Women, Work, and Economic Growth

Leveling the Playing Field

EXCERPT

Edited by Kalpana Kochhar, Sonali Jain-Chandra, Monique Newiak

INTERNATIONAL MONETARY FUND

Note to Readers

This is an excerpt from *Women, Work, and Economic Growth: Leveling the Playing Field,* edited by Kalpana Kochhar, Sonali Jain-Chandra, and Monique Newiak.

Women make up a little over half of the world's population, but their contribution to measured economic activity and growth is far below its potential. Despite significant progress in recent decades, labor markets across the world remain divided along gender lines, and progress toward gender equality seems to have stalled. The challenges of growth, job creation, and inclusion are closely intertwined.

This volume brings together key research by IMF economists on issues related to gender and macroeconomics. In addition to providing policy prescriptions and case studies from IMF member countries, the chapters also look at the gender gap from an economic point of view by covering issues such as income gaps and participation in the labor force, as well as legal impediments that affect the economic activities of women within some societies. Chapters provide an overview of trends in gender inequality of opportunities and outcomes across different regions, their implications for growth, and suggested policy prescriptions for the different case studies reviewed.

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Editors
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Foreword

Women's empowerment is a cause I care about deeply. I am heartened by the significant strides of recent decades—but remain concerned that gender equality is still a long way off. The scale of the challenge is clear. In most countries, women are still less likely than men to have a paid job. When they do find paid employment, they receive less money for similar work and are more likely to be employed informally, lacking social protection. Most sobering of all, women are more likely than men to be illiterate and poor.

The moral case for greater gender equity is clear. So is the economic case. Like a car stuck in second gear, the global economy can never reach its potential while the talents of half its population remain underappreciated and underused. Harnessing the potential of each and every one of our global sisters would provide a transformative boost to global growth, support development, and reduce poverty. It would also help us adapt in the midst of tremendous global change. In rapidly aging economies, for instance, higher female labor force participation can mitigate the negative impact of a shrinking workforce on potential growth.

How to promote women's economic participation? Given the varied and complex drivers at play, it is clear that closing the gender gap requires efforts across many dimensions, tailored to countries' needs and norms. In many advanced economies, for instance, the answers may lie in revising tax codes, providing high-quality and affordable childcare, and establishing well-designed parental leave policies. In many developing economies, better infrastructure in rural areas and increased investment in girls' education will help. More equal laws to reduce discrimination is a virtually universal priority.

With our focus on macroeconomic stability, growth, and prosperity, the International Monetary Fund is committed to helping the efforts of our 189 member countries in promoting women's economic empowerment. What are the impediments to female labor force participation? What can be gained by overcoming these? What policies can help? These are the types of questions we continue to analyze in our research and discuss with our membership.

The failure to unleash women's potential is one of the great tragedies—and missed opportunities—of our time. I remain optimistic, however, that we can work together to help women reach their full economic potential—for themselves, their families, their communities, and the world.

Christine Lagarde
Managing Director
International Monetary Fund

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Preface

Despite progress, wide gender gaps remain: women have fewer economic opportunities than men, more men than women work in most countries, and women often get paid less for similar work. As a result, the tremendous potential economic contribution from women remains untapped in a number of countries. Gender equity is in itself an important social objective, but the lack of it also imposes a heavy economic cost because it hampers productivity and weighs on growth. Gender inequality also has a number of other adverse macroeconomic consequences, such as higher income inequality and lower economic diversification.

This book analyzes various linkages and interconnections between gender inequality and the macroeconomy. The prevalence of gender inequality, particularly the presence of gender gaps in the labor force and in economic opportunities, can weigh on and impede inclusive growth. Several chapters are devoted to analyzing the macroeconomic consequences of gender gaps in labor force participation and entrepreneurship. Conversely, women's decisions to work are partly driven by economic fundamentals and governmental economic policies, as outlined in a number of chapters. Because the causes and consequences of gender inequality differ across regions and countries, this book draws on IMF economists' work to present a number of country studies that highlight the drivers of female economic participation and the cost of gender inequality across various regions. Finally, the book ends with a discussion of the role of policies and their impact on women's economic participation.

The overview chapter (by Kalpana Kochhar, Sonali Jain-Chandra, and Monique Newiak) presents the trends in female labor force participation rates, noting that they hovered around 50 percent for the past two decades, compared with an average of almost 77 percent for men. The chapter shows that these global averages mask significant cross-country and cross-regional differences in both levels and trends. Furthermore, a lack of basic rights, lower literacy rates for women, and gender gaps in access to social and financial services all have implications for women's economic productivity. The overview chapter also contains a literature survey on the potential losses in GDP growth that can be attributed to gender gaps in the labor market.

Chapter 2 (by Sonali Jain-Chandra, Kalpana Kochhar, Monique Newiak, Tlek Zeinullayev, and Lusha Zhang) highlights that there have been tremendous advances in the elimination of gender inequities around the world but that various challenges remain in most countries. In particular, female labor force participation has been rising in many regions; female literacy has been increasing, rapidly in some places; gender gaps in education have been shrinking worldwide; and the number of women in elected office is rising in many countries. Despite these notable advances, gender disparities persist—and not only as a local phenomenon or only in particular regions of the world. The precise nature of gender gaps varies, but in the majority of countries there are differences between men and women in decision-making power, economic participation, access to opportunities, and social norms and expectations. This chapter introduces a novel index of opportunities, which incorporates different dimensions of disparities in opportunities into a new measure and includes education and health indicators, equality of legal rights, and gender gaps in financial inclusion.

Chapter 3 (by David Cuberes, Monique Newiak, and Marc Teignier) analyzes the effects of gender inequality from a macroeconomic perspective. The analysis shows that gender gaps in pay and in access to resources, occupations, and credit, among other things, not only have negative microeconomic effects on women but also imply large costs for the aggregate economy. The chapter examines two specific gender gaps—participation in the labor force and in entrepreneurial occupations—and simulates an economy-wide model to estimate the costs of country-specific gender gaps and to quantify the income lost relative to a situation without gender gaps.

Chapter 4 (by Christian Gonzales, Sonali Jain-Chandra, Kalpana Kochhar, Monique Newiak, and Tlek Zeinullayev) analyzes the links between two phenomena, income inequality and gender-related inequality, which can interact through a number of channels. First, gender wage gaps directly contribute to income inequality. Furthermore, higher gaps in labor force participation rates between men and women are likely to result in inequality of earnings between sexes, creating and exacerbating income inequality. Differences in economic outcomes may be a consequence of unequal opportunities and enabling conditions for men and women and for boys and girls. The authors find that gender inequality is strongly associated with income inequality across time and for countries at all levels of income and development, however the relevant dimensions of gender inequality may vary.

Chapter 5 (by Romina Kazandjian, Lisa Kolovich, Kalpana Kochhar, and Monique Newiak) focuses on the relationship between gender inequality and economic diversification and shows that gender inequality decreases the variety of goods produced and exported, particularly in low-income and developing countries. This happens through at least two channels: first, gender gaps in opportunity, such as lower educational enrollment rates for girls than for boys, harm diversification by constraining the potential pool of human capital available in an economy. Second, gender gaps in the labor market impede the development of new ideas by decreasing the efficiency of the labor force. The empirical estimates support these hypotheses, providing evidence that gender-friendly policies could help countries diversify their economies.

The book then turns to in-depth analyses of gender inequality in various regions. Chapter 6 focusses on gender gaps in labor force participation and their drivers in Asia. Chapter 6A (by Chad Steinberg and Masato Nakane) explores the extent to which raising female labor participation can help slow the trend decline in Japan's potential growth rate, which is steadily falling with the aging of its population. Using a cross-country database, the authors find that smaller families, higher female education, and lower marriage rates are associated with much of the rise in women's aggregate participation rates within countries over time but that policies are likely increasingly important for explaining differences across countries. Raising female participation could provide an important boost to growth, but women face two hurdles in participating in the workforce in Japan. First, few working women start out in career-track positions, and second, many women drop out of the workforce following childbirth. To increase women's attachment to work, Japan should consider policies to reduce the gender gap in career positions and provide better support for working mothers.

Chapter 6B (by Sonali Das, Sonali Jain-Chandra, Kalpana Kochhar, and Naresh Kumar) examines the determinants of female labor force participation in India, which has one of the lowest participation rates for women among peer countries. Using extensive Indian household survey data, the authors model the labor force participation choices of women, conditional on demographic characteristics and education, and also look at the influence of state-level labor market flexibility and other state policies. A number of policy initiatives can help boost female economic participation in the states of India, including increased labor market flexibility, investment in infrastructure, and enhanced social spending.

Chapter 6C (by Mai Dao, Davide Furceri, Jisoo Hwang, and Meeyeon Kim) examines trends and determinants of female labor force participation in Korea. It includes an empirical analysis from which important implications can be drawn for reforms that could boost female participation over the medium term. The results suggest that the benefits of comprehensive structural reforms are likely to be considerable over the medium term. In particular, comprehensive policy reforms aimed at reducing labor market distortions that inhibit labor force participation could increase female participation rates by about 8 percentage points over the medium term, which would reduce by one-third the gap between the rates of male and female participation in Korea. These reforms include making the tax treatment of second earners in households more neutral in comparison with that of single earners, increasing childcare benefits, and facilitating more part-time work opportunities.

Chapter 7A (by Lone Christiansen, Huidan Lin, Joana Pereira, Petia Topalova, and Rima Turk) examines the drivers of and benefits from unlocking female employment in Europe. Increasing the share of women in the workforce could help mitigate the impact of population aging and the associated decline of the labor force and have substantial effects for European potential output. The chapter examines the relative importance of demographic characteristics and policy variables in women's employment decisions. Disentangling the importance of individuals' or household choices from macro-level policies, the chapter highlights that policies matter beyond attitudes toward women's employment decisions and demographics. Moreover, the authors find that greater involvement by women in senior management positions and on boards is positively associated with firms' financial performance.

Two country cases examine labor force participation levels more closely for European countries. Chapter 7B (by Eva Jenkner) shows that Hungary performs very well on a number of factors supporting gender equality, such as educational attainment of women and a neutral tax system, but that gender inequities nonetheless remain a concern. In particular, women are significantly behind in political representation and in the workplace. To boost low female labor force participation, the chapter proposes key measures to expand women's choices to reconcile work and family life, including improvements to the availability of childcare, more work-friendly and equitable leave policies, and steps to reduce the gender gap. Germany also faces a demographic challenge, and Chapter 7C (by Joana Pereira) identifies several measures that can help address that challenge by allowing more women to work full time. These include expanding high-quality, subsidized childcare and after-school programs, narrowly targeting low-income households with other forms of child-related financial support (namely to nonworking parents), moving toward a system of individual taxation, and limiting or eliminating the different treatment of health care insurance beneficiaries across working and nonworking spouses.

Chapter 8A (by Tobias Rasmussen) provides an overview of the drivers of female labor force participation in the Gulf Cooperation Council. Chapter 8B (by Ferhan Salman) examines how, for Pakistan, an integrated set of policy measures could help raise female labor force participation. In addition to policies that touch upon childcare, parental leave schemes, and flexible work arrangements, women's access to labor markets could be facilitated by infrastructure spending in rural areas to increase access to clean water and transportation to reduce the time women spend on domestic tasks.

Chapter 9A (by Dalia Hakura, Mumtaz Hussain, Monique Newiak, Vimal Thakoor, and Fan Yang) shows that income and gender inequality jointly impede growth mostly in the initial stages of development, resulting in large growth losses in sub-Saharan Africa. In particular, the average annual growth of GDP per capita in sub-Saharan African countries could be higher by almost 1 percentage point if income and gender inequality were reduced to the levels observed in the fast-growing Association of Southeast Asian Nations (ASEAN). Chapter 9B (by Corinne Deléchat, Monique Newiak, and Fan Yang) focuses on gender gaps in financial inclusion and finds that unequal access to financial services is strongly associated with higher income inequality, particularly in sub-Saharan Africa.

Chapter 9C (by Stefan Klos and Monique Newiak) quantifies the growth losses from gender inequality in the countries of the West African Economic and Monetary Union and points to inequalities in opportunities, such as gender gaps in education, unfavorable health outcomes, and inequities in legal rights as particular obstacles. For Mali, Chapter 9D (by John Hooley) highlights policy options that could bring greater gender equality but could also help address demographic challenges: more accessible contraception, legal reforms that empower women within the household, and closing gender gaps in education. Chapter 9E (by David Cuberes, Monique Newiak, and Marc Teignier) estimates that real GDP in Mauritius has been 22 to 27 percent lower in the past compared with a situation without gender differences in labor force participation and entrepreneurship. Closing these gender gaps over time could mitigate the drop in economic growth resulting from looming demographic changes. The authors argue that expanding the supply and quality of childcare, extending parental leave to fathers, increasing financial literacy, and promoting flexible work arrangements can complement programs by the Mauritian government to stimulate female labor supply.

Chapter 10A (by Lusine Lusinyan) provides an overview of the constraints to female labor force participation in Chile—where women are 35 percentage points less likely to be in the labor force than men and earn up to 40 percent less. Chapter 10B (by Anna Ivanova, Ryo Makioka, and Joyce Wong) outlines the consequences and causes of gender inequality in Costa Rica, highlighting in particular the importance of information and the physical ability to reach jobs—for example, through ownership of a mobile phone or living in urban areas—which is strongly associated with female labor force participation. This underscores the role of investments in infrastructure and information technology in reducing gender inequities in the labor market.

Chapters 11 and 12 provide general policy recommendations. Chapter 11 (by Benedict Clements and Janet G. Stotsky) focuses on the effect of fiscal policies and examines how tax-and-spending reforms could be used to achieve greater gender equality. The authors review the evidence on the incidence by gender of taxation and spending programs and suggest that reform priorities differ between developing and advanced economies. In developing economies, policy should be directed toward ensuring equality in opportunities, such as education, health care, and economic empowerment. In advanced economies, gaps in education and health are less prevalent, but gaps in economic opportunities persist. Fiscal policies can help address these gaps, including through income tax and pension reforms that encourage greater female labor force participation. Reforms could also target low-income households, which are predominately headed by women.

The clear policy messages in Chapter 12 (by Christian Gonzales, Sonali Jain-Chandra, Kalpana Kochhar, and Monique Newiak) are that equalizing legal rights between men and women boosts female labor force participation and that the costs of doing so are low. The authors highlight that, although the number of legal restrictions on the books around the world has been decreasing over time, legal inequities persist in the vast majority of countries. Equalizing legal rights—for example, through guaranteed equality in the law, equal property and inheritance rights, and other economic rights, such as a woman's right to head a household—is associated with smaller gender gaps in labor force participation in a statistically and economically significant way.

Acknowledgments

We would like to thank all former and current colleagues inside and outside the IMF for their contributions to the book and the energy with which they are pursuing analysis on gender equality and macroeconomics.

The material presented in this book benefits and draws from the country experiences of IMF mission teams in a range of countries worldwide at various stages of development. Several departments at the IMF have made their global and specific regional analyses available to us, for which are most grateful. These include our colleagues from the African; Asia and Pacific; European; Fiscal Affairs; Middle East and Central Asia; Research; Strategy, Policy, and Review; and Western Hemisphere Departments. The chapters have benefited from comments by IMF staff in all these departments, as well as the insights of other institutions and national authorities.

Many thanks to Linda Kean and Joe Procopio in IMF Communications for outstanding work on the production of this book. We are also grateful to John Feldman, who combed through all the chapters several times to ensure that technical jargon is kept to the minimum. Lorraine Coffey copyedited the manuscript, and Heidi Grauel typeset the report.

Finally, we would like to thank all IMF staff who are making the work on gender equality part of their standard work portfolio, thereby helping to expand the understanding of the interactions between equity and macroeconomics for the years to come.

Kalpana Kochhar
Sonali Jain-Chandra
Monique Newiak
Editors

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PART I

Overview

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CHAPTER 1

Introduction

Kalpana Kochhar, Sonali Jain-Chandra, and Monique Newiak

Women make up a little more than half the world's population but represent only 40 percent of the global labor force (World Bank 2011). Women's contributions to measured economic activity, growth, and well-being are far below their potential, with serious macroeconomic and social consequences. Despite significant progress in recent decades, labor markets across the world remain divided along gender lines, and gender equality remains an elusive goal.

Gender inequality in the economic arena manifests itself in numerous ways: female labor force participation is lower than male participation; women account for most unpaid work; and when women are employed in paid work, they are overrepresented in the informal sector and among the poor (Elborgh-Woytek and others 2013). They also face significant wage differentials vis-à-vis their male colleagues, which, because they generally spend less time in the labor market, result in lower pensions and a higher risk of poverty in old age. In many countries, distortions and discrimination in the labor market restrict women's options for paid work, and among those who do work, few attain senior positions or engage in entrepreneurship. Women also shoulder a higher share of unpaid work within the family, including childcare and domestic tasks, which can limit their opportunity to engage in paid work and constrain their options when they opt to do so.

The challenges of promoting growth, creating jobs, and improving women's participation in the labor force are closely intertwined. Economic growth and stability are necessary to broaden women's employment opportunities, but at the same time, their participation in the labor market is an important driver of growth and stability. In rapidly aging economies in particular, higher female labor force participation can mitigate the negative impact of a shrinking workforce on potential growth. Greater opportunities for women can also contribute to broader economic development, for instance through higher levels of school enrollment, including for girls, given that women are likely to invest more of their income in educating their children. Implementing policies that remove labor market distortions and level the playing field for all will give women more opportunities to

This chapter draws on Elborgh-Woytek and others (2013).

develop their potential and to participate in economic life more fully should they choose to do so.

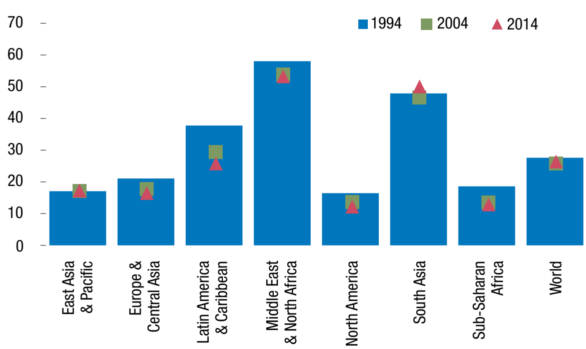
TRENDS IN FEMALE LABOR FORCE PARTICIPATION

As noted, women comprise about 50 percent of the working-age population but represent only 40 percent of the global labor force. Female labor force participation rates—the proportion of women over age 15 working or actively looking for work—have hovered around 50 percent for the past two decades, compared with an average of almost 77 percent for men in 2014. Of course, global averages mask significant cross-country and cross-regional differences in both levels and trends: In 2014, female labor force participation varied from a low of 22 percent in the Middle East and north Africa to more than 61 percent in east Asia and the Pacific and almost 64 percent in sub-Saharan Africa. In Latin America and the Caribbean, the rates increased significantly during this period, by some 13 percentage points, whereas they declined in south Asia and stayed broadly constant in Europe and central Asia.

Differences between male and female labor force participation rates have narrowed, but the gap remains high in most regions of the world. The average gap has declined since the 1990s, but this is largely due to a worldwide decline in male labor force participation. The gender gap in participation varies strongly by region. In 2014, the highest gaps were observed in the Middle East and north Africa (53 percentage points), followed by south Asia (50 percentage points) and Latin America and the Caribbean (26 percentage points), with much lower gaps seen in North America and sub-Saharan Africa (less than 13 percentage points) (Figure 1.1). In addition, women dominate the informal sector, characterized by

Figure 1.1. Gender Gap in Labor Force Participation

(Percentage points, difference between male and female participation rates, ages 15 and over)



Sources: World Bank, World Development Indicators database; International Labour Organization, Key Indicators of the Labour Market database.

vulnerability in employment status, a low degree of protection, mostly unskilled work, and unstable earnings (ILO 2012; Campbell and Ahmed 2012).

Women contribute substantially to the general economic welfare by performing large amounts of unpaid work, such as child-rearing and household tasks, which is often unaccounted for in GDP. On average, women spend twice as much time as men on household work and four times as much time on childcare (Duflo 2012). This frees up time for male household members to participate in the formal labor force while simultaneously constraining women's ability to do the same. In Organisation for Economic Co-operation and Development (OECD) countries, women spend about two and a half hours more each day on unpaid work (including care work), regardless of the employment status of their spouses (Aguirre and others 2012). Furthermore, men tend to engage in the kind of occasional household work that fits with their formal work schedules, whereas women generally assume responsibility for routine household tasks that must be performed regardless of other work pressures. As a result, both genders tend to spend the same total amount of time working—the sum of paid and unpaid work, including travel time—although more of women's time is uncompensated (OECD 2012). This disparity between market and household work, in combination with women's lower earning potential, tends to reinforce established gender dynamics within households (Heintz 2006).

In most countries, when women do engage in paid employment, their representation in senior positions and their participation in entrepreneurial activities remain low. For example, as of October 2015, in the United States the share of women among chief executive officers in Standard & Poor's 500 companies was 4.4 percent.[1] In 2015, in the member countries of the European Union only about 38 percent of firms had a woman among their principal owners. In 2015, only about 23 percent of national parliamentary seats across the world were held by women. When women do hold higher public office, they are more likely to occupy ministries with a sociocultural focus than with an economic or strategic function (OECD 2012). Moreover, microlevel evidence suggests that gender stereotypes may hamper women's overall ability to win elected political office.[2]

[1]http://fortune.com/2015/06/29/female-ceos-fortune-500-barra/?iid=sr-link9. Among a sample of 60 Fortune 500 or similarly sized companies, only 18 percent of entry- or mid-level female staff members aspired to a top-level management position at the company—the "C-suite"—versus 36 percent of male staffers (Barsh and Yee 2012).

[2]In a field experiment in West Bengal, India, Beaman and others (2009) find that men had a strong prior bias against the effectiveness of women politicians, ranking them significantly worse than male politicians for the same overall performance. However, men who had been exposed to female politicians earlier in their lives were much less biased.

BARRIERS, DISINCENTIVES, AND UNEQUAL OPPORTUNITIES

In many countries, a lack of basic legal rights is the main barrier preventing women from joining the formal labor market or becoming entrepreneurs. Women are sometimes legally restricted from heading a household, pursuing a profession, or owning or inheriting assets. Such legal restrictions significantly hamper female labor force participation and pose a drag on female entrepreneurship (World Bank 2015).

Despite progress in closing gender education gaps, literacy rates remain lower for women than for men, especially in south Asia and the Middle East and north Africa. Educational gaps are higher for older generations even though gender gaps in education have largely closed for the younger generation in many parts of the world: in primary education, female enrollment is 93 percent that of males even in the least developed countries; female to male enrollment averages almost 98 percent in secondary education in middle-income countries; and women are now on average more likely than men to study at the postsecondary level in middle- and high-income countries. Women's access to health care is also constrained in many areas, particularly for maternal health services. Indicators of female health, such as maternal mortality and adolescent fertility, have improved significantly in recent decades, but the death ratios for women in childbirth remained high in south Asia (almost 2 in 1,000) and in sub-Saharan Africa (more than 5 in 1,000) in 2015.

There are also gender gaps in access to social and financial services, which has implications for women's economic productivity. Worldwide, women have less access than men to banking and other financial services. For instance, fewer than 53 percent of women have an account at a financial institution in middle-income countries, compared with almost 62 percent of men (Demirgüç-Kunt and others 2015).

There is a significant gender wage gap, even within the same countries and occupations and when taking into account other possible drivers of the gender wage gap such as education levels. For OECD countries, the gender wage gap—defined as the difference between male and female median wages divided by male median wages—was estimated at 16 percent in 2010 (OECD 2012). The tendency of women to cluster in certain (lower-paying) occupations and to work reduced or part-time hours, combined with disparate work experience, explains about 30 percent of the wage gap on average. The gender wage gap is narrow for young women in OECD countries, but it increases steeply during childbearing and child-rearing years, pointing to a "motherhood penalty," estimated at 14 percent. Within emerging market and low-income economies, there is greater variation in the size of the gender wage gap. The gap is relatively high in China, Indonesia, and South Africa. It is narrower in the Middle East and north Africa, largely because the few women engaged in wage employment are often more highly educated than their male counterparts. In several countries, the wage gap is more significant between women and men with more education (OECD 2012) and between women and men who are self-employed or entrepreneurs. One explanation is that women devote less time to their (paid) work.

WOMEN'S VULNERABILITY TO THE ECONOMIC CYCLE

During the global financial crisis of 2007–09, gender-based employment gaps shrank in most OECD countries,[3] while women in emerging market and low-income countries were hit particularly hard. In the OECD countries, women benefited because employment stayed more robust in the services sector, where female employment is concentrated, than in male-dominated industries such as construction and manufacturing. For example, in the United States, during 2007–12, male employment losses totaled 4.6 million, almost twice as high as female losses (Kochhar 2011). However, as after previous recessions, the pattern changed when the recession ended: between 2009 and 2011–12, female unemployment continued to rise, while unemployment among men either declined or stayed constant (OECD 2012).[4]

In many low-income countries, women and girls are particularly vulnerable to the effects of economic crises. The global financial crisis disproportionately affected female workers in Latin America and the Caribbean: women accounted for about 70 percent of layoffs in Mexico and Honduras (Mazza and Fernandes Lima da Silva 2011). Many workers—male and female—found it necessary to engage in lower-paid and riskier work in response to the crisis, but women and girls were more likely to take risky, unprotected, and often informal employment (Stavropoulou and Jones 2013).[5] Youth unemployment rose in many countries as a result of the crisis, and this also disproportionately affected young women. In north Africa, the female youth unemployment rate increased by 9.1 percentage points, compared with 3.1 percentage points for young males (Stavropoulou and Jones 2013).

WHY GENDER INEQUALITY MATTERS ECONOMICALLY

Without doubt, gender equality is in itself an important development goal. But there is also ample evidence that when women are able to fulfill their full labor market potential, broad and significant macroeconomic gains can follow (Loko

[3]Israel, Korea, Poland, and Sweden were the exceptions.

[4]Based on analysis of U.S. recessions, Stotsky (2006) notes that in general during recessions, unemployment rises faster for men than for women, which reduces the gender gap in unemployment; in economic upturns, men's unemployment drops faster than women's, increasing the gap.

[5]Although evidence on the gender-specific impact of the crisis with respect to child labor is mixed, "girls are more likely to be involved in highly vulnerable forms of work including domestic work and transactional or commercial sex work" (Stavropoulou and Jones 2013, p. 31).

and Diouf 2009; Dollar and Gatti 1999; McKinsey 2015; Cuberes and Teignier 2016). Potential losses in GDP per capita that can be attributed to gender gaps in the labor market can reach an estimated 27 percent in certain regions (Cuberes and Teignier 2012). Aguirre and others (2012) estimate that raising the female labor force participation rate to the level for males would boost GDP by 5 percent in the United States, 9 percent in Japan, 12 percent in the United Arab Emirates, and 34 percent in Egypt. Based on data from the International Labour Organization (ILO), Aguirre and others (2012) estimate that, among the 865 million women worldwide who have the potential to contribute more fully to their national economies, 812 million live in emerging market and low-income nations.

In rapidly aging economies, higher female labor force participation can boost growth and mitigate the impact of a shrinking workforce. For example, in Japan, annual potential growth could rise by about ¼ percentage point if female labor participation were to reach the average for the Group of Seven advanced economies, resulting in a 4 percent permanent rise in GDP per capita compared with the baseline scenario (IMF 2012). Higher female labor force participation would also mean a more skilled overall workforce, given women's higher rate of postsecondary education in many countries (Steinberg and Nakane 2012).

Creating more and better opportunities for women to engage in paid work and a greater ability to control their income and assets can also contribute to stronger economic growth in emerging market and low-income economies, and such growth can in turn foster greater improvements in women's disadvantaged conditions (Stotsky 2006). According to the ILO, women's work, both paid and unpaid, may be the single most important poverty-reducing factor in developing economies (Heintz 2006). As noted, women are more likely than men to invest a large proportion of their household income to educate their children. Accordingly, greater labor force participation and higher earnings for women could result in higher expenditures on schooling for children, including girls—potentially triggering a virtuous cycle when educated women become role models for young girls (Aguirre and others 2012; Miller 2008).

Eliminating gender gaps in employment and wages would allow companies to make better use of the available talent pool, with potential growth implications (Barsh and Yee 2012; CAHRS 2011). There is evidence that having women on boards and in senior management positions has a positive impact on companies' performance and profitability.[6] For example, companies that employ female managers may be better positioned to serve consumer markets dominated by women

[6]In their analysis of companies with a focus on innovation, Dezso and Ross (2011) find that female representation in top management can improve performance. McKinsey (2008) shows that companies with three or more women on their senior management teams score higher on all nine organizational dimensions (including leadership, work environment and values, coordination, and control) that are positively associated with higher operating margins. This result is supported by an earlier study by Catalyst (2004) that finds a positive correlation between gender diversity and financial performance (return on equity and total return to shareholders).

(CED 2012; CAHRS 2011), and more gender-diverse boards may enhance corporate governance by including a wider range of perspectives (OECD 2012; Lord Davies 2013). In financial firms, involving more women in decision-making positions may temper many male traders' tendency to undertake high-risk financial transactions (Coates and Herbert 2008).

POLICIES TO PROMOTE FEMALE LABOR FORCE PARTICIPATION

Providing women with equal economic opportunities and unleashing the full potential of the female labor force, with significant prospective growth and welfare implications, will require an integrated set of policies to promote and support female employment. Research suggests that well-designed, comprehensive policies can be effective in boosting women's economic opportunities as well as their actual economic participation.

Equalizing access to education for women is perhaps the single most important step many countries can take to enhance the participation of women in the economy. Removing gender-based legal obstacles and restrictions is another important policy step to broaden the ability of women to work and receive the same economic rights and opportunities as men. Examples include eliminating restrictions on women's rights to inherit and own property, open and control a bank account and obtain credit, and pursue a profession.

Fiscal policies, including how labor income is taxed and the nature of government spending on social welfare, can be structured to encourage women to enter the workforce, rather than discouraging them as current policies now do in many countries. In many advanced economies, tax systems strongly discourage women from working by means of high tax wedges on secondary earners. These include such family taxation and family-related tax elements as mandatory joint filing, dependent spouse allowances, and tax credits conditional on family income. These are still widespread, although many OECD countries have moved toward taxation of individuals' income rather than of family income in order to prevent the tax wedge applied to secondary earners—often, married women—from being higher than for single, but otherwise identical, women. In short, replacing family income taxation with individual income taxation eliminates the penalty on secondary earners within a family and creates incentives for more women to work. Similarly, policies that subsidize high-quality childcare and encourage paternity leave—not just maternity leave—can make it easier for new mothers to more readily return to the workforce.

Fundamentally, the key to fostering gender equality in the economy is increased involvement of women in the labor market and in positions of responsibility and power. When girls and women expect to be equal partners in the economy, they set their aspirations accordingly, both in the workplace and in the household. Equal employment opportunities and career paths will in turn bring more women into high-level positions of responsibility in the public and private sectors and will support greater sharing of joint family and household responsibilities among men and women. The entire economy will benefit as a result.

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EXCERPT:
Women, Work, and Economic Growth
Leveling the Playing Field

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