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Women Labour Force Participation and their Financial Resilience

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Abstract

Women's participation in the labour force is a critical driver of economic growth and social equity. Despite decades of progress, a significant gender gap persists globally. Women not only join the labour market at lower rates than men but are also disproportionately concentrated in lower-paying, informal, and vulnerable employment. These disparities directly undermine their financial resilience—the capacity to anticipate, absorb, and recover from financial shocks. This paper examines the complex, bidirectional relationship between women's labour force participation and financial resilience. It argues that while employment is a primary vehicle for building resilience, its effectiveness is contingent on the quality and security of that employment. The analysis, grounded in a review of existing literature, highlights key barriers, including the unpaid care burden, occupational segregation, and the gender pay gap, and underscores the transformative role of education and skill development. The paper concludes with integrated policy recommendations aimed at promoting decent work, enhancing financial inclusion, and investing in care infrastructure and human capital.

Keywords: Women's Labour Force Participation, Financial Resilience, Gender Pay Gap, Economic Empowerment, Financial Inclusion, Decent.

Classification Codes: J01, J08, J16.

Introduction

The 20th and 21st centuries have witnessed a remarkable, although uneven, revolution in women's education and legal status worldwide. Women now outnumber men in university enrolment in many countries and legislative barriers to their economic participation have steadily, if slowly, eroded (World Bank, 2022). Yet, this progress in human capital and legal frameworks has precipitated a paradox: this vast potential remains starkly untapped in the global economy. The promise of gender equality in the world of work remains, for hundreds of millions of women, an unfulfilled promise. Despite their increased capabilities and rights, women's labour force participation (WLFP) has stagnated or even declined in some regions, creating a concerning gap between preparation and opportunity.

Globally, a gap persists between the labour force engagement of men and women. The International Labour Organization (ILO, 2022) reports shows that as of 2022, only 47.4% of working-age women are actively engaged in the labour force, compared to 72.3% of men. This statistical disparity, however, tells only part of a more complex and troubling story. The qualitative dimension of women's work reveals a landscape of pervasive vulnerability. Women are overwhelmingly concentrated in the informal economy, in low-productivity sectors such as care and hospitality and in precarious, part-time roles that offer minimal job security, social protection or pathways for advancement (Chen, 2012). This is not merely a matter of unequal participation; it is a crisis of unequal outcomes.

Economic stability for individuals, families, and nations is increasingly dependent on the full and equitable participation of women in the labour market. Women's Labor Force Participation (WLFP) is a key indicator of economic development and gender equality. Concurrently, financial resilience—defined as the capacity to anticipate, adapt to, and recover from financial setbacks—has emerged as a crucial measure of economic well-being in an unpredictable global economy.

The consequence of this gendered labour market segmentation is a profound erosion of women's financial resilience—defined as the capacity to anticipate, absorb, and recover from financial shocks. Financial resilience is the bedrock of economic security, built upon pillars of stable income, accumulated savings, access to formal financial instruments, and asset ownership. When work is informal, intermittent, and poorly compensated, these pillars crumble. The persistent global gender pay gap, estimated at 20% (ILO, 2022), acts as a direct and continuous drain on women's earning potential, which compounds over a lifetime into a devastating wealth gap (Schmidt & Sevak, 2006). This leaves women, particularly in times of crisis such as illness, economic downturn, or old age, profoundly vulnerable.

The connection between these two concepts is profound yet complex. On its face, employment is the primary means through which individuals generate income, build assets, and gain access to formal financial systems like credit and insurance—all core components of financial resilience. However, for women, this translation of labour into resilience is fraught with challenges. Globally, women participate in the labour force at lower rates than men, are overrepresented in informal, vulnerable, and low-paying jobs, face a persistent gender pay gap, and bear the primary responsibility for unpaid care and domestic work.

This paper argues that the relationship between WLFP and financial resilience is not linear but deeply symbiotic and mediated by structural constraints. While employment is undoubtedly a primary vehicle for building economic resilience, its effectiveness is critically contingent on the *quality*, *security*, and *remuneration* of that employment. Conversely, a lack of financial resilience and the immense burden of unpaid care work—which women perform at a rate more than three times that of men (Oxfam, 2020)—can itself be a primary barrier to entering, remaining in, or advancing within the labour force. This creates a self-perpetuating cycle where precarious work leads to precarious finances, which in turn reinforces the necessity of accepting any available work, however insecure.

This paper posits that while WLFP is a necessary precondition for female financial resilience, it is not a sufficient one. The quality, stability, and remuneration of women's work are the true determinants of its impact on their financial health. This research explores the

mechanisms through which WLFP influences financial resilience, identifies the major barriers that weaken this relationship, and analyses how a lack of resilience can perpetuate cycles of economic vulnerability, creating a feedback loop that hinders WLFP itself. Finally, the paper offers policy recommendations aimed at forging a stronger, more equitable link between women's work and their financial security.

Therefore, this research seeks to move beyond simplistic narratives that focus solely on increasing female employment rates. Instead, it aims to dissect the intricate nexus between WLFP and financial resilience. By conducting an extensive analysis of existing research and practical data. By illuminating this critical interdependence, this paper contends that empowering women to achieve robust financial resilience is not merely a social justice issue but an fundamental economic imperative. Fostering this virtuous cycle is essential for building more inclusive, stable, and prosperous societies for all.

This analysis begins with a review of literature to establish the theoretical and empirical foundations of this nexus. It will then define the core concepts, deconstruct the barriers that prevent WLFP from translating into resilience, and explore education as a key enabling factor. Finally, it will offer targeted policy recommendations designed to strengthen this critical link.

Review of Literature

The scholarly discourse on WLFP and financial resilience spans economics, sociology, and development studies, converging on the consensus that the relationship is significant yet complex.

The Foundation: Labour Force Participation and Economic Empowerment

Seminal work by scholars like Buvinić and Furst-Nichols (2016) established that women's income is a powerful tool for empowerment, with positive spillover effects on human capital investments in children's health and education, creating intergenerational benefits. This aligns with Duflo's (2012) analysis, which frames economic development and women's empowerment as mutually reinforcing, where participation in the market economy enhances women's bargaining power within the household, a concept rooted in the collective model of household decision-making.

The Quality of Employment Debate

A critical evolution in the literature is the shift from focusing solely on participation *rates* to analyzing the *quality* of employment. Chen (2012) and Chen, Vanek, & Carr (2005) extensively document the prevalence of women in the informal economy, characterized by insecurity, lack of legal protection, and low pay. Their research argues that this "vulnerable employment" severely limits the potential for economic empowerment, highlighting that not all work contributes equally to resilience. This is a crucial distinction, as simply having a job does not guarantee financial security.

The Structural Barriers: Care, Norms, and Segregation

A substantial body of research identifies the structural impediments to robust WLFP. Budig & England (2001) quantified the "motherhood penalty," demonstrating the negative impact of care responsibilities on women's wages and career trajectories. This connects to the broader feminist economics literature, which critiques the failure of traditional economic models

to value unpaid care work (Oxfam, 2020). This care burden, often exacerbated by a lack of affordable childcare, is a primary driver of women's time poverty and their subsequent concentration in flexible but precarious jobs.

Furthermore, persistent occupational segregation—both horizontal (by sector) and vertical (the "glass ceiling")—channels women into lower-paying fields and blocks their advancement (World Bank, 2022). This division plays a significant role in sustaining the ongoing gender pay gap, as thoroughly documented by the ILO (2018, 2022).

Conceptualizing Financial Resilience

The concept of financial resilience has been developed to move beyond static measures of income or poverty. Gutiérrez-Nieto et al. (2017) propose a multidimensional framework that includes not only income and assets but also access to financial services and financial capability. This perspective is vital, as it acknowledges that resilience is built through a combination of resources, access, and knowledge. Schmidt & Sevak (2006) provide empirical evidence for how gender income disparities compound over time to create a significant wealth gap, underscoring the long-term consequences of labour market inequalities for financial resilience.

In summary, the literature confirms that WLFP is a key determinant of financial resilience, but its impact is mediated by the quality of employment and is constrained by deep-seated structural barriers. The following sections build upon this foundation to analyze this nexus in detail.

The Empowering Potential of WLFP

A robust body of literature establishes that WLFP directly contributes to these pillars of resilience.

- **Income and Asset Accumulation:** Employment provides earnings that enable saving, investment, and asset building (e.g., home ownership), which serve as a critical buffer against economic shocks (Sen, 1999).
- **Access to Formal Finance:** Formal employment often provides access to institutional financial products like bank accounts, pension plans, and secured loans, moving women away from risky, informal credit sources (Demirgüç-Kunt et al., 2018).
- **Agency and Bargaining Power:** Independent income enhances a woman's decision-making power within the household (the "bargaining power" model). This agency allows her to allocate resources toward resilience-building measures, such as investing in her children's education or her own health (Anderson & Eswaran, 2009).

Defining the Nexus: WLFP and Financial Resilience

Beyond the Headline Rate: A Nuanced View of WLFP

The standard metric of WLFP masks critical qualitative dimensions. Meaningful analysis must distinguish between:

- **Formal vs. Informal Employment:** Formal work offers contracts, legal protections, and benefits (pensions, health insurance), which are foundational for resilience. Informal work is characterized by insecurity, low pay, and a lack of any social safety net.

- **Sectoral and Vertical Segregation:** The concentration of women in lower-valued sectors (horizontal segregation) and their underrepresentation in leadership roles (vertical segregation) directly suppress earning potential.
- **Underemployment:** Many women are trapped in part-time or temporary roles despite wanting full-time, stable work, leading to income volatility.

Financial Resilience: A Multidimensional Framework

As established in the literature, financial resilience is the ability to withstand and recover from financial shocks. It is built on four pillars:

- **Income Security:** A stable, predictable, and sufficient flow of earnings.
- **Asset Buffers:** Accumulated savings and assets (e.g., property, investments) to absorb economic shocks.
- **Access to Formal Financial Services:** The ability to leverage banking, credit, and insurance products.
- **Financial Capability:** The knowledge, skills, and confidence to make informed financial decisions (Gutiérrez-Nieto et al., 2017).

The Structural Constraints on Resilience-Building

Despite its potential, WLFP's impact is mediated by systemic gender inequalities:

- **The Gender Pay Gap:** Globally, women earn on average 20% less than men (ILO, 2022). Lower lifetime earnings directly translate into a reduced capacity to save, invest, and build a financial buffer.
- **Occupational Segregation:** Women are concentrated in sectors like care work, education, and hospitality, which are often characterized by lower wages, less job security, and limited benefits (e.g., paid leave, retirement plans) (World Bank, 2022).
- **The Burden of Unpaid Care Work:** Women perform over 75% of the world's unpaid care work (Oxfam, 2020). This "time poverty" forces many into part-time, informal, or flexible work arrangements that sacrifice income, job security, and career progression—key elements for long-term resilience.
- **Informality and Vulnerability:** In developing economies, a significant portion of WLFP is in the informal sector, which offers no social protection, irregular income, and no access to formal financial services, leaving women extremely vulnerable to shocks.

Barriers Decoupling Participation from Resilience

Despite its potential, WLFP often fails to build resilience due to several interconnected barriers.

The Triple Burden: Unpaid Care Work, Informality, and Time Poverty

Women perform over 75% of the world's unpaid care work (Oxfam, 2020). This immense burden creates a "time tax," forcing women into flexible but often informal and low-paying jobs to accommodate care responsibilities. This perpetuates a cycle of precarious employment that offers income but not security, directly inhibiting the accumulation of savings and assets.

The Gender Pay and Wealth Gaps

The global gender pay gap, estimated at 20% (ILO, 2022), is a direct income penalty. It promptly diminishes women's ability to save and invest. Over a lifetime, this gap compounds into a vast **wealth gap**, as lower earnings translate into less capacity to acquire property or build a retirement fund, leaving women economically vulnerable, especially in old age (Schmidt & Sevak, 2006).

Occupational Segregation and the "Glass Ceiling"

The crowding of women into a narrow set of care-focused, low-growth sectors suppresses wages and limits career advancement. This segregation, combined with the "glass ceiling," blocks access to higher-paying, senior roles that are critical for building substantial financial resilience.

Limited Access to Financial Systems and Assets

Women in informal employment often lack formal proof of income or collateral, barring them from accessing loans, mortgages, or insurance. Discriminatory laws in some countries regarding property ownership or inheritance further limit their ability to accumulate the assets that underpin resilience.

Education and Skills: The Key Enabler of Resilient Participation

Investing in women's human capital is a powerful mechanism to break the cycle of low-quality participation and low resilience.

- **Foundational Education:** Correlates strongly with higher participation rates and better labour market outcomes (Psacharopoulos & Patrinos, 2018).
- **Technical and Vocational Training (TVET):** Targeted skills development in high-growth sectors (e.g., STEM, digital technology) is crucial for breaking down sectoral segregation and preparing women for higher-paying, formal jobs.
- **Financial Literacy:** Education specifically on budgeting, saving, investing, and debt management empowers women to maximize their earnings and build resilience from any level of income.
- **Lifelong Learning and Upskilling:** Ensures women can adapt to the changing demands of the labour market, particularly in the face of automation and the digital transition.

Policy Recommendations: An Integrated Framework

Policies must target both the supply (women's capacity to participate) and demand (the availability of quality jobs) sides of the labour market.

- **Invest in the Care Economy:** Recognize, reduce, and redistribute unpaid care work. Public investment in affordable, quality childcare and eldercare is an economic imperative that directly enables female labour force participation.
- **Promote Decent Work and Formalization:** Enforce equal pay legislation, strengthen social protection floors to cover all workers, and incentivize the transition from informal to formal economy work.

- **Enhance Financial Inclusion:** Develop gender-sensitive financial products, such as digital savings platforms and collateral-free loans for women entrepreneurs. Reform discriminatory laws around property rights and asset ownership.
- **Foster Targeted Skills Development:** Governments and the private sector should co-create subsidized upskilling and reskilling programs for women, focusing on future-proof skills. This must be coupled with efforts to break down stereotypes in education and hiring.
- **Strengthen Financial Capability:** Integrate financial literacy education into school curricula and community programs for women, focusing on budgeting, saving, debt management, and long-term planning.
- **Extend Social Protection:** Ensure that social security systems, including pensions, unemployment benefits, and health insurance, cover all forms of work, including part-time, temporary, and informal employment. This directly bolsters resilience against income loss.
- **Implement Supportive Workplace Policies:** Mandate and incentivize paid parental leave (with a non-transferable portion for fathers), flexible work arrangements, and robust anti-harassment protocols.

Conclusion

Women's labour force participation is undeniably a powerful engine for building financial resilience. It provides income, fosters independence, and facilitates access to the formal financial tools necessary to navigate economic uncertainty. Nevertheless, the enduring structure of gender inequality—evident in wage disparities, job segregation, and the disproportionate burden of unpaid care responsibilities—functions as a barrier, significantly diminishing the effectiveness with which women's labour translates into economic stability. The connection between women's participation in the labour force and their financial resilience is essential but remains fragmented. The literature confirms that simply having a job is not enough; the quality, security, and remuneration of that employment are the true determinants of economic empowerment. The structural barriers of unpaid care, occupational segregation, and pay inequality systematically prevent many women from converting their labour into lasting financial security.

Addressing this requires a holistic policy approach that moves beyond siloed interventions. By simultaneously investing in care infrastructure, creating quality jobs, enhancing financial access, and building human capital, policymakers can forge a stronger link between participation and resilience. Empowering women to achieve financial resilience is not just a matter of gender equality—it is an investment in broader economic stability, growth, and a more prosperous future for all.

Therefore, the goal for policymakers and economists should not be merely to increase the number of women in the labour force, but to improve the *terms* of their participation. By dismantling structural barriers and implementing policies that directly target the quality and conditions of women's work, we can unlock the full potential of WLFP. This will not only enhance the financial resilience of individual women and their families but also contribute to broader economic growth, stability, and a more equitable society. A resilient economy requires

resilient women, and building that resilience requires a deliberate and focused effort to ensure their work is valued, protected, and rewarded fairly.

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