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Women's Human Development Outcomes in India: A Closer Look at FDI Inflows, Economic Structure and Female Labor Force Participation

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Abstract

Global human development trends display a consistent improvement over time. However, these indicators may not improve at the same pace or even trend in the same direction. India is one such country that displays intriguing trends. While women's education and health outcomes have improved over the years, women's political representation and labor force participation rates are lagging behind. This chapter focuses on female labor force participation (FLFP) in India, which has declined in recent years. I discuss the nature of India's globalizing economy, specifically foreign direct investment (FDI) inflows, in conjunction with the changing structure of the domestic economy, to account for current trends in FLFP in the country. The increasing role of the service sector and the accompanying decline in agriculture and manufacturing sectors along with trends in FDI inflows that reinforces these structural economic changes help explain the recent trend in declining FLFP in India. I analyze national level data from 1990 to 2018 to shed light on the relationship between these domestic and international economic factors and FLFP in the country.

Keywords: FDI inflows, female labor force participation, economic structure, India

A large body of research links globalization and women's human development outcomes. Most recent cross-national empirical studies find that globalization enhances women's well-being.¹ While these studies help us understand general global trends, two important issues can be better addressed in current research. First, there is need to disaggregate different dimensions of women's well-being to better understand how globalization affects its varied dimensions.² Second and more importantly, even though cross-national studies help us understand general global relationships, the link between the two within individual countries may differ. In other words, there are countries that do not fit global empirical patterns.

India is one such country where despite the increasing trend in globalization over the last three decades, the different trends in women's well-being do not follow the global patterns as suggested by recent cross-national empirical studies. Women in India have made considerable progress in health and education outcomes. However, the same cannot be said about women's access to political power and economic empowerment or labor force participation. Women's representation in politics and female labor force participation (FLFP) are both especially low. These trends suggest that women's advancement in some aspects may not translate into advancement in other aspects as is the case in India. This poses an important puzzle and necessitates the need to better understand the lack of advancement in some dimensions of women's well-being outcomes.

This chapter focuses primarily on FLFP in India as it indicates an intriguing trend, with a decline in recent years. The bulk of existing research on India focuses on domestic determinants to explain FLFP. Domestic factors, undoubtedly, play a significant role in influencing FLFP. However, with the increasing trend in globalization over time, we also

¹ Elia Elisa Cia Alves and Andrea Quirino Steiner. 2017. "Globalization, Technology and Female Empowerment: Breaking Rights or Connecting Opportunities?" *Social Indicators Research* 133: 859 – 877; Seo-Young Cho. 2013. "Integrating Equality: Globalization, Women's Rights, and Human Trafficking." *International Studies Quarterly* 57: 683 – 697; Mark M. Gray, Miki Caul Kittilson, and Wayne Sandholtz. 2006. "Women and Globalization: A Study of 180 Countries, 1975–2000". *International Organization* 60 (02): 293 – 333; Eric Neumayer and Indra de Soysa. 2009. "Globalization and the Empowerment of Women: An Analysis of Spatial Dependence via Trade and Foreign Direct Investment." *World Development* 39(7): 1065 – 1075; David L. Richards and Ronald Gellensy. 2007. "Women's Status and Economic Globalization." *International Studies Quarterly* 51: 855 – 876.

² The terms women's status, human development, empowerment, or well-being are used interchangeably in this chapter.

need to incorporate the role of international factors. This chapter discusses the changing structure of the domestic economy in conjunction with the nature of foreign direct investment inflows (FDI inflows) in India to explain current trends in FLFP in the country. An increasing role of the service sector and the accompanying decline in agriculture and manufacturing sectors along with trends in FDI inflows that reinforces these structural economic changes may help explain the recent trend in declining FLFP in India, especially in rural areas. Overall, the chapter demonstrates that the relationship between FDI inflows and FLFP is nuanced such that we need to go beyond examining the extent of FDI inflows and focus on the nature of FDI inflows as it relates to the domestic economy to better understand its impact on FLFP.

The chapter is organized as follows. The next section provides a comparative overview of trends in different dimensions of women's well-being in India and a global sample of countries. It demonstrates the advancement in some aspects of well-being and the lack thereof in others and suggests that it is important to take a disaggregated approach while analyzing women's well-being. The following section discusses the literature on globalization and women's well-being and highlights the shortcomings of existing research to explain current trends in FLFP in India. Furthermore, it demonstrates that the domestic structure of the Indian economy and the nature of FDI inflows collectively can help explain FLFP trends at the national level in India. The final section provides a discussion of primary conclusions of the chapter, policy implications, avenues of future research.

Trends in Women's Well-Being Globally and in India

Women's development or well-being is a broad, multidimensional concept. Elaborating on the concept of well-being, Sen emphasizes the need to conceptualize it holistically and go beyond traditional measures of income to incorporate other dimensions such as health, education, gender equality, and human rights, to name a few.³ Even though this chapter primarily focuses on the economic determinants of FLFP at the national level, the distinct nature of FLFP trend in India can be better understood by contrasting it with trends in other dimensions of women's well-being, both globally as well as in the Indian context. Overall, I focus on four broad dimensions of women's status: women's education, health, political representation, and labor force participation.

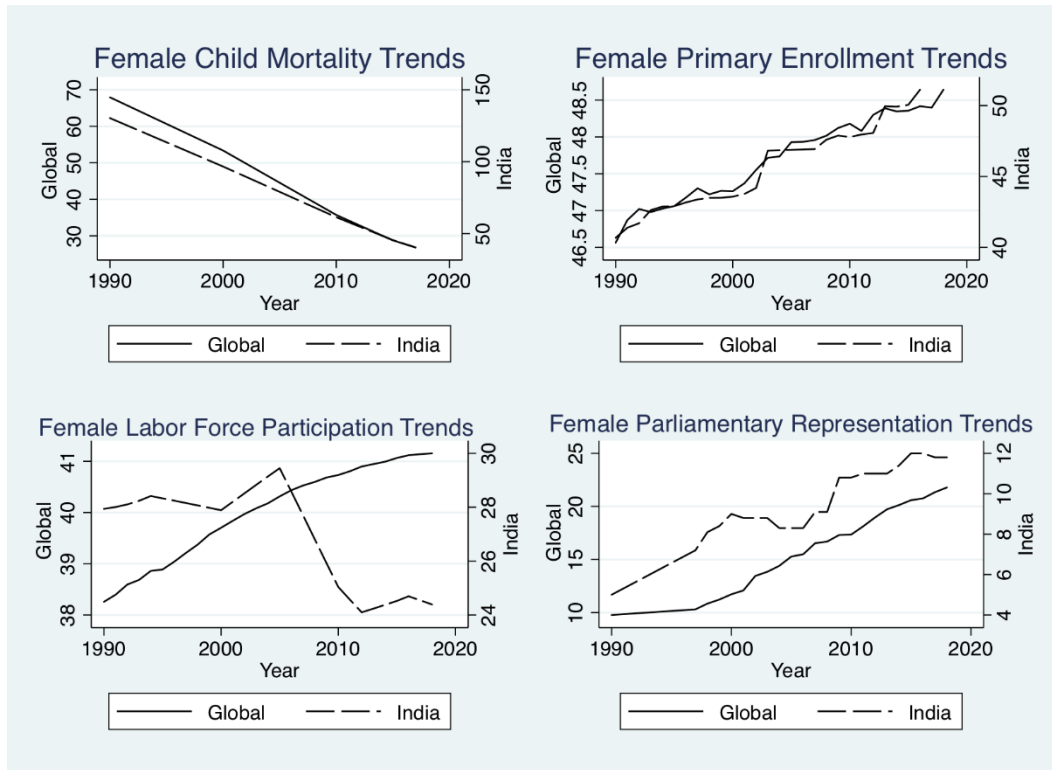
Figure 1 displays trends in these four dimensions in India and compares them to global trends. The top left figure shows the national female child mortality rates in India along with global female child mortality rates from 1990 – 2017. Child mortality measures the number of child deaths between ages 1-5 years per 1000 live births. The top right figure displays female students as a percentage of total students at the primary level of education from 1990 – 2016. Both female health and education outcomes in India and globally have been improving over time.⁴ The bottom right figure displays women's political representation in the Indian national legislature as well as on a global sample from 1990 to 2018. We see that representation of women in national legislatures has steadily increased globally and this trend is prevalent in India as well. However, the average percentage of women in national legislatures globally is much higher than that of India.⁵ Additionally, note that even though both the global average of percentage of women in national legislatures and the rate in India have been increasing, they are both well under 50%.

³ Amartya Sen. 1999. *Development as Freedom*. New York: Alfred A. Knopf.

⁴ Note that these trends hold for other indicators of women's education and health outcomes such as female secondary education, female infant mortality and life expectancy, both in India as well as globally.

⁵ To better understand why women are not adequately represented in state and national level governments warrants a deeper examination. That is beyond the scope of this chapter.

Figure 1: Trends in Women’s Well-Being



Data Source: The data for all four indicators come from the World Development Indicators (2019). World Development Indicators. 2019. “Databank: World Development Indicators.” Washington, DC: World Bank. Retrieved from <https://databank.worldbank.org/reports.aspx?source=world-development-indicators>

Lastly, the bottom left figure focuses on FLFP from 1990 to 2018. FLFP is measured as the percentage of females of 15+ years of age in the labor force. The trend in FLFP in India is particularly distinct as compared to global trends. FLFP in India displays a declining trend over time overall, only increasing slightly since 1990 from 27.9% until 2005 to 29.4% and has been on a declining trend since 2005 with approximately 24% in 2018.⁶ Globally, we see that FLFP has been consistently increasing over time. Overall, we see two noticeable patterns. First, while there is an improvement in women’s education and health outcomes in India, there is considerable scope for improvement in the case of women’s political representation and FLFP. Second, FLFP in India is particularly unique as it displays a declining trend in recent years.

Globalization, Economic Structure, and FLFP in India

There are competing theoretical perspectives linking globalization to status of women in general. The skeptics argue that globalization creates low-paying and low-status job opportunities for women, leads to competition from foreign firms and makes it more difficult for women to launch ‘microenterprises’, among other reasons.⁷ The cautious optimists argue that globalization creates additional job opportunities for women, gives them more autonomy that could enhance their social and political status, and leads to dissemination of gender equity values that enhances

⁶ This trend is based on available data on FLFP in India since 1990.

⁷ Karen Oppenheim Mason. 1986. “The Status of Women: Conceptual and Methodological Issues in Demographic Studies.” *Sociological Forum* 1 (2):284-300; Valentine Moghadam. 1999. “Gender and Globalization: Female Labor and Women’s Mobilization.” *Journal of World Systems Research* 5(2):367-88; Michele Sforza. 1999. “Globalization, the Multilateral Agreement on Investment, and the Increasing Economic Marginalization of Women.” Washington, D.C.: Preamble Center.

women's status in society.⁸ Despite competing theoretical perspectives, several recent cross-national empirical studies demonstrate that globalization improves women's well-being, including enhancing women's labor force participation.⁹

International factors such as globalization undoubtedly are important but its effect on women's status within a country needs to be studied in conjunction with domestic conditions. This chapter attempts to do so. Analyzing FDI inflows is one way to capture economic globalization and the effect of FDI inflows on FLFP in India nationally has yet to be explored in a systematic manner. This is imperative as globalization is unlikely to be reversed completely, despite temporary setbacks. Contrary to what recent cross-national empirical studies suggest, we see that while India has become more economically integrated globally, FLFP in India has in fact been declining in recent years.

Determinants of FLFP in India: A growing body of research analyzes the determinants of FLFP in India. These determinants range from micro individual-level, cultural, to national economic determinants. Among the micro-determinants, several individual-level factors could help explain lower levels of FLFP in the country. This trend in women's economic participation is especially prevalent among illiterate women and women in rural areas, rural women in poor agricultural households, women with highly educated spouses, and in households with an increase in income of other family members.¹⁰ These micro-determinants focus on individual perspectives to explain FLFP in the country.

Alternatively, the socio-cultural nature of the society that is patriarchal could also help account for the low levels of women's participation in the labor force.¹¹ A plausible reason could be that the socio-cultural norms in India among both men and women view women as primarily in charge of domestic household chores while men are viewed as bread winners. However, since socio-cultural norms generally don't change easily, they have limited explanatory power in explaining the declining trend in FLFP in recent years, as figure 1 (bottom-left) indicates. This warrants the need to identify other factors that could help explain recent trends in FLFP in the country.

Economic development is yet another determinant of FLFP in India. Lahoti and Swaminathan analyze the relationship between the two among Indian states and emphasize that the structure of the economy or the 'composition of growth' can explain FLFP in India.¹² Recent studies argue that the shift away from agriculture and the mechanization of agriculture are also some of the reasons that can account for the declining trend in FLFP.¹³ Overall, we see that most of the above-discussed research on the economy focuses on domestic determinants to explain trends in FLFP in the country. This article emphasizes that the nature of economic globalization, specifically FDI inflows, also needs to be taken into account along with the domestic structural economic changes in the Indian economy to explain national FLFP trends in India.

⁸ Kenneth G. Dau-Schmidt. 1996. "Dividing the Surplus: Will Globalization Give Women a Larger Smaller Share of the Benefits of Cooperative Production?" *Indiana Journal of Global Legal Studies* 1(1):51-58; Saskia Sassen. 1996. "Toward a Feminist Analytics of the Global Economy." *Indiana Journal of Global Legal Studies* 4 (1):7-42; Mark M. Gray, Miki Caul Kittilson, and Wayne Sandholtz (fn. 1).

⁹ David L. Richards and Ronald Gelleny (fn. 1); Eric Neumayer and Indra de Soysa (fn. 1); Seo-Young Cho (fn. 1); Mark M. Gray, Miki Caul Kittilson, and Wayne Sandholtz (fn. 1); Elia Elisa Cia Alves and Andrea Quirino Steiner (fn. 1); Syeda Tamkeen Fatima and Abdul Qayyum Khan. 2019. "Globalization and female labor force participation: The role of trading partners." *The Journal of International Trade & Economic Development* 28(3): 365 – 390.

¹⁰ Shamim Ara. 2019. "Globalization and Gender Inequality: Evidence from Labor Market in India." *J Quant. Econ.* 17: 93 – 120; Amaresh Dubey, Wendy Olsen, and Kunal Sen. 2017. "The Decline in the Labor Force Participation of Rural Women in India: Taking a Long-Run View." *The Indian Journal of Labor Economics.* 60: 589 – 612; Surjit S. Bhalla and Ravinder Kaur. 2011. "Labor Force Participation of Women in India: Some facts, some queries." *Asia Research Centre Working Paper* 40; Sudipa Sarkar, Soham Sahoo, and Stephan Klasen. 2019. "Employment transitions of women in India: A panel analysis." *World Development* 115: 291 – 309.

¹¹ Preet Rustagi. 2013. "Changing Patterns of Labour Force Participation and Employment of Women in India." *The Indian Journal of Labor Economics* 56(2): 215 – 241; Ratna Sudarshan. M. 2014. "Enabling Women's Work." *International Labor Organization (ILO) Asia-Pacific Working Paper Series*; Ratna M. Sudarshan and Shrayana Bhattacharya. 2009. "Through the Magnifying Glass: Women's Work and Labor Force Participation in Urban Delhi." *Economic and Political Weekly* 44(48): 59–66.

¹² Rahul Lahoti and Hema Swaminathan. 2016. "Economic Development and Women's Labor Force Participation in India." *Feminist Economics* 22(2): 168 – 195.

¹³ Santosh Mehrotra and Jajati K. Parida. 2017. "Why is the Labor Force Participation of Women Declining in India?" *World Development* 98: 360 – 380; Santosh Mehrotra and Sharmistha Sinha. 2017. "Explaining Falling Female Employment during a High Growth Period." *Economic and Political Weekly* LII(39): 55 – 62.

Table 1: Labor Force Participation Rates

Survey Years	Urban		Rural	
	Male	Female	Male	Female
2004-05	79.2	24.4	85.9	49.4
2009-10	76.2	19.4	82.5	37.8
2011-12	76.4	20.5	81.3	35.8
2017-18	74.5	20.4	76.4	24.6

Data Source: Annual Report Periodic Labour Force Survey (PLFS), July 2017 – June 2018, National Statistical Office, Government of India. National Statistical Office. 2019. “Annual Report Periodic Labour Force Survey (PLFS), July 2017 – June 2018.” Ministry of Statistics and Programme Implementation. Government of India. Retrieved from http://mospi.nic.in/sites/default/files/publication_reports/Annual%20Report%2C%20PLFS%202017-18_31052019.pdf?download=1 Labor force participation rates (in percent) in usual status (ps+ss) during 61st (2004-2005), 66th (2009-10), 68th (2011-12) rounds and PLFS (2017-18) for males and females of 15+ years.

Table 1 displays the urban and rural labor force participation rates for both males and females since 2004. We see two important trends here. First, in 2004 – 05, FLFP in rural areas was double (at approximately 49%) than FLFP in urban areas (approximately 24%). Second, we see a decline in female labor force participation in both urban and rural areas but the decline has been especially prominent for females in rural areas, declining by approximately 25% from 2004 to 2018.¹⁴

Table 2 provides a disaggregated view of women’s participation in the labor force across sectors and displays the percentage of women in the workforce in agriculture, manufacturing, and service sectors since 1977. Three trends stand out here. First, the percentage of women in agriculture in rural and urban areas has drastically declined over time. In rural areas, it has declined from 88% in the 1977- 1978 survey to 73% in the 2017-2018 survey. In urban areas, it has declined from about 32% in the 1977- 1978 survey to 9% in the 2017-2018 survey. Second, the percentage of women in manufacturing in rural areas has been relatively low with about 8% or less of rural women engaged in manufacturing over time, albeit it displays a slight increase of about 1% since 1977 to 2017-2018. In urban areas, on the other hand, a higher percentage of women are in manufacturing (about 25% in the 2017-2018 survey) than in rural areas (about 8% in the 2017-2018 survey), but the percentage of women has been on the decline in urban areas over time, declining by about 4% since 1977-1978. Third, an increasing percentage of women in the workforce both in rural and urban areas are joining the service sector but well over a majority of women in the workforce in the service sector are in urban areas (65% in 2017-2018) as compared to rural areas (about 18.5% in 2017-2018). Tables 1 and 2 give us an insight into FLFP rates among rural and urban women across different sectors in India. I now turn to the changing structure of the Indian economy that helps explain FLFP in the country.

¹⁴ Note this is yet another reason why analyzing concepts in a disaggregated manner is important. For instance, the national FLFP in India masks the differences and changing trends in rural and urban FLFP in the country.

Table 2: Percentage of female works in usual status in urban and rural areas in the agricultural, manufacturing, and service sectors.

Survey Years	Rural Female			Urban Female		
	Agriculture	Manufacturing	Service	Agriculture	Manufacturing	Service
NSS round (32 nd 1977-78)	88.1	5.9	5.7	31.9	29.6	38.1
NSS round (38 th 1983)	87.5	6.4	5.5	31.0	26.7	40.1
NSS round (43 rd 1987-88)	84.7	6.9	7.9	29.4	27.0	42.4
NSS round (50 th 1993-94)	86.2	7.0	6.5	24.7	24.1	50.7
NSS round (55 th 1999-00)	85.4	7.6	6.9	17.7	24.0	57.9
NSS round (61 st 2004-05)	83.3	8.4	8.1	18.1	28.2	53.5
NSS round (66 th 2009-10)	79.4	7.5	12.8	13.9	27.9	57.9
NSS round (68 th 2011-12)	74.9	9.8	15.1	10.9	28.7	60.1
PLFS (2017-18)	73.2	8.1	18.5	9.1	25.2	65.4

Data Source: Data source is the Annual Report Periodic Labour Force Survey (PLFS), Statement 16, July 2017 – June 2018, National Statistical Office, Government of India. National Statistical Office. 2019. "Annual Report Periodic Labour Force Survey (PLFS), July 2017 – June 2018." Ministry of Statistics and Programme Implementation, Government of India. Retrieved from

http://mospi.nic.in/sites/default/files/publication_reports/Annual%20Report%2C%20PLFS%202017-18_31052019.pdf?download=1. Agriculture and manufacturing sectors are identified in the survey but not the service sector. Instead, there is a breakdown of different industries that generally fall under the service sector. I use the UNCTAD (United Nations Conference on Trade and Development) classification to identify industries that fall under the service sector. These include 'electricity, water', 'construction', 'trade, hotel & restaurant', 'transport, storage & communication', and 'other services'.

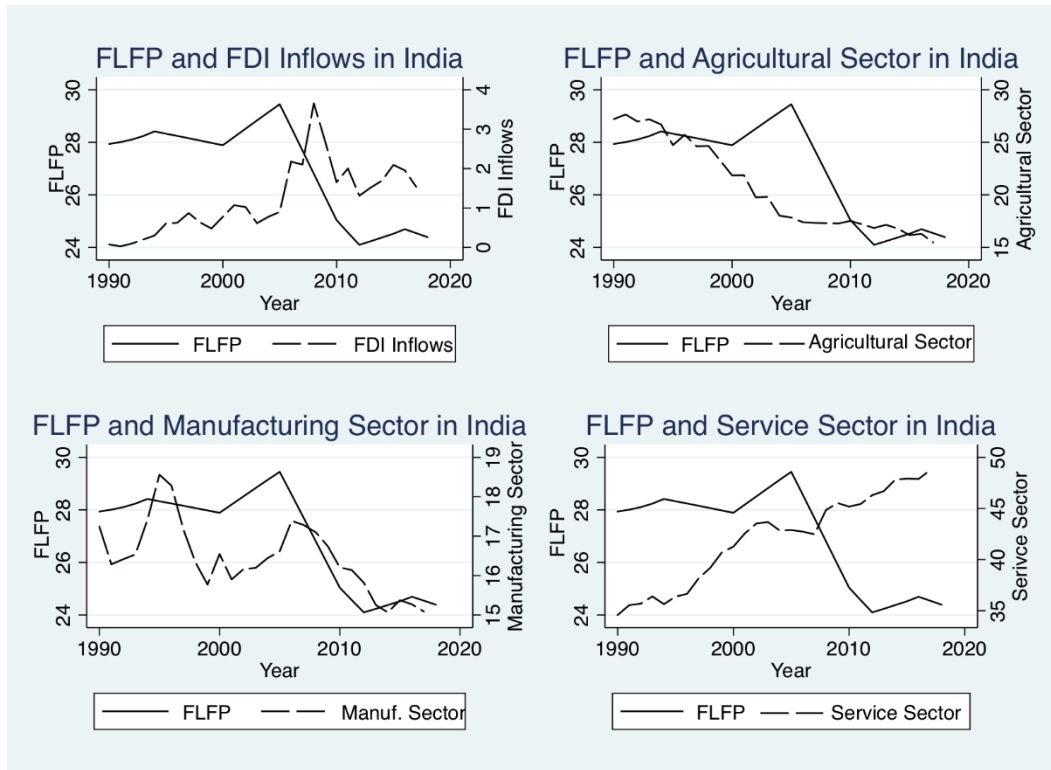
The Indian economy displays three important dynamics over time and I elaborate on these below. First, the agricultural and manufacturing sectors as a percentage of GDP have been declining in recent years. Second, the service sector as a percentage of GDP has been increasing in recent years. Third, these changes to the structure of the Indian economy are taking place in conjunction with increasing FDI inflows, which is primarily flowing into the service sector.

Figure 2 displays these different patterns from 1990-2017. The top right figure captures the relationship between the share of agriculture as a percentage of GDP in India and FLFP in India. As of 1990, FLFP was about 27.9% and it increased slightly to 29% in 2005 but since then has been declining and was about 24% in 2017. The share of agriculture as a percentage of GDP has almost been halved over the years from approximately 27% in 1990 to 15% in 2017.¹⁵ Overall, we see that the decreasing contribution of the agricultural sector to the Indian economy is correlated with the fall in FLFP since 2005. Table 2 shows that a large percentage of women in the labor force, especially in rural areas, are in the agricultural sector. With the decline in the agriculture sector over time, there are fewer opportunities for women, especially in rural areas.¹⁶

¹⁵ The trend is noticeable if we go further back in time to 1960 when agriculture was about 41% of GDP which declined to 27% in 1990.

¹⁶ It is not only the declining share of the agricultural sector but also the mechanization of the agricultural sector that accounts for the declining trend in FLFP in India, as discussed above.

Figure 2: Domestic Economic Structure and FDI Inflows in India



Data Source: The data come from the World Development Indicators. World Development Indicators. 2019. "Databank: World Development Indicators." Washington, DC: World Bank. Retrieved from <https://databank.worldbank.org/reports.aspx?source=world-development-indicators>

We see a similar pattern in the manufacturing sector as well. The bottom left figure displays the relationship between the share of manufacturing as a percentage of GDP in India and FLFP. Manufacturing has never comprised a large percentage of the Indian economy.¹⁷ In 1990, manufacturing was about 17% of GDP, increasing only slightly to 18% in 1996 and has been on an overall declining trend since, reducing to 15% in 2017. We see that the recent decline in contribution of the manufacturing sector to the Indian economy overlaps with fall in FLFP since 2005. A declining trend in the manufacturing sector is unable to create opportunities to absorb women into the workforce more generally.

One of the sectors that has been growing in prominence more recently is the service sector. The bottom right figure displays the relationship between the share of the service sector as a percentage of GDP in India and FLFP. The service sector has been increasing in prominence since 1990 from 35% to 48% in 2017.¹⁸ The figure indicates that an increase in the share of the service sector partially corresponds with a decrease in FLFP in India since 2005. A plausible reason that could explain the correlation between the two is that since more women in rural areas have generally been active in the labor force and they tend to work in the agricultural sector, which has been declining, rural women have not benefited as much with this increasing growth of the service sector. Indeed, the service sector has been increasing since 1990 and the decline in FLFP is especially prominent since 2005. However, we need to take stock of the changes in the economy across all the sectors to better understand FLFP trends. Based on the three figures here, we see that the service sector accounts for about 48% of GDP in India while agriculture and manufacturing each account for approximately 15% of GDP in 2017.¹⁹

These domestic structural changes to the Indian economy are reinforced by FDI inflows, which is primarily flowing into the service sector as well. The top left figure displays trends in FDI inflows into India as well as FLFP in the country from 1990 to 2017. We observe two trends here. First, FDI inflows fell from approximately 3.8% in 2007-

¹⁷ Between 1960 to 1990, share of manufacturing to GDP ranged from 15% to 17%.

¹⁸ In fact, in 1960 service accounted for 31% of GDP and it increased to 35% in 1990.

¹⁹ The other component is industry, which accounts for approximately 27% of GDP in India in 2017. Note industry here includes mining, construction, electricity, water, gas, as well as manufacturing. The service sector still accounts for the largest component of GDP in the country.

2008, plausibly capturing the global recession in investments. Second, the figure shows that an increase in FDI inflows, particularly since 2005 from .8% of GDP, is associated with a decline in FLFP in India since 2005. Subsequent declines in FDI inflows since 2007-2008 is accompanied with a continued declining trend in FLFP in India as well. At first glance the divergent trends between the two in India prior to the global recession (when as FDI inflows were increasing, FLFP in India was declining) seem to contradict the positive relationship between economic integration and FLFP as emphasized in recent cross-national research.²⁰ However, just looking at over time trends in the two indicators may be misleading as they do not capture the nuanced relationship between the two. Of course, one could argue that FDI inflows comprise a small percentage of the Indian economy and perhaps as FDI inflows increase over time in future years, FLFP may also increase. This is plausible. However, we need to take a closer look at not just the extent of FDI inflows but the nature of FDI inflows as well as the different economic sectors to better understand FLFP trends in India.

Table 3 displays the nature of FDI inflows in India by identifying the breakdown of inflows going into the service and manufacturing sectors from about April 2000 to November 2010 as well as from April 2000 to March 2019.²¹ We see that FDI inflows is considerably higher in services being close to 70% as compared to manufacturing, which is under 30% from April 2000 to March 2019. Zheng argues that a plausible reason for this trend in FDI inflows is India’s low labor mobility that discourages foreign investors from investing in the low-skilled manufacturing sector and they instead focus on the high-skilled service sector.²²

Table 3: Percentage of FDI Inflows in Services and Manufacturing in India

Sectors	April 2000 – Nov 2010	April 2000 – March 2019
Services	69%	68%
Manufacturing	31%	27%

Data Source: The data source is the Department for Promotion of Industry and Internal Trade, FDI Statistics Archives (2019). FDI Statistical Archives. 2019. “Factsheet on Foreign Direct Investment.” Department for Promotion of Industry and Internal Trade. Retrieved from <https://dipp.gov.in/publications/fdi-statistics/archives>. The archives display breakdown of FDI inflows across 63 different categories or industries approximately and they are not classified under services and manufacturing. I use the UNCTAD (United Nations Conference on Trade and Development) classification to categorize different types of FDI investment inflows into services and manufacturing.

This pattern of FDI inflows does not create adequate job opportunities for women in the rural areas who have been relatively more active in the labor force and their participation has been on a declining trend. FDI inflows thus appear to reiterate the changing structure of the Indian economy. The primary recipients of FDI inflows are urban regions as can be seen in table 4 that identifies the top 10 recipients of FDI inflows in India. All top 10 recipients are major cities and neighboring regions with Mumbai and New Delhi areas receiving about 50% of FDI inflows. The destination of FDI coupled with the nature of FDI inflows do not create adequate job opportunities for rural women.

²⁰ Such as Mark M. Gray, Miki Caul Kittilson, and Wayne Sandholtz (fn. 1); Elia Elisa Cia Alves and Andrea Quirino Steiner (fn. 1).

²¹ The breakdown of time period is due to data availability from the FDI Archives.

²² Yu Zheng. 2016. “Institutions, Labor Mobility, and Foreign Direct Investment in China and India.” *St Comp Int Dev* 51: 147 – 168.

Table 4: Top 10 recipients of FDI Inflows from April 2000 – March 2019

Top 10 FDI Regional Inflows	Percentage of Total FDI Inflows
Mumbai	30%
New Delhi	20%
Bangalore	9%
Chennai	7%
Ahmedabad	5%
Hyderabad	4%
Kolkata	1%
Kochi	.5%
Chandigarh	.5%
Jaipur	.5%

Data Source: The data source is the Department for Promotion of Industry and Internal Trade, FDI Statistics Archives (2019). FDI Statistical Archives. 2019. "Factsheet on Foreign Direct Investment." Department for Promotion of Industry and Internal Trade. Retrieved from <https://dipp.gov.in/publications/fdi-statistics/archives>. The percentages account for approximately 80% of FDI inflows. The rest of it goes to different regions in the country but account for a small percentage of total inflows.

One plausible explanation as to why urban areas are the primary recipients of FDI inflows is because they create high-skilled employment opportunities for highly educated people. Education levels of women in rural areas is considerably lower as compared to urban women. Table 5 shows two indicators of education levels of females and males in urban and rural areas since 2004, the percentage of females and males who are 15 + years of age and have completed secondary education and above and the percentage of females and males over 7 years of age who are literate. Three patterns are prevalent from the table. First, secondary education between urban males and females are comparable. However, rural males have higher levels of secondary education than rural females. Similarly, urban and rural males have higher literacy levels than urban and rural females.

Second, literacy and education levels are lower for both rural males and females than urban males and females. This helps explain why FDI inflows generally go to the urban areas and do not create opportunities for less educated people in rural India. An interesting puzzle arises, however. Table 1 indicates that FLFP for urban women is and has been lower than FLFP for rural women. If indeed the service sector is growing and creating opportunities for educated people and urban women happen to be more educated, then why is their participation in the economy low? This is especially puzzling because secondary education levels for both urban males and females are comparable. Klasen and Pieters argue that women with lower levels of education join labor market as a matter of necessity rather than opportunity while those with higher education, pull factors like good employment opportunities play an important role.²³ Such opportunities are being created for educated urban women and yet their participation in the labor force remains low.

This is where other reasons that have been highlighted in existing research such as the nature of patriarchal society that discourages women to participate in the workforce or an increase in household income that makes it unnecessary for women to join the workforce monetarily could account for the continued absence of women from the labor force in urban areas.²⁴ Such social norms are not easy to change and may take time, as mentioned before as well.²⁵ However, urban FLFP has always been low (as indicated in table 1) so the decline in FLFP in India nationally may be largely driven by a decline in rural FLFP.

²³ Stephan Klasen and Janneke Pieters. 2012. "Push or Pull? Drivers of Female Labour Force Participation during India's Economic Boom." *IZA Discussion Paper No. 6395*, The Institute for the Study of Labor (IZA), Bonn.

²⁴ Ratna Sudarshan (fn.,11); Ratna M. Sudarshan and Shrayana Bhattacharya (fn. 11); Surjit S. Bhalla and Ravinder Kaur (fn. 10); Sudipa Sarkar, Soham Sahoo, and Stephan Klasen (fn. 11); Preet Rustagi. 2010. "Employment Trends for Women in India." *ILO Asia-Pacific Working Paper Series International Labour Organization*, New Delhi.

²⁵ Note that this also helps explain why cultural norms, more generally, cannot solely account for current trends in FLFP, which has been declining in recent years. It could explain low levels of FLFP in urban areas but the steep decline in FLFP cannot be attributed solely to cultural norms.

Table 5: Education and Literacy Rates Among Males and Females

Survey Years	Secondary Education and above (15-29 years)				Literacy Rate (7+ years)			
	Urban Female	Rural Female	Urban Male	Rural Male	Urban Female	Rural Female	Urban Male	Rural Male
PLFS (2017-2018)	65.4	43.4	65.8	52.6	81.6	64.5	91.6	80.7
2011-12 (NSS 68 th round)	59.5	32.3	60.6	43.1	80.3	60.6	91.1	79.1
2009-10 (NSS 66 th round)	58.3	27.3	59.3	39.4	79.5	58.5	90.8	78.5
2004-05 (NSS 61 st round)	46.7	18.5	48.7	28.3	75.9	50.6	88.8	72.7

Data Source: Annual Report Periodic Labour Force Survey (PLFS), July 2017 – June 2018, National Statistical Office, Government of India. Retrieved from http://mospi.nic.in/sites/default/files/publication_reports/Annual%20Report%2C%20PLFS%202017-18_31052019.pdf?download=1

The third and a more optimistic pattern evident from table 5 is that literacy and education levels have been increasing among both urban and rural females and males. This suggests that trends in FLFP may increase in the future as more women will have the education to take advantage of the employment opportunities being created in the service sector. The government has also been initiating policies to create employment opportunities in rural areas such The National Rural Employment Guarantee Act (NREGA), which was passed in 2005, and entitles every household in rural India to 100 days of work per year at a state-level minimum wage and can help increase FLFP as well. But the program does not target women in particular and some of the shortcomings of the program include corruption, low wages that are not paid timely as well as the program falling short of actually providing 100 days of guaranteed work.²⁶

In an attempt to encourage manufacturing in the country, India’s current Prime Minister, Mr. Narendra Modi, unveiled the ‘Make in India’ campaign in 2014 to increase the share of the manufacturing sector in the economy and increase it to 25% of GDP.²⁷ Some of the sectors that the government hopes to encourage foreign investments into are automobiles, chemicals, IT, pharma, textiles, ports, aviation, leather, tourism and hospitality, wellness, and railways among others.²⁸ However, to the extent that the primary beneficiaries are likely to be urban areas, such investments may not create as many opportunities for rural women. This could motivate urban women to join the labor force but that remains to be seen. Several other initiatives target women in particular.²⁹ For instance, initiatives such as the Prime Minister’s Employment Generation programme (PMEGP) have helped women entrepreneurs in rural and urban areas by assisting them with subsidies. Others primarily target women such as ‘Mahila Coir Yojana’ program, which trains rural women artisans. The government has also launched education programs such as ‘Beti Padhao Beto Bachao yojna’ to end female feticide and increase education of girls, which could increase education levels of females and increase their participation in the workforce in the future.³⁰ These are just some of the initiatives launched by the current government that may enhance FLFP in forthcoming years.

One challenge while analyzing labor participation rates in India relates to the presence of the informal sector. About 86% of those employed in India work in the informal economy.³¹ It is difficult for the government to have an accurate estimate of the composition of the informal workforce across different sectors. A new initiative by the federal government to get a clearer estimate of the size of those employed in the informal sector indicates that women consist of half of the informal workforce.³² This suggests that labor force participation rates may not be able to accurately

²⁶ Mudit Kapoor 2018. “4 reasons why MGNREGA is not benefitting workers.” *Business Today*. Retrieved from <https://www.businesstoday.in/top-story/4-reasons-why-mgnrega-is-not-benefitting-workers/story/282891.html>

²⁷ Suparna Dutt D’Cunha. 2017. “PM Modi Calls The World To ‘Make in India,’ But The Initiative Fails to Take Off.” *Forbes*. Retrieved from <https://www.forbes.com/sites/suparnadutt/2017/07/24/missing-the-mark-pm-modi-courts-the-world-to-make-in-india-but-the-initiative-fails-to-take-off/#2d0b1080785c>

²⁸ Priyanka Dua. 2014. “India targeting top five hundred cos to make ‘Make in India’ campaign successful.” *Daily Pioneer*. Retrieved from <https://www.dailypioneer.com/2014/business/india-targeting-top-five-hundred-cos-to--make-make-in-indiacampaign-successful.html>

²⁹ First Post. 2018. “Narendra Modi’s employment scheme helped female entrepreneurs launch 30,437 projects, Giriraj Singh tells Lok Sabha.” *First Post*. July 30, 2018. Retrieved from <https://www.firstpost.com/india/narendra-modis-employment-scheme-helped-female-entrepreneurs-launch-30437-projects-giriraj-singh-tells-lok-sabha-4852641.html>

³⁰ One India. 2018. “4 years of Modi govt: Education of girls key to India’s growth.” June 4, 2018. Retrieved from <https://www.oneindia.com/feature/4-years-of-modi-govt-education-of-girls-key-to-indias-growth-2708619.html>

³¹ Alyssa Ayres. 2020. “India: Fighting Coronavirus in an Informal Economy. Council on Foreign Relations. Retrieved from <https://www.cfr.org/in-brief/india-fighting-coronavirus-informal-economy>

³² Zia Haq. 2021. “Women comprise nearly half of informal sector workers, data from new national portal shows”. *The Hindustan Times*, October 22, 2021. Retrieved from <https://www.hindustantimes.com/india-news/women-comprise-nearly-half-of-informal-sector-workers-data-from-new-national-portal-shows-101634862406702.html>

account for those in the informal sector. Participation in the informal sector generally leaves workers out of employment and welfare benefits and does not guarantee a secure employment. So even if large numbers of women are engaged in the informal sector that FLFP does not capture accurately, it still leaves much to be desired in terms of women's economic empowerment.

Concluding Thoughts, Policy Recommendations, and Future Research

Women's health and education outcomes in India have improved over time. However, the same cannot be said about female labor force participation, which has been declining in recent years. Rustagi points out that a lower proportion of women may be in the workforce but their absolute numbers have increased, plausibly due to population growth.³³ While this is important, women are almost 50% of the national population and their lack of proportional participation in the workforce has several detrimental effects. For one, if the workforce were more balanced to reflect the country's demographic composition, India would be 27% richer.³⁴ This is just one of many reasons why we need greater women's participation in the workforce.

This chapter highlights the significance of accounting for domestic factors while analyzing the consequences of globalization in individual countries. More specifically, it demonstrates that the nature of FDI inflows in the context of domestic economic structural factors are important for understanding current trends in FLFP. Contrary to recent empirical studies that demonstrate the positive effects of globalization on FLFP, this chapter demonstrates that the nature of FDI needs to be examined in conjunction with broader structural changes in the economy. Overall, the conclusions of this chapter support the view of the cautious optimists. Indeed, globalization can create additional job opportunities but looking at merely the extent of globalization is not sufficient to understand its effects on FLFP in India. We also need to take into consideration the nature of opportunities that are being created and where they are being created.

Since FDI inflows in India are primarily in the service sector and create high-skilled jobs that require higher levels of education, the national government needs to create opportunities that target rural women who may have a higher need to work. In particular, the Modi government's 'Make in India' campaign discussed above is geared toward increasing the size of manufacturing sector. However, as Zheng points out, one of the reasons FDI inflows in manufacturing is low in India is because of its low-labor mobility. He attributes this to strict labor regulations and strong trade unions for formal workers that reduce mobility between formal and informal sectors. One needs to consider the issue of mobility, especially for rural women, so they are able to take advantage of future opportunities in other sectors of the economy.

It is important that we study women's well-being in a disaggregated manner. As the case of India demonstrates, well-being is a multifaceted process that displays diverging trends. A thorough understanding of women's empowerment is possible when we analyze the different dimensions as distinct processes. Furthermore, in this era of globalization, it is also important that domestic and international factors are studied together to explain societal well-being.

³³ Preet Rustagi. 2010. "Employment Trends for Women in India." ILO Asia-Pacific Working Paper Series International Labour Organization, New Delhi.

³⁴ Economist. 2018. "Why India needs women to work." *The Economist*. Retrieved from <https://www.economist.com/leaders/2018/07/05/why-india-needs-women-to-work>

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