

WOMAN POWER CAN SCRIPT INDIA STORY

India's GDP could see an additional increment of \$0.7 trillion-\$2.9 trillion by 2025 if woman participation in the labour force increases, says a new study by McKinsey Global Institute (MGI). The study estimates that an additional 68 million women could potentially enter the labour force over the coming decade which if channelled properly could help India build competitive advantage in sectors such as ready-made garment manufacturing, electronics assembly, business process outsourcing, health care and wellness services, and tourism.

But achieving this would require concerted effort with targeted government intervention in key areas. MGI identifies eight areas which require close attention:

- (1) Bridging gender gaps in secondary and tertiary education in states such as Uttar Pradesh
- (2) Creating commensurate employment opportunities (3) Ensuring skill training for women in key sectors (4) Increasing the reach of the financial sector in order to service women entrepreneurs better (5) Promoting gender diversity policies and practices in private sector organisations (6) Strengthening legal provisions for women and the enforcement of these laws (7) Addressing infrastructure issues and providing services to ease the burden of domestic work, which currently engages them and (8) Reshaping societal attitudes and beliefs about women participation in the labour force. Ishan Bakshi evaluates different scenarios highlighted in the report.



India has the highest relative potential for additional GDP growth from advancing women's equality

Incremental 2025 GDP to 2025 business-as-usual scenario

	Full-potential scenario		Best-in-region scenario	
	%	\$ trillion*	%	\$ trillion*
India	60	2.9	16	0.7
South Asia (excluding India)	48	0.4	11	0.1
Middle East and North Africa	47	2.7	11	0.6
Latin America	34	2.6	14	1.1
East and Southeast Asia (excluding China)	30	3.3	8	0.9
Sub-Saharan Africa	27	0.7	12	0.3
World	26	28.4	11	11.8
Eastern Europe and Central Asia	23	1.1	9	0.4
Western Europe	23	5.1	9	2.1
China	20	4.2	12	2.5
North America and Oceania	19	5.3	11	3.1

Note: Numbers may not sum due to rounding. Source: ILO; World Input-Output Database; Oxford Economics; IHS; national statistical agencies; McKinsey Global Growth Model; McKinsey Global Institute analysis *Over 20% estimates

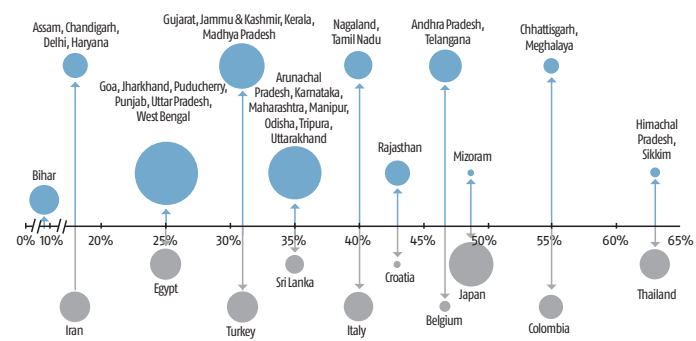
By increasing female participation in the labour force, India could potentially boost its GDP by \$0.7 trillion by 2025 according to MGI. This translates into a gain of roughly 1.4 per cent of incremental GDP growth per year. MGI assumes that female labour force participation would rise by 10 percentage points,

from 31 per cent currently to 41 per cent by 2025 bringing in an additional 68 million women into the labour force.

The gains could potentially be greater. If women participation in the economy were to match that of men, India could add \$2.9 trillion to annual GDP by 2025.

There are significant variations in woman labour force participation across states

Labour force participation rate, woman¹ (%)



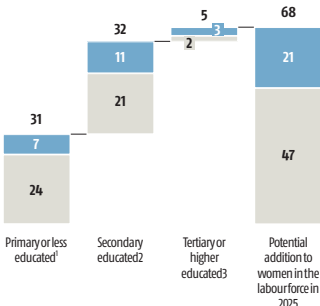
1 State data on labour force participation rate and working-age population are for 2012, county data for these variables are for 2014; countries selected for comparison are those with the closest labour force participation rates to the relevant state or group of states. Source: ILO, National Sample Survey Organisation, 68th round of employment and unemployment, 2011-12; McKinsey Global Institute analysis

Woman participation rates vary quite significantly across regions and states. In urban areas, the rate is just 21 per cent while in rural areas it is 36 per cent. Himachal Pradesh has one of the highest woman participation rates at 63 per cent, which puts it on a par with Thailand. High income states such as

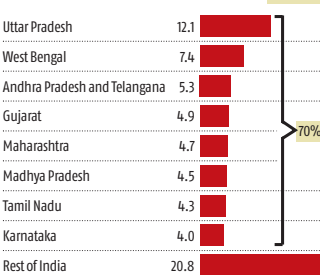
Maharashtra and Karnataka have participation rates similar to that of Sri Lanka, while low-income state of Bihar, with a nine per cent participation rate, has lower woman participation in the labour force than Iran.

India could add 68 million women to the workforce by 2025, assuming each cohort achieves the current participation rate of trained women

Incremental women in the workforce for each cohort



Incremental workforce by state



Of the 68 million women that could potentially enter the labour force, 21 million are likely to come from urban areas, with the balance, 47 million, from rural areas. Roughly 31 million of these are likely to be educated only up to the primary level, 32 million are likely to be educated up to the secondary level, while 7 million are likely to have completed their tertiary education.

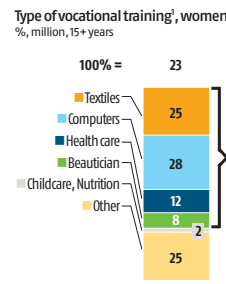
Seventy percent of these potential entrants into the labour force are likely to come from the nine states of Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Madhya Pradesh, Tamil Nadu, Telangana, Uttar Pradesh, and West Bengal.



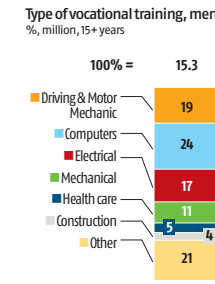
“Enabling women to be equal partners in society and in India’s workforce would not only be inclusive, but also give the economy a substantial boost. Without tackling gender equality in society, those large economic benefits will not be realised”

Women tend to train in textiles, computers, health care, and personal services; men do so in motor, computer, electrical, and mechanical trades

Type of vocational training¹, women

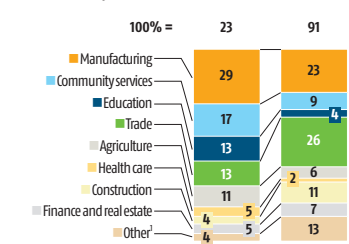


Type of vocational training¹, men



Woman workers are concentrated in manufacturing, community services, education, and trade in urban India, and agriculture in rural areas in 2011-12

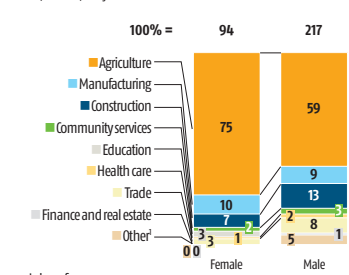
Urban employment by sector



Labour force participation rate Percent



Rural employment by sector



Labour force participation rate Percent



1 Other includes transport and communications, mining and utilities. Source: National Sample Survey Organisation, 68th round of employment and unemployment, 2011-12; McKinsey Global Institute analysis

In urban areas, a greater proportion of women tend to be employed in manufacturing, community services, education and trade. Put together these four sectors employ 72 per cent of women working in urban areas. In rural areas though, roughly three fourths of women are employed in agriculture. Thus for greater female participation, the report argues that reforms should be tailored to industries that exhibit a greater propensity to hire women.

The report also makes a case for emphasising vocational training. According to MGI, roughly three-quarters of the vocational courses undertaken by women are in the fields of textiles and garments, computers, and health-care and beauty services. Thus reforms in these sectors where India could steadily build competitive advantage should also be looked at closely.

1 Excluding hereditary and on the job learning SOURCE: National Sample Survey Organisation, 68th round of employment and unemployment, 2011-12; McKinsey Global Institute analysis