

Increase in the labour force participation rate

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Introduction:

In recent years, there has been a steady increase in the labour force participation rate, the share of the population that is either working or willing to work.

About Periodic Labour Force Survey:

1. It is a survey conducted by the NSO under the Ministry of Statistics and Programme Implementation (MoSPI) to measure the employment and unemployment situation in India.
2. The NSO launched the PLFS in April 2017.

Evidence Supporting the rise in female labour force participation rate:

1. At the aggregate level, the participation rate (for all ages) rose from 36.9 per cent in 2017-18 to 42.4 per cent in 2022-23 as per the periodic labour force surveys.
2. This increase has been largely driven by women entering the labour force in great numbers, more so in rural areas.
3. In rural India, the female participation rate surged from 18.2 per cent in 2017-18 to 30.5 per cent in 2022-23 — an increase of more than 12 percentage points over a five-year period.
4. Roughly speaking, this translates to around 56 million women entering the rural labour force during this period (this is an estimate based on population projections).
5. The state-wise data shows that female participation increased in both high-income states such as Karnataka and Gujarat as well as in low-income states like Odisha and Rajasthan. And, it occurred across all levels of education.
6. Among the uneducated, the worker population ratio (ages 15 years and above) rose from 29.1 per cent in 2017-18 to 48.1 per cent in 2022-23 — an increase of 19 percentage points in five years.
7. Among graduates, it increased by almost 10 percentage points, rising from 18.6 per cent to 28.3 per cent during this period.

Worrying signs of rise in female participation in workforce:

1. Some have argued that female participation rates have in the past tended to rise during times of financial stress as women stepped out to augment their household incomes. Such a trend was observed during the period 1999-00 to 2004-05, a time of rural distress.
2. Most of these new entrants in the work force were engaged not in regular salaried wage employment or casual wage labour.
3. They were rather self-employed, either in “own account enterprises” or as a “helper in household enterprises”. This indicates the absence of wage/salaried employment opportunities.

4. The share of the self-employed women in rural areas rose from 58 per cent in 2017-18 to 71 per cent in 2022-23. Within this category, a greater number were employed as “helper in household enterprises”.
5. These workers do not receive any regular salary or wages for the work they undertake. For the remaining self-employed, the average earnings (in the last 30 days) rose from Rs 3,921 during April-June 2018 to Rs 5,056 during April-June 2023.
6. This increase in incomes was barely in line with the inflation during this period, implying that real incomes stayed flat or were lower.
7. Under NREGA, women person-days out of the total increased from 53.5 per cent in 2017-18 to 57.5 per cent in 2022-23.
8. As wages under NREGA are less than those paid for female casual wage labour in private markets, this only underlines the absence of alternative, more productive forms of employment.

Other significant trends picked up by PLFS:

1. As the Periodic Labour Force Survey is carried out every year, it allows us to see whether these changes in the labour market follow a steady trend or are there particular years when the jump in the participation rate is more pronounced.
2. As per the data, the sharpest increases in the female participation rate took place during 2019-20, followed by 2022-23 and then 2020-21. Now, the agricultural sector had grown at a fairly healthy rate during this period.
3. Value added by the sector rose by 6.2 per cent in 2019-20 and 4.1 per cent in 2020-21. In 2022-23 as well, the sector grew at 4 per cent.
4. However, overall GDP growth slowed down from 6.5 per cent in 2018-19 to 3.9 per cent in 2019-20, contracting thereafter by 5.8 per cent in 2020-21, as the non-farm sector decelerated sharply.
5. This slowdown in the non-agricultural sector, which began in 2019-20, was in part due to the collapse in the flow of funds to the economy, especially the MSMEs — a consequence of the NBFC crisis, triggered by the fall of IL&FS and DHFL.
6. This MSME-driven employment/income distress only worsened during the pandemic years. Alongside, reverse migration during those years further pressured per capita farm incomes, while also depressing remittance flows to rural areas.
7. Wage growth also remained subdued during this period.
8. As non-farm income accounts for a sizeable share of household incomes in rural areas, this financial distress would have pushed up female labour force participation rates.

Optimistic scenario for future:

1. There are now some indications of the situation perhaps changing.
2. The flow of funds through the NBFC channel has picked up.
3. The quarterly results of several NBFCs point towards healthy credit growth in the personal retail and business finance segments in rural areas.
4. This would grease the wheels on both the consumption and production sides.
5. There are also signs of the smaller firms faring better.
6. In its quarterly results, FMCG major HUL has spoken about the strong performance of smaller players.
7. In the tea segment, for instance, the smaller players are growing at 1.4 times the larger players, while in the detergent bars segment, they are growing six times as fast.
8. This would have implications for employment/income prospects. Alongside, there are also some signs of wage growth picking up.

Conclusion:

The Indian economy is showing signs of resistance to global slowdown. In this scenario, there is a pickup of economic activities in India. It will be a matter of interest to see whether this growth in economic activities will percolate into the growth of female participation in labour force.

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