

Bold Initiative to Increase Women's Participation in India's Labour Market: New Measures in Maternity Benefit Act

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"Promoting decent jobs for women is imperative, now and for the next generation... It is a matter of rights and what is right for women and for sustainable development."

Guy Ryder, Director General, International Labour Organisation

The Maternity Benefit (Amendment) Act, 2017 promises to be a game changer in so far as empowering women and increasing their participation in the labour market is concerned. Both these effects will contribute directly to increased national income, reduction of poverty and inequality and increase effective demand in the economy. The Ministry of Labour and Employment deserves plaudits for initiating and steering this bold initiative.

The amended Maternity Benefit Act has distinctive additions to the existing Maternity Benefit Act of 1961. First, it raises the amount of fully paid maternity leave from 12 weeks to 26 weeks for women (for first two surviving children). Second, it provides maternity leave of 12 weeks to employed mothers with adopted child and those who have children through surrogacy (termed "commissioning mothers"). Third, it provides

for the possibility for "working from home" facility for women where possible by mutual agreement of employers and women workers after they have availed the maternity leave. Fourth, it provides for mandatory provision of crèche facility for establishments with more than 50 workers and four scheduled daily visits by the working mother to attend to the child. These benefits would have to be communicated to each woman employee in writing and electronically at the time of appointment. Significantly the provisions of the Act are applicable to all women employees



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whether employed directly or through any agency and thus takes into account the large number of contract labour and temporary employees in the labour market.

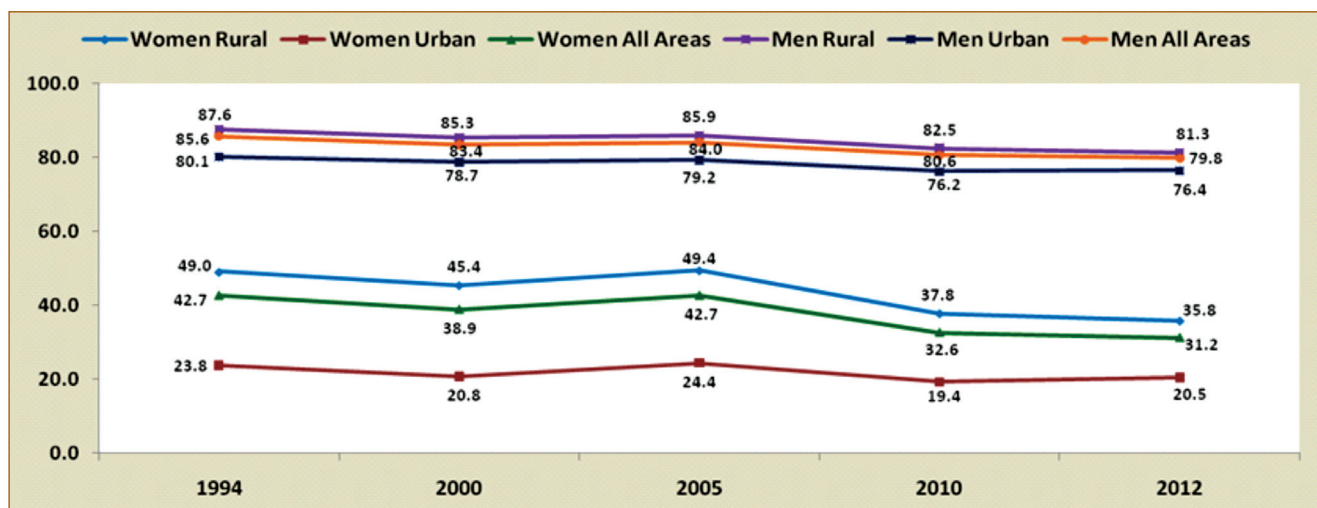
These provisions (specially the increase in the quantum of paid leave) place India now amongst the group of advanced countries such as Canada and Norway in terms of maternity benefits and is by far the best among the emerging and developing countries. The ILO Convention on Maternity Benefits proposes a minimum of 14 weeks and recommends 18 weeks of paid maternity benefits. Indian provisions for the most parts will now be well above the recommended limits.

These high standards of maternity benefit proposed must be seen in the context of the extremely low and declining labour force participation rate of women in India. In a recent and stimulating book, *Transformation of Women at Work in Asia*, by ILO economists Sukti Dasgupta and Sher Singh Verick, the puzzle of India's persistently low and

declining female labour force participation has been highlighted and placed in a comparative context. While India's female labour force participation rate for the age cohort 15+ was 31.2 per cent in 2012, the male labour force participation was reported at 79.8, signifying stark gender differentials (Figure 1). In fact, it is pertinent to note that countries poorer than India in terms of per capita income such as Laos, Vietnam and Cambodia and Bangladesh have higher female labour participation and have seen significant increase in per capita income in recent years.

Persistently low female participation rates and consequent gender gap have been noted as the key factors in reducing the growth potential of a country. *World Development Report, 2012* on the theme, Gender Equality and Development, highlighted that underutilization of female labour force would result in significant economic losses (World Bank, 2012). In the context of India, Lawson (2008) estimated that "per capita income could be 10 per cent higher by 2020

Figure 1: Labour Force Participation Rates in India (Age 15+)
(in %, Usual Principal and Subsidiary Status (UPSS))



Source: Based on Dasgupta, Sukti and Verick, Sher Singh (2016), Table 4.2, p. 87.

and 13 per cent higher by 2030 than in the baseline scenario if India's gender participation gap could be halved". According to McKinsey Report, *The Power of Parity: Advancing Women's Equity in India Gender Parity (2015)*, "2.9 trillion \$ of additional annual GDP in 2025 could be added by fully bridging the gender gap in the workplace". The closing of gender gap in labour force participation rate is also very significant as the 2030 Agenda for Sustainable Development reaffirmed the universal consensus on the crucial importance of gender equality and its contribution to the achievement of 17 Sustainable Development Goals (ILO, 2016).

So how does the proposed maternity benefit help in increasing female participation in the labour market? An important reason for low female participation rate lies in the burden on women for unpaid care and reproductive (child bearing and rearing) labour. By providing adequate maternity benefits, the new Act will provide a powerful inducement for women to join the labour force. The importance of the pull factor of the Act can be understood if we look at the gender gap and female participation rate along the axis of educational attainment. Typically, female labour force participation rates in India, as shown in the book, *Transformation of Women at Work in Asia*, tend to be high amongst illiterate women and declines with increasing education attainment till secondary level and increases sharply with tertiary (college) education (typically in the age group 20-34 years). The latter also is the age group where child birth and child rearing places the maximum

burden on women and deters their seeking productive employment. It is indeed heartening to note that the gender gap in gross enrollment ratio in both secondary and tertiary education in India has rapidly reduced in the last decade which provides the springboard for larger participation of women in the labour market.

There are two main concerns: first, would the higher employer liability implicit in the new Act deter hiring of women and second, would the new provisions further entrench the formal sector/informal sector divide? Employers' organisations have largely supported the new provisions in the amended Act indicating greater awareness about the immense macro benefits of larger participation of skilled and educated women in the formal sector. This awareness must also be matched by strengthening government monitoring that deters evasion of the provisions of the Act. Simultaneously it is imperative that social security provisions for the unorganised sector must include major provisions of the maternity benefits so that the policy towards reduction of gender gap in employment does not widen the gulf between organised and unorganised sector. The amended Maternity Benefit Act therefore must be seen as part of a package of policy measures that need to be implemented to reap full benefit from increasing women's participation in decent and productive paid work.

But by far the most significant aspect of the new Act lies in signaling a major conceptual and policy shift. For too long, quantitative growth of employment has been tied to reducing the quality of employment.

This low road to development based on cheapening of labour is no longer a viable strategy when the world of work is being transformed rapidly by increasing use of digital technology and automation at an unprecedented scale. Strategies of development that is based on higher skills must have decent work conditions as its base. The amended Maternity Benefit Act is an important step in the direction of high road strategy of development.

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