

*The Office of the
Chief Economist of
the South Asia
Region*

OCTOBER 2024

South Asia Development Update

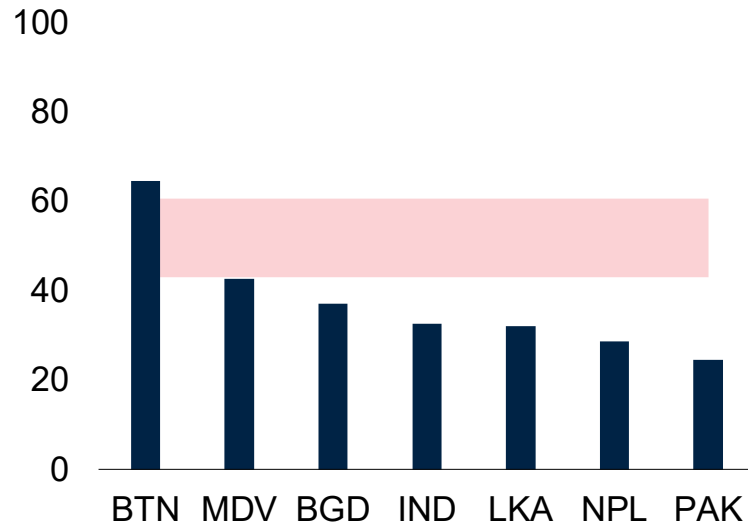
Empower to Prosper
Women working for Growth



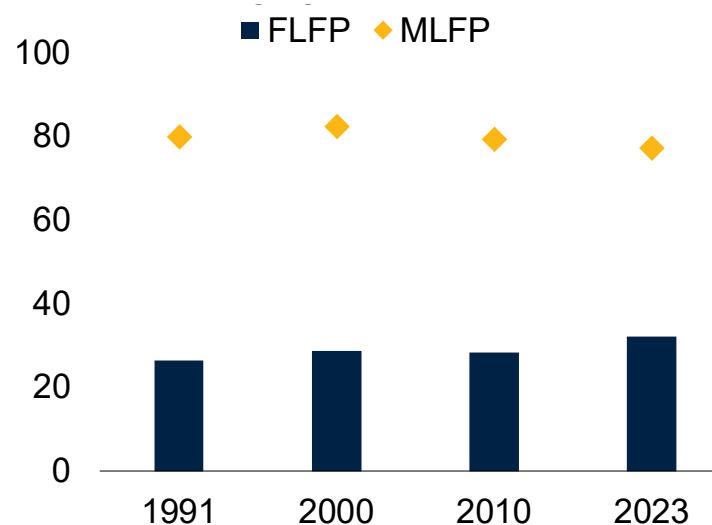
Motivation

Only 32 percent of working-age women in South Asia were in the labor force in 2023

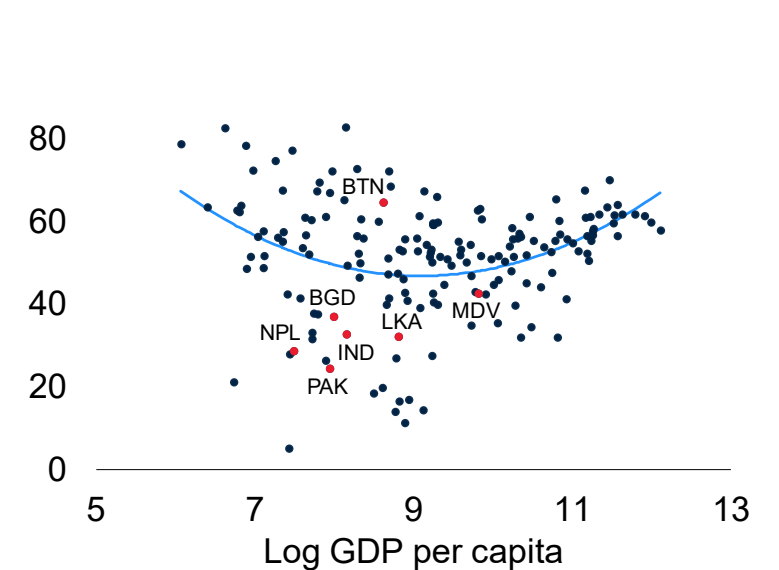
Female labor force participation rate, 2023
(Percent)



Labor force participation rate, 1991-2023
(Percent)



Female labor force participation and per capita income, 2023
(Percentage Points)



Sources: International Labour Organization (ILO); World Development Indicators (database); World Bank.

Note: BGD = Bangladesh; BTN = Bhutan; EMDEs = emerging market and developing economies; FLFP = female labor force participation; IND = India; LKA = Sri Lanka; MDV = Maldives; MLFP = male labor force participation; NPL = Nepal; PAK = Pakistan. Red shaded region indicates interquartile range of EMDEs excluding South Asia (Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka). EMDE averages are weighted by working-age population. Female (male) labor force participation rate is the share of the female (male) working-age population (15+) employed or looking for work, measured using ILO's ILOStat modeled data. All regional averages are weighted by working-age population. Afghanistan has not published any official statistics since 2020. Right Panel: shows scatterplot of natural log per capita GDP and the female labor force participation rate. Blue line estimates quadratic fit. Female labor force participation rates used are the modeled ILO estimates of female population ages 15+ from year 2023. Per capita GDP is for 2022 and measured in constant 2015 U.S. dollars.

Four Questions

1 What are the economic costs of low female labor force participation?

2 What has been the impact of growth and structural change on female labor force participation?

3 What has been the impact of supply constraints and labor market frictions?

4 What has been the impact of social norms and the legal framework?

Four Questions

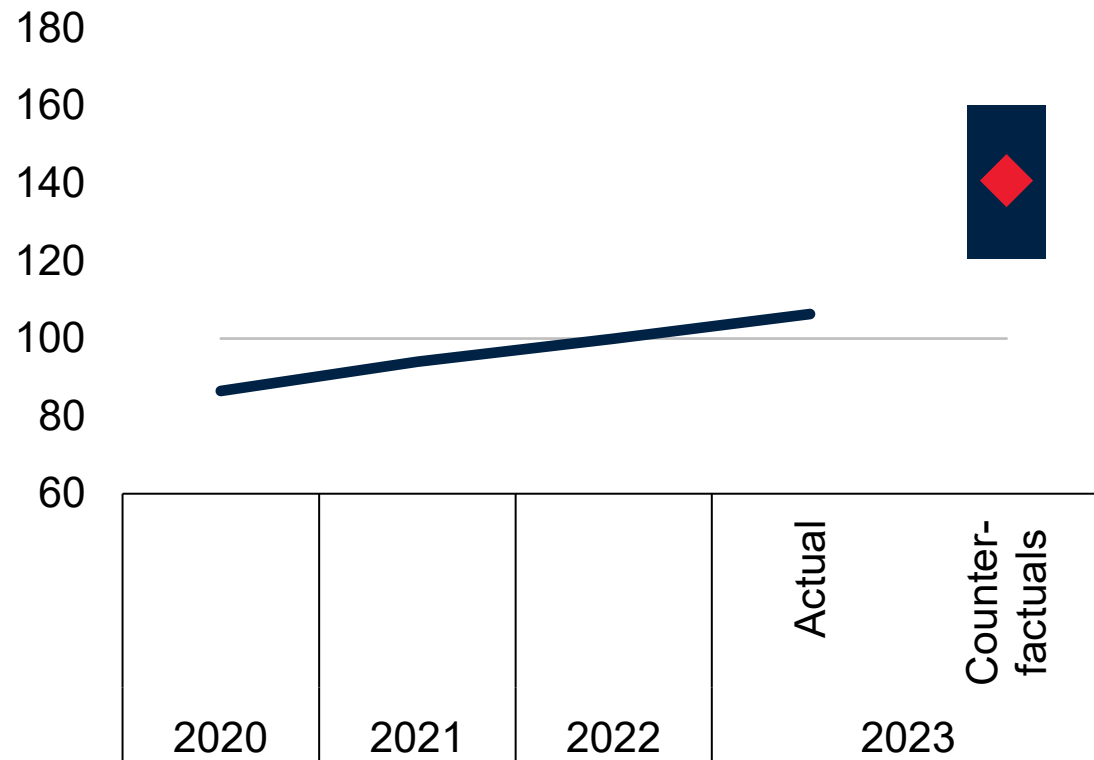
1

What are the economic costs of low female labor force participation?

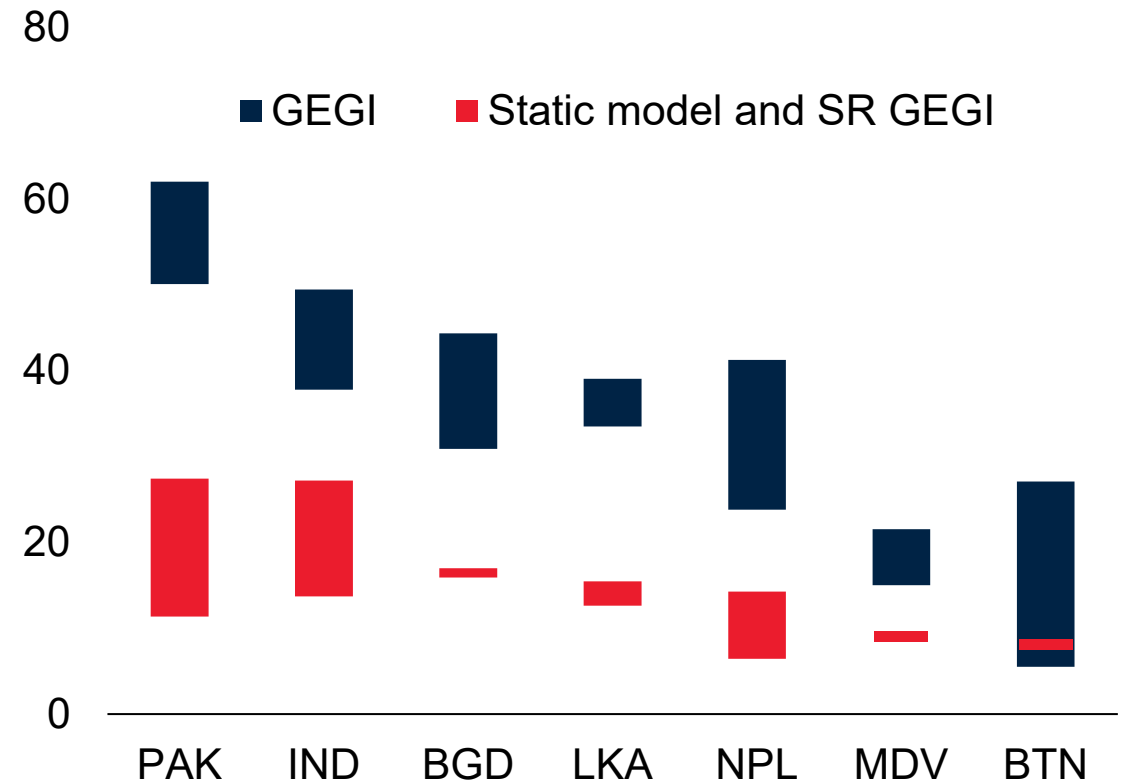
Output Gains

Output Up to One-Half Higher, If Same Share of Women Worked As Men

South Asia's real GDP: Actual and counterfactual with higher female employment
(Index, 2022 = 100)



South Asia's real GDP: Impact of raising female labor force participation to the male rate
(Percent of baseline)



Sources: World Bank. Authors' estimations using different analytical approaches.

Note: BGD = Bangladesh; BTN = Bhutan; GEGI = gender employment gap index; IND = India; LKA = Sri Lanka; MDV = Maldives; NPL = Nepal; PAK = Pakistan.

Left panel: Blue range shows counterfactual model estimates if South Asia's female employment shares were raised to parity with those for men. Blue line indicates prior GDP data from 2020–2023. Red diamond shows median model estimate.

Right panel: Bars show the range of model estimates. Estimates reflect the impact of raising female employment to parity with men on country-level real GDP across South Asia. Red bar show the range of estimates from the accounting and short-run (fixed capital) GEGI model ("SR GEGI"). Blue bar show the range of estimates from the other GEGI models ("GEGI").

Four Questions

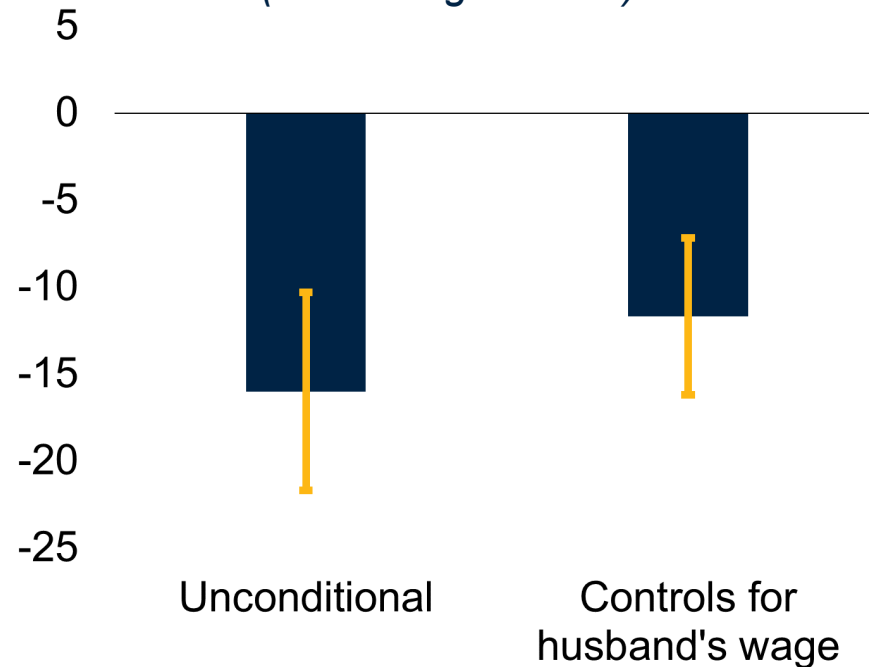
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What has been the impact of development and structural change on female labor force participation?

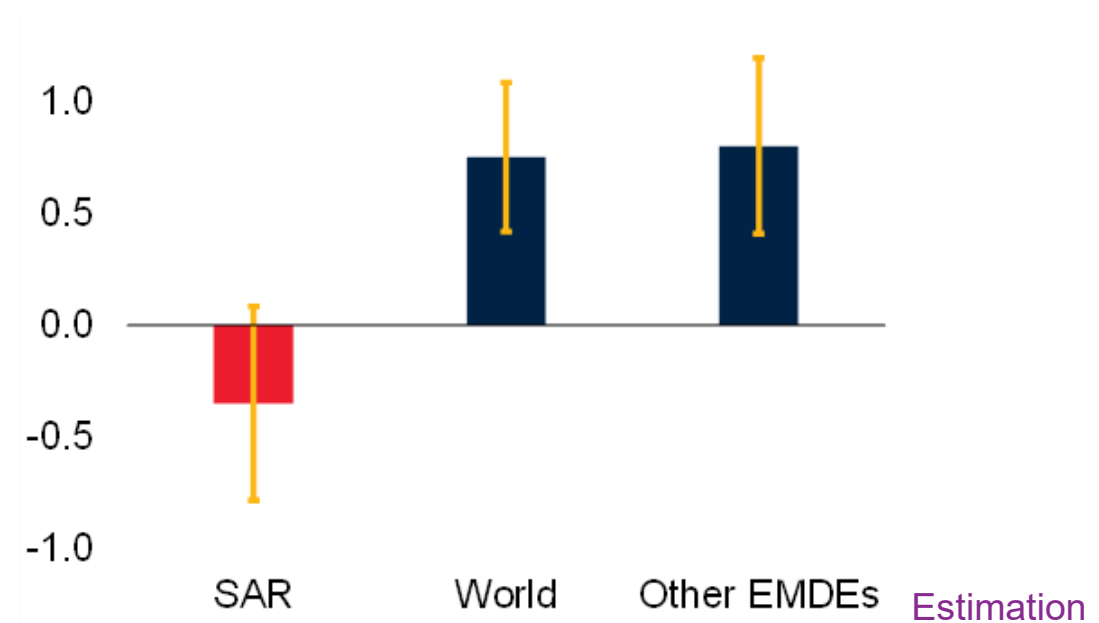
Urbanization and FLFP

Shifts towards urbanization *not* associated with greater FLFP

Urban-rural difference in female labor force participation
(Percentage Points)



Correlation between urbanization rate and female labor force participation
(Percent)



Sources: International Labor Organization (ILO); World Development Indicators (database); World Bank Global Labor Database (GLD) labor force survey microdata (database); World Bank South Asia Region Labor Database (SARLD) labor force survey microdata (database); World Bank.

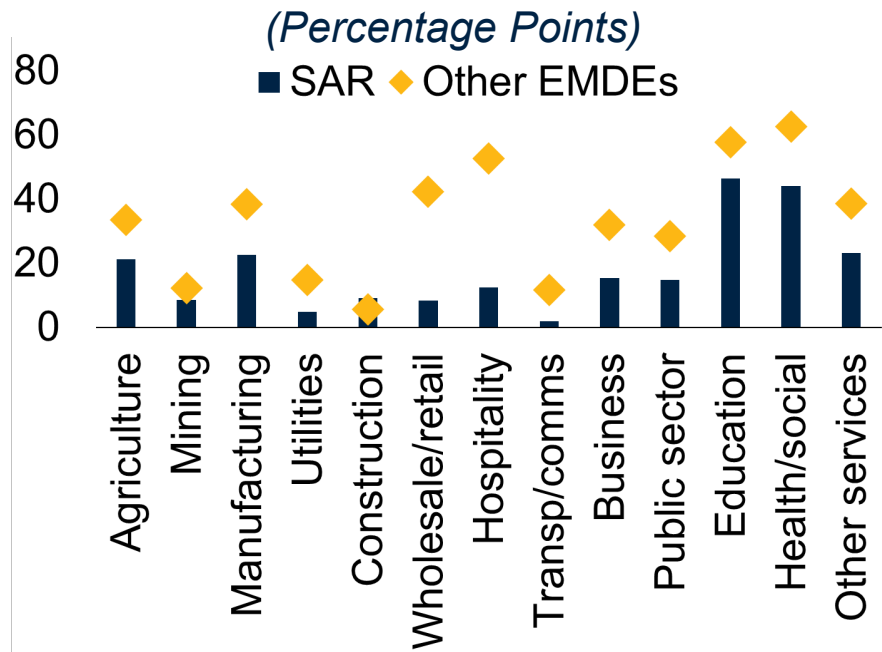
Note: Left Panel: Bars show estimates from a regression of a female employment indicator on an urban indicator, as well as age, survey year, and country fixed effects, in the sample of working-age women with wage-earning husbands. Controls for husband's income include the log of husband's daily wage and its square. The 95 percent confidence intervals are calculated from standard errors clustered at the state level. Right panel: Residual relationship between urbanization rate and female labor force participation is obtained by regressing the (log) ratio of female to male labor force participation on the share of the urban population, controlling for log GDP per capita and country fixed effects. Country-level data from 1992–2022 for 132

7 EMDEs, or for 192 countries, excluding those in South Asia. South Asian data at the subnational unit (state)-survey, for Bangladesh, India, Nepal, Pakistan, and Sri Lanka for 1987–2022.

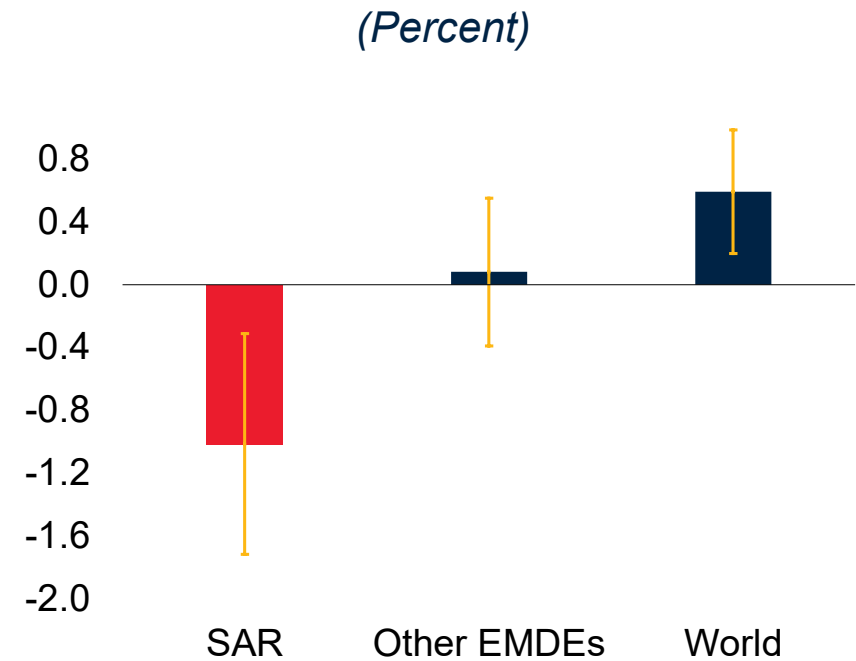
Tertiarization and FLFP

Shifts towards services *not* associated with greater FLFP

Female employment share by economic subsector, 2015–18



Correlation between services employment share and female labor force participation



Sources: International Labor Organization (ILO); World Development Indicators (database); World

Bank Global Labor Database (GLD) labor force survey microdata (database); World Bank South Asia Region Labor Database (SARLD) labor force survey microdata (database); World Bank.

Note: BGD = Bangladesh; BTN = Bhutan; EMDEs = emerging market and developing economies; IND = India; LKA = Sri Lanka; MDV = Maldives; NPL = Nepal; PAK = Pakistan; SAR = South Asia; Trans/comms = transportation and communication.

Left panel: Plot shows women as a share of total employment for each sector for SAR and other EMDEs. Sectors are harmonized and coded according to the ISIC3.1 Revision. Comparison years are selected based on maximum data availability.

Shares represent the averaged shares from 2015–8 and are weighted using the average female population during these two time periods. Right panel: Residual relationship between services labor market concentration and female labor force participation is calculated by regressing the ratio of (log) female to male labor force participation on the share of services employment, controlling for log GDP per capita and country fixed effects. Country-level data from 1992–2022 is for 129 EMDEs,

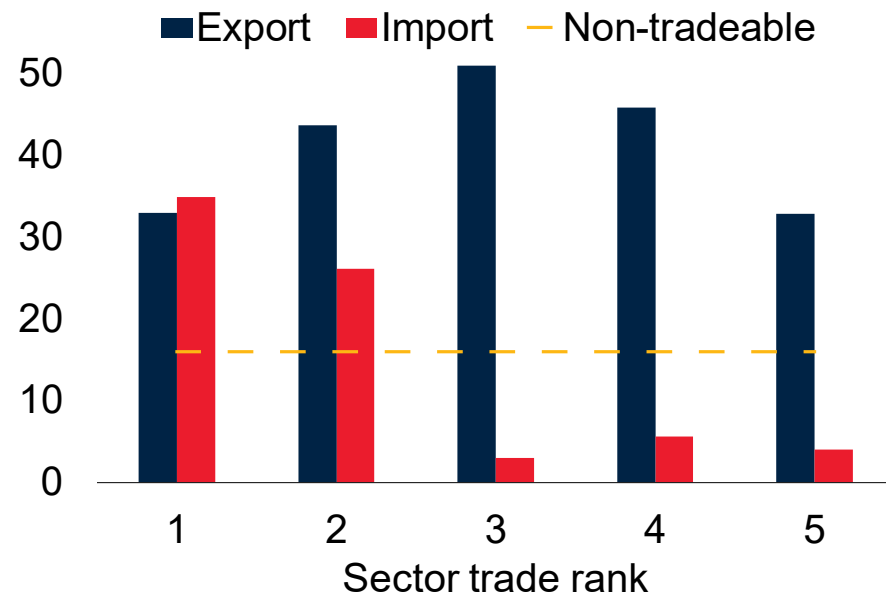
or for 171 countries, excluding those in South Asia. South Asian data at the subnational unit (state)-survey, are for Bangladesh, India, Nepal, Pakistan, and Sri Lanka for 1987–2022.

Estimation

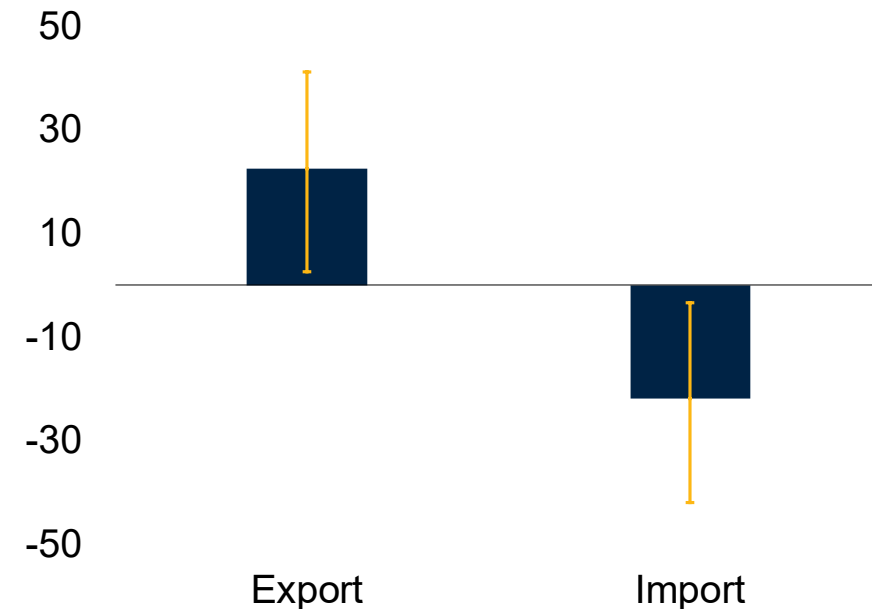
Trade integration and FLFP

Greater export exposure, higher rates of female labor force participation

Female employment share, by exposure to export and import shocks
(Percent of employment)



Impact of trade shocks on female labor force participation at subnational level
(Percent)



Estimation

Source: Global Labor Database (GLD) labor force survey microdata (database); International Labor Organization (ILO); World Development Indicators (database); UN Comtrade; World Bank.

Note: Left panel: Figure shows the female share of total sector employment by sector trade rank across all South Asian countries. Sectors are ranked at the country-year level based on their export or import share in total trade for that sector-year, for net export and import sectors, respectively (that is, the top-ranked export sector is the net exporting sector s in country c at year t for which $x_{sct}/(x_{sct}+m_{sct})$ is the highest). Sample years are 2010-2021. Non-tradeable sectors are those for which $x_{sct}=m_{sct}=0$. Right panel: Figure shows estimated coefficients from a subnational panel regression of relative female labor force participation, defined as the (log) ratio of female labor force participation to male labor force participation, on the log of state-year-level export or import exposure. Export and import exposure are calculated as the weighted average of national export or import volumes across sectors, where the weights are the state-level sector employment shares. OLS refers to specification including only export and import shocks, while the fixed effects model include state and year effects.

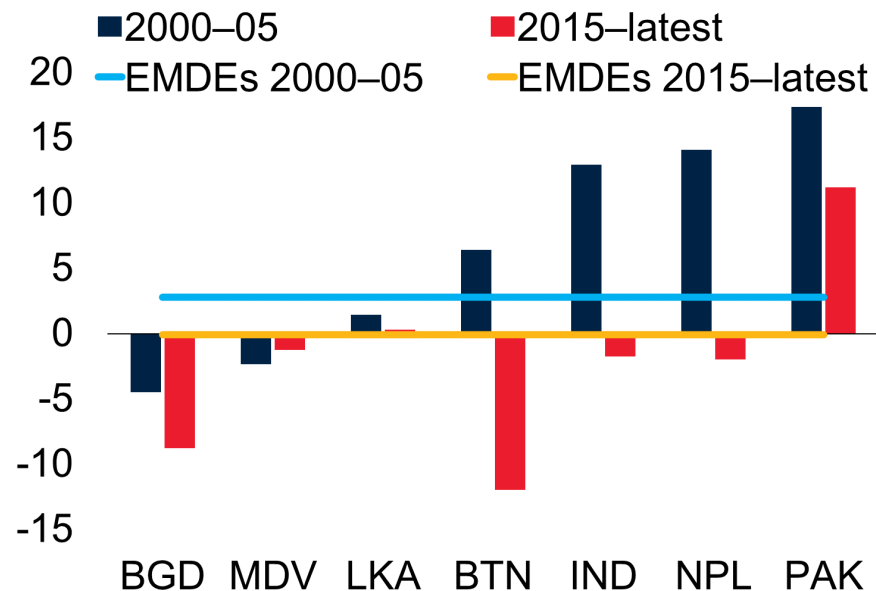
Four Questions

3 What has been the impact of supply constraints and labor market frictions?

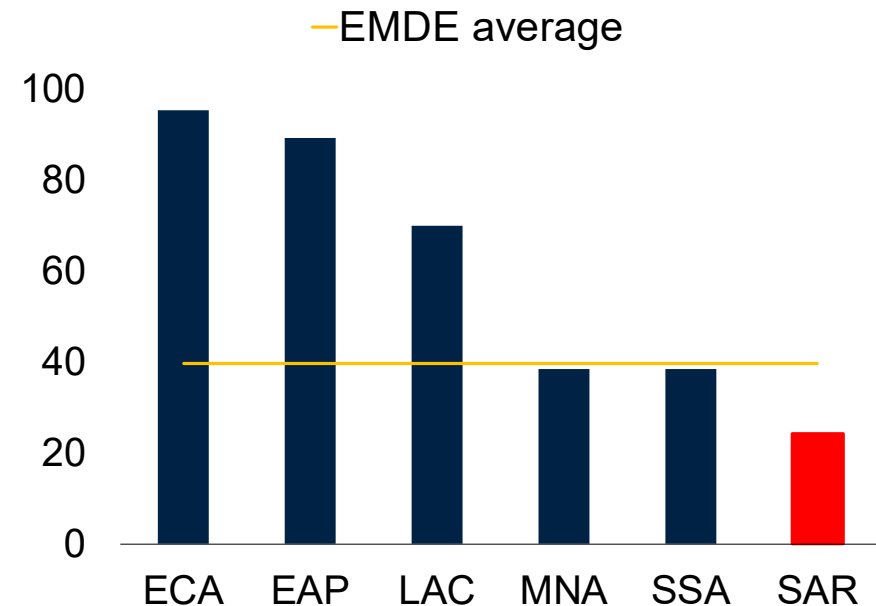
Supply-side barriers to employment

Education, childcare, transportation, safety

Gender gaps in primary education (percentage points)



Childcare provision index (Index)



Sources: Women, Business, and the Law; World Development Indicators (database); World Bank.

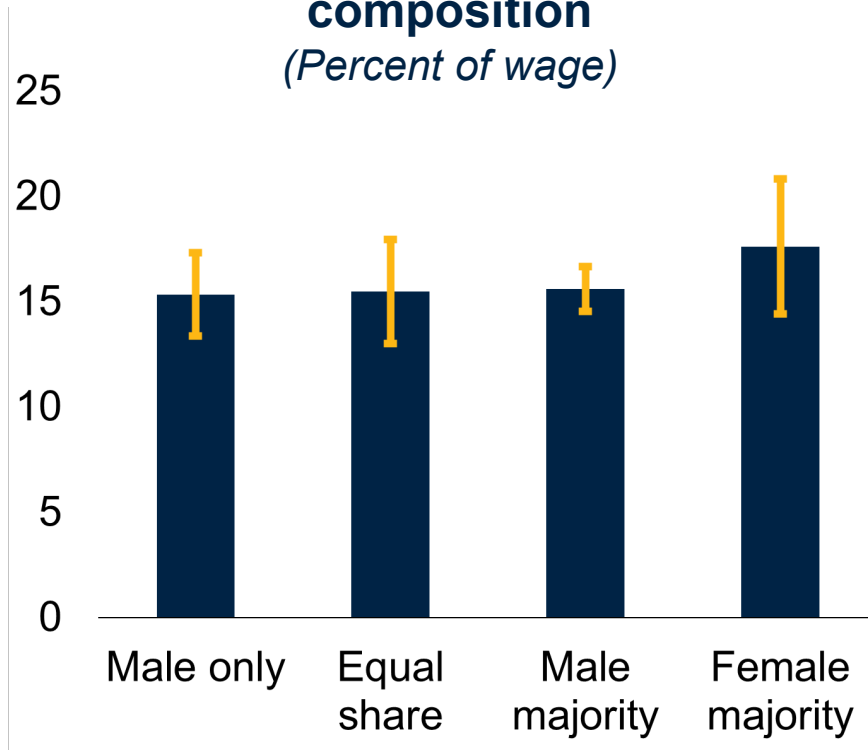
Note: BGD = Bangladesh; BTN = Bhutan; EMDEs = emerging market and developing economies; IND = India; LKA = Sri Lanka; MDV = Maldives; NPL = Nepal; PAK = Pakistan; SAR = South Asia.

Left panel: Bars show the difference in primary education completion rates between men and women (calculated as rate for men minus rate for women) for the years 2000 to 2005 and 2015 to latest available data. Annual averages are used. Dotted lines indicate primary completion gap in EMDEs excluding South Asian countries. Right panel: Bars show the regional average legal score of the provision of childcare services for children below three years of age. The horizontal line shows EMDE average excluding SAR countries (Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka). All regional averages are weighted by the working-age population.

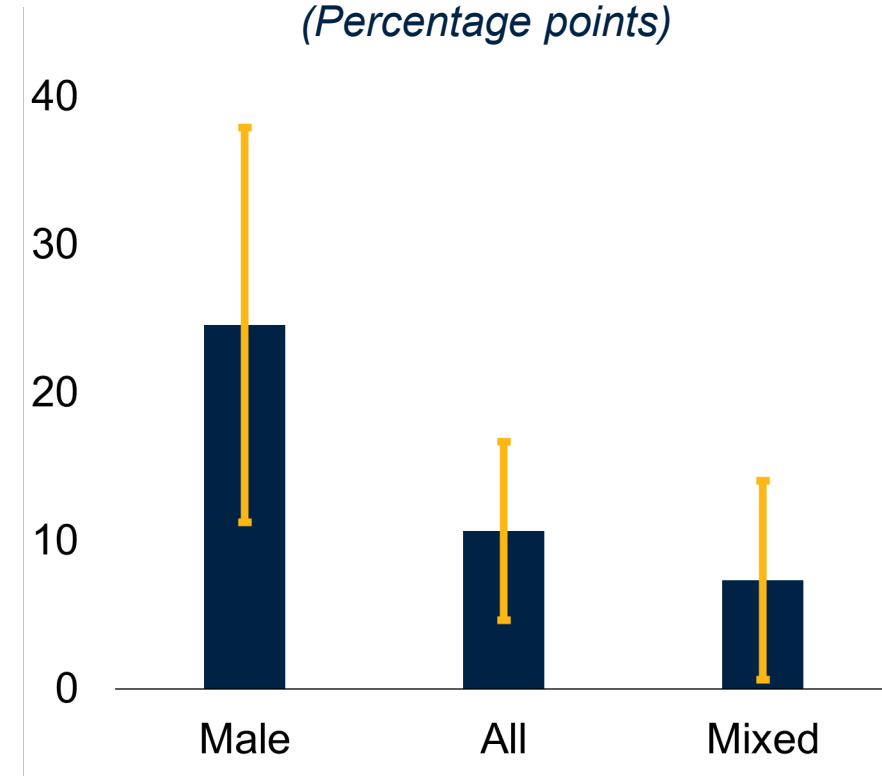
The role of hiring discrimination

Evidence from Pakistan: Bussolo et al. (in progress)

Average subsidy bid by firm gender composition
(Percent of wage)



Treatment effects: impact of wage subsidy on probability of hiring a woman
(Percentage points)



Sources: Bussolo et al. (forthcoming); World Bank.

Note: Left panel: Bars show the average subsidy bid in the Becker-DeGroot-Marschak preference elicitation of firms with different gender compositions, with 9 percent confidence intervals. "Male majority" indicates more than 60 percent male employees. "Equal share" indicates between 40 and 60 percent female employees. "Female majority" indicates more than 60 percent female employees. Right panel: Bars show the coefficients from a linear probability model estimating the likelihood of hiring a woman post-subsidy, based on interaction terms between a treatment indicator and firm composition indicators. Treatment indicator equals one if the firm was randomized to receive a subsidy offer. "Mixed" indicates a positive share of female employees. Whiskers show 95 percent confidence intervals.

Four Questions

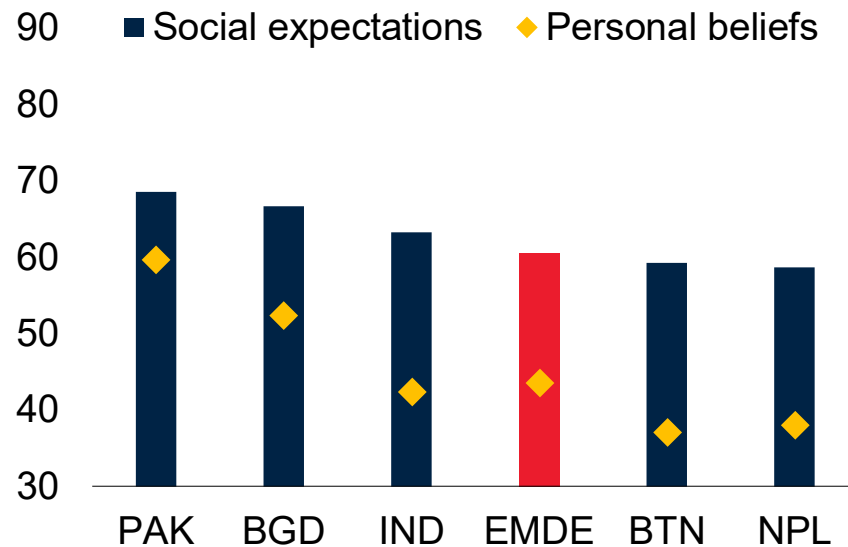
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What has been the impact of social norms and the legal framework?

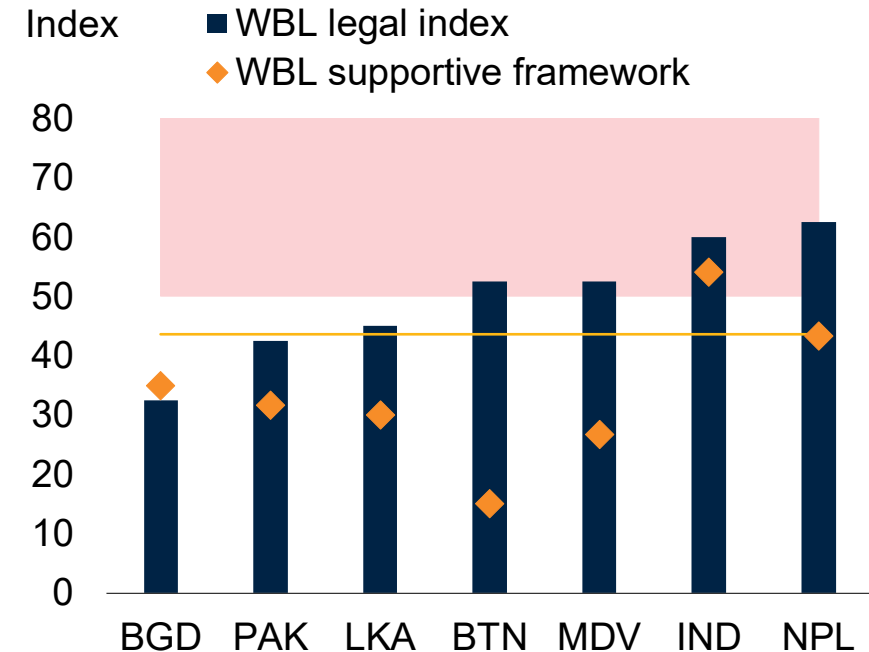
Conservative Social Norms and Unequal Laws

Social norms, Legal framework more conservative in South Asian than other EMDEs

Personal beliefs versus social norms: Men as breadwinners
(Percent of responses)



Legal gender equality index
(Index)



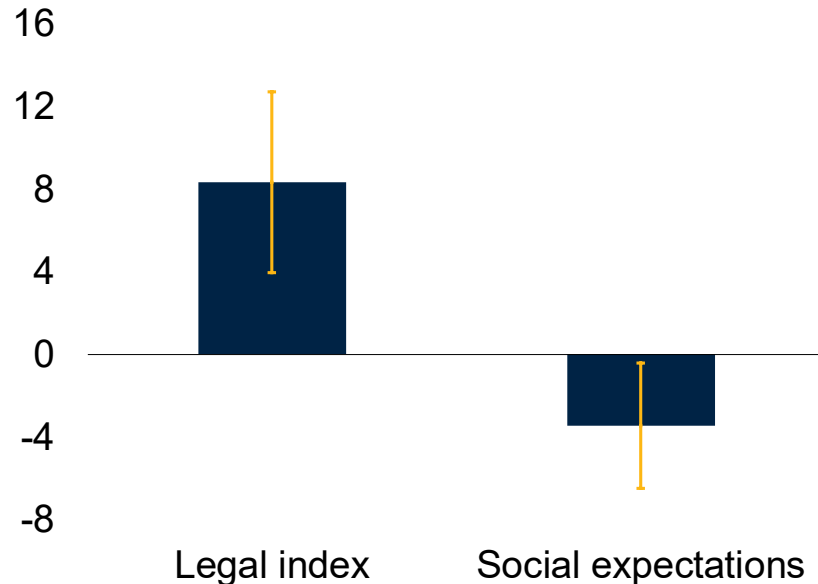
Source: World Bank-Facebook Survey on Gender Equality at Home; Women, Business, and the Law; World Bank.

Note: Right panel: Bars show values of the WBL gender equality legal index ("de jure rights") in 2024. Diamonds show values for the WBL supportive framework index ("de facto rights") in 2024. Red shaded area is interquartile range for the "de jure rights" in other EMDEs. Yellow line is the other EMDE average of the "de facto rights" and is weighted using countries' total population of 2023. Left panel: Data for 120 countries for 2020. Data on Maldives and Sri Lanka are not available. Social norms are the beliefs about others' attitudes. Personal beliefs are individual survey attitudes.

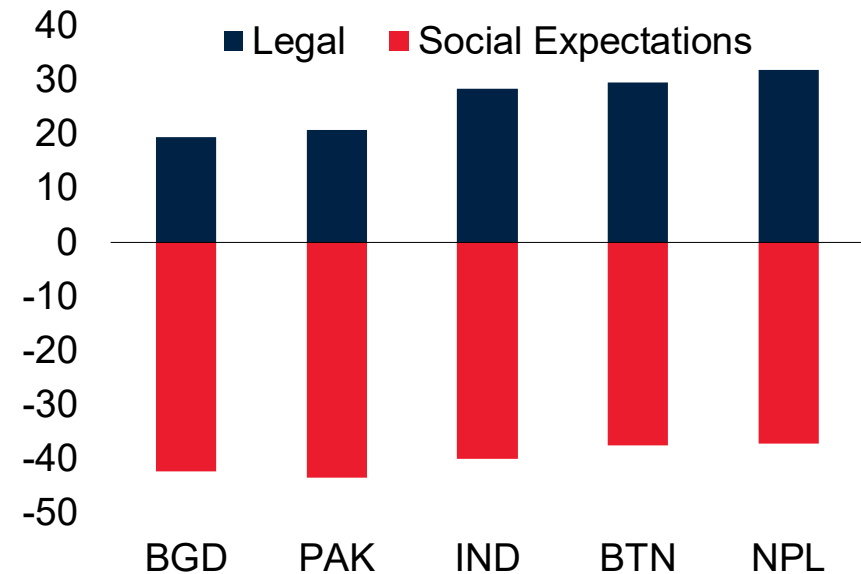
Conservative Social Norms and Unequal Laws

Conservative social norms strongly correlate with low FLFP

Legal gender equality index and FLFP
(Percentage points)



**Personal beliefs versus social norms:
Men as breadwinners**
(Percentage points)



Source: International Labour Organization ILOStat. Women, Business, and the Law; World Bank-Facebook Global Gender Equality Survey; World Development Indicators (database); World Bank.

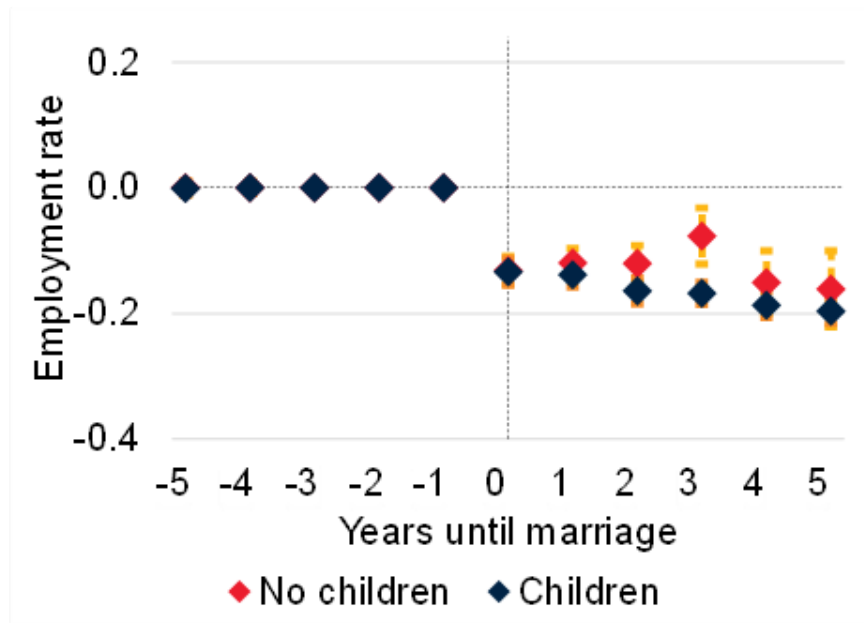
Note: Left panel: Chart shows the difference in regression-predicted female labor force participation rates between the top and bottom quartiles of EMDEs by *de jure* legal index or by social expectations, controlling for log GDP per capita and its square. All data come from 2020 and include 91 EMDEs. The female labor force participation (FLFP) rate is the share of the female working-age population (15–64 years old) employed or looking for work, measured using ILOStat modeled data.

Right panel: Chart shows contributions of social expectations and the legal index to predicted FLFP, controlling for log GDP per capita and its square. Prediction contributions formed by multiplying the coefficient on each variable with the level of that variable for each country. All data come from year 2020. The FLFP rate is the share of the female (male) working-age population (15–64 years old) employed or looking for work, measured using ILOStat modeled data.

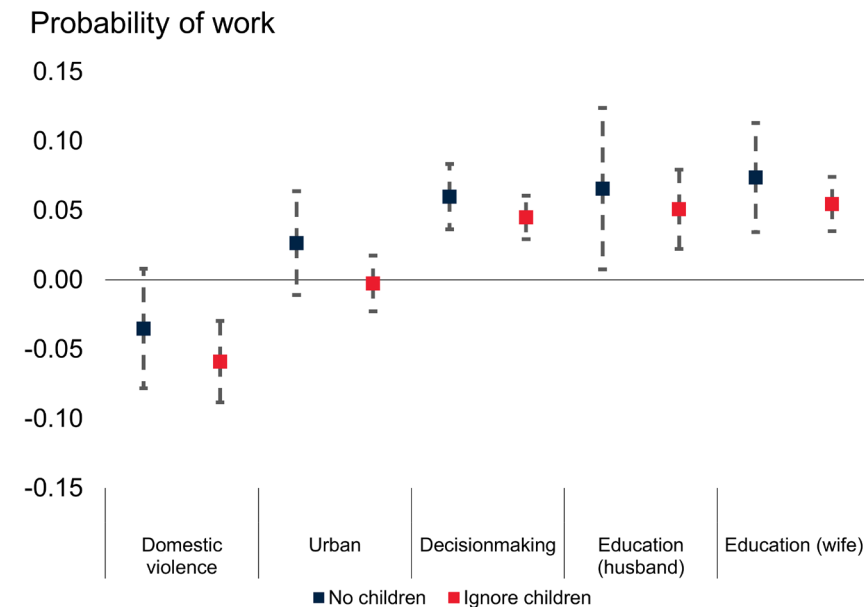
Impact of conservative norms: the marriage penalty

Women in South Asia reduce employment by 12 p.p. after marriage

Difference in employment rate before and after marriage: Indian women
(Percentage points)



Difference in marriage penalty across various household characteristics
(Percentage points)



Sources: Demographic and Health Survey (DHS); World Bank.

Note: Data on women from the following DHS are used: Bangladesh 1993, 1999, 2004, 2007, 2014, and 2017; India 1993, 1998, 2005, 2015, and 2019; Maldives 2009 and 2016; and Nepal 1996, 2001, 2006, 2011, 2016, and 2022.

Left panel: Estimates are from an event-study regression, with methodological details Bussolo, Rexer, and Triyana (2024). Whiskers show the 95 percent confidence interval. Right panel: bars show the coefficients on the interaction terms between the post-marriage indicator and household characteristics in figure footer. Whiskers show the 95 percent confidence interval.

Policy Implications

Labor demand

- Efficient capital markets will help the economy absorb female workers
- Trade openness can help if firms are sufficiently productive to compete in export markets
- Urbanization promises higher wages, but urban labor markets impose stricter constraints on mobility

Labor supply

- Promote flexible work arrangements to allow women to work from home.
- Access to affordable childcare could allow women to remain in the labor market after family formation.

Frictions and legal environment

- Digital platforms can solve labor market information asymmetries.
- Improving implementation and enforcement of existing gender equality laws.
- Social norms: correcting misperceptions, financial inclusion, and gender quotas can shift norms.

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