Liberalization’s impact on gender discrimination

Conventional wisdom would suggest that gender discrimination should have declined in India, thanks to economic liberalization in the early 1990s. Increased market competition forces firms to eliminate inefficient discriminatory practices, including gender discrimination. The room for hiring their own “types” is less when firms face intense competition. Market competition works in favour of women, as women are more competitive, and offer cheaper and more flexible labour vis-à-vis men.

We examined these issues in some 600 districts using millions of enterprise data in manufacturing and services. Evidence suggests that India’s economic liberalization has not reduced gender discrimination. It may have worsened in many respects (Ejaz Ghani, Arti Grover, Sari Kerr, and William Robert Kerr, *Will Market Competition Trump Gender Discrimination In India?*, Policy Research Working Paper Series 7814, World Bank).

The share of females in manufacturing employment has barely increased over the last two decades. Female activity is largely concentrated in the unorganized sector. The concentration of female entrepreneurs in low-wage industries has grown over time. Despite many competitive reforms that India has undertaken, this pattern of gender-based segmentation has been accentuated over the years.

Women entrepreneurs are more dominant in industries that pay lower average wages. Within the manufacturing sector, female ownership shares are highest and typically exceed 50% in industries related to chemicals and chemical products, tobacco products, and paper and paper products. At the opposite end, female ownership shares are 2% or less in industries related to computers, motor vehicles, fabricated metal products, and machinery and equipment.

In the service sector, female ownership rates in major cities tend to be higher than overall state averages. Among service industries, female ownership shares exceed 30% in industries related to sanitation and education. Industries related to research and development, water transport, and land transport have the lowest female ownership rates, at 1% or less.

The states with the highest female service sector ownership rates are Kerala, Tamil Nadu, and Andhra Pradesh, with average female ownership shares exceeding 12%. The lowest female ownership rates are in Rajasthan, Bihar, Odisha, and Uttar Pradesh, each with 6% or less. It is surprising that the nation’s capital, Delhi, has the lowest share of female-owned establishments in manufacturing. Its position in the services sector is only slightly above the national average.

What drives the gender balance of new enterprises? Empirical results suggest that a district/industry with more incumbent female employment has a greater female entry share. Among district-level traits, a higher female-to-male ratio, an age profile emphasizing working age population, and better quality infrastructure appear important.

The relationship between infrastructure and female-entry share is perhaps the most relevant for policymakers. While basic infrastructure services like electricity are essential for all businesses, new entrants and the informal sector can be particularly dependent upon local infrastructure (established firms are better able to provision their own electricity if necessary). Inadequate infrastructure also affects women more than men, because women are often responsible for a larger share of, and often more time-consuming, household activities.

Interestingly, empirical findings suggest that access to major cities does not influence the gender balance of entrepreneurship, but infrastructure access within a district does. In particular, transport infrastructure and paved roads within villages play an important role. Travel in India can be restrictive and unpredictable, and women face greater constraints in geographic mobility imposed by safety concerns and social norms. In addition, better electricity and water access may reduce the burden of women in providing essential household inputs for their families, and allow for more time to be directed toward entrepreneurial activities.

India is simultaneously a leader as well as a laggard on gender. India’s 73rd Constitutional Amendment Act, passed in 1992, instituted one-third seat reservations for women in local governance bodies. The political empowerment of women had huge beneficial effects. The political reservation for women has gained India global recognition.

However, India’s economic liberalization and increased market competition has not eliminated gender segmentation. Indeed, India’s gender balance in entrepreneurship and jobs remains among the lowest in the world. Globalization and trade policy have made a limited contribution towards India’s convergence in gender segmentation. However, improved physical and human infrastructure, and domestic pro-competitive reforms have reduced gender segmentation.

Gender will play a bigger and more strategic role in India’s future growth. This growth will come in many forms: increased female labour force participation, improvements in productivity, elimination of gender discrimination in access to bank loans, and increased voice and political representation. Simply put, empowering half of the potential workforce has significant economic benefits beyond promoting gender equality.

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