or facilitation — such as health, education, and public administration — can also be a key determinant of women's employment opportunities.

#### **b. Meso-level policies for better inclusion of women under conditions approximating decent work**

Macrolevel action in terms of an economic growth strategy will be insufficient to achieve inclusive growth that genuinely empowers women. This section discusses supplementary meso-level measures.

##### *Social dialogue and support for member-based organisations of poor women*

Membership-based organisations of poor women have grown, especially for poor working women in the informal sector. These organisations speak out for informal workers, especially home-based workers, in negotiating with contractors and advocating with governments. They bring workers fragmented across sectors and locations together, around demands such as better wages, piece-rates of pay and better work infrastructure.

The growth of these organisations reflects the predominance of women in informal labour. Organisations such as the Self-employed Women's Association in India (SEWA), PATAMABA in the Philippines and Homenet South-east Asia have all been successful in organising informal workers in rural and urban areas. Successful organisation of women domestic workers is seen in Latin America as well as to a limited extent in India. SEWA has now spread across many other developing countries, supporting similar organisations. Since 1998, Women in Informal Employment Globalizing and Organizing (WIEGO) has served as a federation of such organisations.

Women constitute a predominant share of the informal workforce. With growing education and if industrial policy is successful, they will continue to join the formal sector labour force as well. Government support for trade unions will be required, including to enable implementation and not just legislation of minimum wages.

##### *Minimum-wage policies for decent work and inclusive growth*

The Preamble to the ILO Constitution calls for the 'the provision of an adequate living wage'. The ILO Declaration on Social Justice for a Fair Globalization (at the International Labour



Conference, June 2008) urges that wage policies ‘ensure a just share of the fruits of progress to all, and a minimum living wage to all in need of such protection’.

Sustainable wage policies that promote decent work and inclusive growth have several advantages. First, they can contribute to a pattern of sustained economic growth that relies on the progressive increase of domestic consumption by lower- and middle-income groups as a key factor in overall aggregate demand. Second, they can contribute to more social cohesion and social mobility. Third, with less inequality in the labour market, there may also be less pressure for redistribution through fiscal measures, which can alleviate demands on state budgets.

If minimum wages account for both the needs of workers as well as economic factors, they can support the wages of low-paid workers and reduce wage inequality without significant negative impacts on employment (ILO 2018).

#### *Ensure social insurance and maternity benefits to all women*

Providing maternity protection to all women according to international labour standards, especially for workers in the informal sector, has to become a priority for developing country governments. Ideally, this should be part of a social insurance package for informal sector workers (Mehrotra 2016). Maternity protection is a set of fundamental labour rights enshrined in universal and regional human rights instruments and treaties. The Maternity Protection Convention, 2000 (No. 183) includes paid maternity leave and breastfeeding breaks, maternal and child health care, the prevention of exposure to workplace health and safety hazards for pregnant and nursing workers, protection against discrimination in employment and occupation, and a guaranteed right to return to the job after maternity leave.

Paid maternity leave can encourage women to return to work and result in fewer interruptions of their working life, improving their chances to move into higher level jobs and save enough for retirement. Without paid leave and income security, women face a potentially large loss of income. The Government of Mexico has recognised these issues by providing a maternity insurance scheme in addition to employers’ and employees’ contributions (ILO 2016).

#### *Reduce and redistribute unpaid work*

Gender-inclusive equitable growth would be a process in which unpaid care and domestic work is both reduced and redistributed, not only so that women would have more time for paid work, but so that they spend less time in work overall. No one should be overworked. The gendered division of unpaid work – household labour and the kinship structure – govern the entry to and withdrawal of women from the labour force to a large extent.<sup>4</sup> There is an expectation that, from a young age, women will perform the majority of unpaid housework and unpaid care work (Boudet et al 2012). An ILO survey in 33 countries showed that in the performance of household chores, the number of girls aged 7 to 14 far exceeded that of boys. Tasks often included taking care of younger siblings or elders. We discuss the policy implications of this in the next sub-section.

### *Governments should promote paid care*

The paid care sector is a significant source of potential job creation, especially for women. Here too, however, there are significant gender inequalities in terms of the people performing care work and the working conditions of care professionals. Women constitute a high proportion of people in care professions but are often poorly paid and undervalued.

Paid care can be provided through institutional and home-based services. Most home-based care is provided by domestic workers in the informal economy. In some countries, much of this care is provided by public or private agencies. Regardless of the level of informality, the quality of employment is often very poor. Despite a continuous demand for home-based services, few governments have been able to ensure decent working conditions, including competitive wages, full-time work, limits on working time and effective access to social protection.

An assessment of the 2008 financial crisis in ten cities from developing countries surveyed, shows that many informal workers were increasing their unpaid home-based production. Overall, the crisis had resulted in more poverty and other harmful consequences for urban informal workers and their families. The ILO estimates that, post-crisis, 105 countries were considering fiscal adjustments, including pension reforms that might result in cutting old-age benefits. Others are contemplating health-care reforms (56 countries) or other measures to rationalise or further target social provision (107 countries), which could take effect between 2016 and 2020 (Ortiz et al 2015). Job losses and public spending cuts in social benefits and services are typically offset by the additional time and effort devoted by women to caregiving and other unpaid work, with women acting as a “safety net of last resort” in economic downturns (Elson 2014).

Elder care demands will grow globally as the planet ages, with a rising need for long-term care. In 2012, there were approximately 810 million people aged 60 or over worldwide, representing over 11.5 per cent of the total global population. By 2050, this number is projected to reach two billion, where the number of older persons would exceed that of children under the age of 15, and would comprise more than a third of the population in 64 countries (ILO 2016). Currently, the regions with the highest proportion of persons aged 60 years or over (20 per cent) are in developed economies such as in Europe, Australia, Canada and Japan. These proportions are expected to increase in all regions, and at a faster rate in developing economies. By 2050, 10 per cent of the population will be 60 or over in Africa, 24 per cent in Asia and Oceania, and 25 per cent in Latin America and the Caribbean.<sup>5</sup> These will continue to be potential areas for expanding the labour force participation of women.

### *Create an educated and vocationally skilled workforce*

For women, a very important determinant of high levels of informality in the workforce is low levels of education and skills.

Illiteracy among those in the workforce remains a major issue in all low-income and low middle-income countries, particularly among rural female workers. In India, 56 per cent of the rural female workforce is illiterate; 22 per cent have only primary education or less (NSSO 68<sup>th</sup> Round). Illiteracy in India among male workers is just half of that among women. While young girls in many places are getting better educations than their mothers, and therefore could be available, potentially, to join the formal labour force, a lot depends on job growth in the formal labour force too.

General education needs to be backed by technical or vocational options. In India, less than 5 per cent of all senior secondary students join vocational training (Mehrotra, 2014). The enrolment of girls in industrial training institutes tends to be very limited. If gender inequities like these can be addressed, skills development initiatives can support the transition from education to the labour market, from unpaid work to paid work, and from lower end to higher end work.

But training programmes by themselves are not enough. There must be a link to industry needs and economic policies oriented towards job creation. Most importantly, the needs of the growing numbers of girls completing secondary school, especially in rural areas, must be considered. For example, providing training close to where girls live. Options provided at or near clusters of manufacturing activity could ease the move into micro, small and medium enterprises (Mehrotra and Sinha, forthcoming).

#### *Semi-urban areas: need for infrastructure development*

Female workforce participation is higher in rural than urban areas in most developing countries, especially in low and low middle-income countries. But opportunities in villages are limited mainly to agriculture, petty manufacturing and trade, or as family helpers or home-based workers. So, if they want to join the labour market in high value-added industries or take part in skills training, women find few options other than moving to urban areas. In some cases this may not be possible given various socio-cultural restrictions, responsibilities within the family and community, and so on. In many countries, mainly men migrate to urban areas, facilitated by women in the family. It is crucial to enhance public investment in infrastructure for semi-urban areas and even small towns so that there are more work opportunities nearby (Mehrotra 2016).

Safe public transport for girls and women is another factor that can enable them to travel to work away from home. The lack of publicly available and safe transport, especially for women workers with low income, limits labour force participation as it confines them to a smaller pool of potential employers and jobs. It may also reduce their ability to bargain for improved terms and conditions of employment (Dickerson 2002). Where care needs are not adequately met, the lack of available transport only exacerbates women's dependency on a smaller set of job opportunities (Preston and McLafferty 1993).

#### *Ownership of productive inputs*

Laws to enable asset ownership by women are quite biased in developing countries. Even though many women in developing countries are self-employed, they are in largely vulnerable employment as unpaid family workers, in small shops or as vendors, where ownership details are in the male's name. Access, ownership and control of productive resources are crucial in determining the potential of women to produce marketable products and services. Poor women should be supported to own and operate enterprises to add value to the primary products they usually produce, for example, in dairy co-operatives.

### *Access to finance*

Gender-equitable inclusive growth is not restricted to the elimination of gender gaps in access to financial services, but should also be the absence of destabilising volatility and financial crises. Unequal access to formal financial services is a major constraint restricting women who want to start or expand businesses. Inequity in ownership and control over productive assets, lack of access to networks that are largely male dominated and lower levels of financial literacy all restrict women's options. Supply-side barriers include financial institutions without the technical know-how to design products for women clients who might not have property rights or meet standard criteria. Women's businesses are often concentrated in the service sector where output is considered hard to quantify without physical assets, which can pose another barrier in access to finance.

To address these disparities, financial institutions can offer products and services specifically tailored to the financial needs of women entrepreneurs, along with associated sourcing and marketing strategies. Generating awareness about products and services and providing tailored tools to women (such as doorstep services, communication support, simplified approval processes to reduce the number of visits to branches, innovative delivery systems, and tie-ups with non-governmental organisations, microfinance institutions and self-help groups) can reduce transaction costs for women and help them manage risk. More female managers can be hired and trained to increase accessibility for women-owned micro, small and medium enterprises.

## **5. Conclusion**

This paper outlined a macro-level development strategy and meso-level policies to advance decent work and the labour force participation of women. To date, dominant economic growth patterns have not benefited women in terms of the quantity and quality of jobs. As UNIFEM (2000) notes:

For most working women, livelihoods remain uncertain, and autonomy provisional, subject to factors outside their control, including the rising costs and care burdens they experience as a result of cuts in government spending and the privatization of social services. But for a few, those with a paid job or a small business and money they can call their own, economic empowerment conveys the right to imagine a

different future. With it comes the courage to stand up against husbands and partners, parents and in-laws, to assert their rights to decide whether and when to have sex, or bear children, to resist violence, to make household decisions (p. 18).

In this paper we identified trends after the 2008 global financial crisis. Growth has slowed world over, which clearly undermines job creation, reducing the possibility that the falling trend in female labour force participation might be reversed. This underscores the essential case for a well-designed industrial policy. We argue that industrial policy will be critical to sustained growth of productivity through greater reliance on manufacturing, especially to steer an orientation towards domestic and other developing country markets. Emerging opportunities for job growth could help absorb newly educated young women in these countries.

However, on their own, such macro-strategies will not suffice to ensure inclusive growth from a gender perspective. Meso-level policies will be needed for social dialogue and support for women's rights by - trade unions, minimum-wage policies for decent work, social insurance and maternity benefits to all women including those in informal work, the promotion by governments of paid care, creation of an educated and vocationally skilled workforce, focusing on women's skill needs, the promotion of the ownership of productive inputs by women, and finally, much better access to finance for women.

The lack of job opportunities outside of agriculture has meant rising informal labour for both men and women. Most women still work in informal positions, underscoring the argument in this paper for decent work as a key element of inclusive growth strategies.

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1 UN Women 2018 p. 109, which notes that the rates for women are likely underestimates.

2 Two billion of the world's employed population aged 15 and over work informally, representing 61.2 per cent of global employment (ILO 2018). The proportion of informal employment varies in different regions. Among the five main regions, the vast majority of employment in Africa (85.8 per cent) is informal. Asia and the Pacific (68.2 per cent) and the Arab States (68.6 per cent) have almost the same level of informality. In the Americas (40.0 per cent) and Europe and Central Asia (25.1 per cent), less than half of employment is informal. Excluding agriculture, the global level of informal employment falls to 50.5 per cent, but non-agricultural informal employment remains high in three regions (Africa, the Arab States, and Asia and the Pacific).

3 Herrendorf, Rogerson, and Valentinyi (2014); documented this pattern for a panel of mostly developed countries over the past two centuries, while Duarte and Restuccia (2010) documented a similar process of structural change among 29 countries for 1956–2004.

4 As per the 2017 Global Gender Gap Index, among 142 countries, India has the highest difference between women and men in average minutes spent per day on unpaid work – 300 minutes.

5 Europe and Northern America are expected to have the highest shares of people over the age of 60 at 34 per cent and 27 per cent, respectively (UNFPA and HelpAge International 2012).