Increased participation of women in productive employment is a prerequisite for achieving gender equality and other sustainable development goals. Yet, female labor force participation in India, a country home to about 17% of the world's women, is abysmally low. Against this background, using plant level data, we obtain gender-wise (females and males) estimates of job dynamics – job creation, destruction and reallocation – across 28 Indian states and 58 formal manufacturing industries for 1998-99 to 2014-15. This paper departs from earlier studies by focusing on measures of job dynamics (as opposed to static net employment measures) and on the demand side (as opposed to supply side) determinants of employment outcomes. In light of major changes in India’s trade and exchange rate regimes during this period, we analyze whether industry-level changes in international competitiveness, mediated through exchange rate fluctuations, explain the variation in job dynamics for each gender group. We also examine whether this relationship is conditional on state level variation in labor laws and industry characteristics such as contract worker use and trade openness.

Our estimates suggest that, even as net job creation rate is quite low, the labor market has experienced significant labor turnover for both gender groups, particularly in states with relatively flexible labor laws. Dynamic panel data regression analysis provides evidence for an asymmetric impact of exchange rate in that while depreciation (appreciation) is found to increase (reduce) gross job creation rates, exchange rate changes do not exert any effect on gross job destruction rates. However, this asymmetry is found to disappear in industries of flexible labor law states, where we notice that exchange rate shocks affect job creation as well as destruction rates along expected lines. In industries with a greater share of contract workers, exchange rate depreciation is seen to reduce job creation for female workers, suggesting that there exists a high degree of substitutability between female and contractual workers. Overall, we find that greater labor market flexibility increases net job creation rates, more so for females than males.