

Socio-Economic Determinants of Women's Participation in Informal Employment

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Abstract:

Women's participation in informal employment has emerged as one of the defining characteristics of labour markets in developing economies. Despite the significant contribution of women to economic development through informal work, their employment is often characterized by low wages, limited social protection, poor working conditions, and inadequate legal recognition. This study systematically reviews literature to identify the key socio-economic determinants of women's participation in informal employment. The findings indicate that education and skills, marital status, childcare and household responsibilities, household income, gender norms, labour-market discrimination, occupational segregation, and rural–urban disparities are important determinants of women's informal employment and economic outcomes. The review highlights that women's concentration in informal work is shaped by the interaction of household responsibilities, limited access to formal employment, gender-based inequalities, and institutional constraints rather than individual choice alone. The study emphasizes the need for gender-responsive policies addressing education and skills, childcare, social protection, labour market regulation, and employment formalization.

Keywords: Informal employment; Women workers; Socio-economic determinants; Social protection.

Introduction:

Women's participation in economic activities has increased over recent decades; however, this has not translated into secure or formal employment. In developing countries, women remain heavily concentrated in informal employment, characterized by low wages, lack of contracts, poor working conditions, and absence of social protection. The International Labour Organization (ILO, 2018) estimates that over 60% of global employment and nearly 90% of employment in low-income countries is informal, with women disproportionately represented in this segment.

In India, the informal sector accounts for a substantial part of the economy. According to the Periodic Labour Force Survey (PLFS, 2018–19), around 96% of women workers are engaged in informal employment, reflecting deep structural inequalities in the labour market. Women are mainly concentrated in domestic work, agriculture, home-based production, and street vending, which are often unrecognized in official statistics (Chen, 2012; ILO, 2018). The COVID-19 pandemic further exposed these vulnerabilities, with informal women workers experiencing higher income losses and job insecurity compared to men, highlighting the need for stronger social protection systems (ILO, 2021).

Informal Sector- The informal sector has expanded over the past few decades in both developed and developing countries. The informal economy makes up a large share of global employment, especially in

developing nations. According to the International Labour Organization, over 60% of total employment in developing countries is informal.

- According to International Labour Organisation, there are three main categories of employment in informal economy:-(i) Owners or employers of microenterprises employing a small number of employees, (ii) Self-employed workers working alone or with other family members as unpaid employees, and (iii) Dependent workers in microenterprises working on a contract basis or on a casual basis.
- The National Commission for Enterprises in the Unorganised Sector (NCEUS), India defines the unorganised sector in the following terms: 'the unorganised sector consists of all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten total workers. It also classifies the unorganised sector into the following sections: (i) wage workers in the unorganised sector, (ii) the self-employed in the unorganised sector, (iii) unprotected wage workers in the organised sector, and (iv) regular unorganised workers (NCEUS, 2007).

In India, the term "unorganised sector" is typically used to refer to the informal economy, while "unorganised workers" are the term used to refer to informal workers (NCEUS, 2007). The collective of economic entities producing goods and services with the main goal of providing employment and income to the people involved in the activity is referred to as the "unorganised sector." These units are often smaller in size and blend well with the households conducting the activity. Thus, as unincorporated businesses, the units are a component of the household sector. Although these entities have made a considerable contribution to India's economy, the sector has not been given a common description that reflects its unique characteristics.

Thus, the informal sector comprises of small-scale, self-employed activities (with or without hired workers but less than 10 workers), often at a low level of organisation and technology, with the primary purpose of producing income and employment. The majority of the time, the operations are carried out without formal authorization from the authorities, evading the administrative structure in responsible of upholding laws and regulations. As per the Periodic Labour Force Survey (PLFS) 2018-19, around 75% of the workforce was involved in self-employment and casual employment, falling outside the sphere of conventional employer-employee system that provides workers with social security benefits and lack basic social or legal safeguards.

As per the Periodic Labour Force Survey (PLFS) 2018–2019, about 96% of employed women in the country work in the informal sector. This indicates a significant presence of women in informal employment. Understanding the determinants of women's participation in informal employment is crucial for developing effective policies to promote gender equality and economic growth.

Objective of the Study:

- To identify the key socio-economic determinants influencing women's participation in informal employment

Methodology:

The study uses secondary data from peer-reviewed journals, books, and reports published by organizations such as the ILO, World Bank, etc. Relevant literature published between 2010 and 2025 was identified

through JSTOR, Google Scholar etc using keywords related to women's informal employment, gender, labour-force participation, and socio-economic determinants. The selected studies were reviewed to identify key factors such as education, skills, marital status, household responsibilities, income, gender norms, discrimination, rural–urban differences, and social protection.

Analysis and Findings

1. **Education:** A lack of education, particularly formal or vocational training, is a significant constraint, that pushed women into informal employment (Rodin et al., 2012; Bairagya, 2012). Annicet et al. (2019) found that education strongly influences who enters informal work. Women with lower education levels are more likely to enter in informal jobs. Education and skill acquisition appear to be important determinants of informal employment. Evidence from Tanzania indicates that workers with higher levels of education are less likely to be informally employed, suggesting that inadequate education, training and technical skills restrict access to formal employment opportunities. The study further indicates that women are more likely than men to be engaged informally within construction firms, particularly in low-paid positions. This relationship is partly attributed to the persistent gender imbalance in access to technical and vocational skills, which limits women's opportunities to obtain formal employment in skill-intensive occupations. These findings suggest that educational and skill deficits may interact with gender inequalities to reinforce women's concentration in informal employment (Aikaeli & Mkenda, 2013).
2. **Marriage and Children:** Childcare responsibilities are a major determinant, pushing women toward flexible informal work (Sultana et al. 2021). Heintz et al., (2018) suggested that women mainly responsible for childcare and household duties were more likely to work, possibly because they faced greater pressure to earn an income. Marital status significantly influences women's employment patterns. Evidence shows that married individuals rely more on informal work, while recently married people are more likely to engage in self-employment due to household responsibilities. Women participate in both wage and self-employment, reflecting varied constraints and opportunities. Their employment is shaped by social norms, safety concerns, working conditions, economic need, and wage inequality. Thus, marital status interacts with gender norms and household responsibilities to influence women's position in the labour market (Sahu & Behera, 2025).
3. **Nature of Work:** A review on work-life balance among informal sector workers found that informal workers face long and irregular working hours, low wages, and limited legal/social protection, but the flexibility aspect sometimes is cited as a major factor in women's informal employment choices (Afiani, 2025). Informal employment is not a choice when women are not sufficiently educated to get a formal sector job due to their childhood work or caregiving responsibilities, when women have no one to care for their children and cannot bring them to a formal sector workplace, or when employers make it difficult for women to take a day off unexpectedly to care for her own health or a sick child (Rodin et. al. 2012).
4. **Social and Cultural Determinants:** Traditional gender norms and unpaid care work burdens restrict formal employment and encourage informal sector participation (Heintz, et al., 2018).
5. **Labour Market Discrimination and Segmentation:** Labour market discrimination and gendered segmentation are other key determinants. Gender segregation in the labour market may be responsible for causing more challenges for women than their male counterparts in terms of labour participation, access to decent jobs, and opportunities for career advancement. When occupations become gender-segregated, women are often concentrated in low-paid, low-status, and informal jobs, creating structural barriers to

their movement into higher-paying or traditionally male-dominated occupations. This segregation restricts their access to training, networks, and formal employment pathways, reinforces discriminatory hiring practices, and perpetuates wage gaps. As a result, women encounter reduced bargaining power, limited job security, and fewer opportunities for growth compared to men, further entrenching gender inequality in the labour market (Leoncini et al. 2024).

6. Place of Residence and Economic Opportunities: Another significant factor affecting the economic outcomes of female informal workers is their place of residence. Research suggests that rural women are less likely than their urban counterparts to earn adequate wages. The lack of well-paying jobs, poor infrastructure, limited access to higher education and skill development, and less social and internet connectedness in rural areas could all be contributing factors to this inequality. These limitations limit rural women's access to digital work, higher-paying jobs, formal employment, and other new sources of income. Geographical disparities may therefore increase the financial vulnerability of women who work in informal jobs (Syafitri et al., 2023; Cattaneo et al., 2022).

Policy Implications

- 1. Education and skills training:** The findings indicate that low educational attainment and inadequate skills are important factors associated with women's concentration in informal employment. Therefore, policy should move beyond basic education and focus on market-oriented vocational, technical, digital, and entrepreneurial skills. Training programmes should be designed specifically for women who have limited access to formal employment, particularly those from disadvantaged and rural backgrounds. Skill programmes should also be linked with actual employment opportunities, apprenticeships, markets, credit, and formal enterprises rather than operating as stand-alone training initiatives.
- 2. Childcare and social protection:** Improve affordable childcare and elder-care services, strengthen social protection schemes (e.g., maternity leave, social insurance) for informal workers.
- 3. Address rural-urban disparities:** The reviewed evidence indicates that women living in rural areas face weaker income opportunities than their urban counterparts. Rural employment policies should therefore focus on improving access to education, skill development, transport, digital connectivity, markets, financial services, and non-farm employment. Promoting women-led enterprises and strengthening rural value chains could provide alternatives to low-paid informal work.
- 4. Create pathways from informal to formal employment:** Formalization should not mean simply imposing registration and regulatory requirements on informal workers. Governments should create incentive-based pathways to formalization, including simplified registration, access to institutional credit, training, market linkages, social security, and tax incentives. Women-owned informal enterprises should receive targeted support to transition into sustainable formal businesses.
- 5. Strengthen Social Protection for Informal Women Workers:** Greater coverage of health protection, maternity benefits, pension provisions, accident protection, and other social security measures is required. Particular attention should be given to making existing schemes more accessible, affordable, and easier to enroll in, so that women working in informal and insecure occupations can effectively benefit from social protection programmes.

Conclusion

Women's participation in informal employment results from intersection of socio-economic constraints at individual, household, and institutional levels. Although informal work offers flexibility, it is marked by

insecurity, low wages, and minimal labour protections. Limited education and skills, heavy care responsibilities, restrictive gender norms, and labour market discrimination collectively push many women into informal jobs. Addressing this requires comprehensive, gender-responsive policies that tackle such barriers. In the absence of such measures, women would continue to be concentrated in unstable informal employment, which will perpetuate their ongoing economic vulnerability. The findings therefore suggest that women's employment outcomes can be improved through better education and skills training, childcare support, social protection, gender-sensitive labour policies, and greater access to decent employment opportunities.

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