



Closing the Gender Gap

The economic benefits of bringing more women into the labor force are greater than previously thought

Era Dabla-Norris and Kalpana Kochhar
Finance & Development Magazine © 2019
Pages: 6

Rating

8 Importance
7 Innovation
8 Style

Focus

Leadership & Management
Strategy
Sales & Marketing
Finance
Human Resources
IT, Production & Logistics
Career & Self-Development
Small Business
Economics & Politics
Industries
Global Business
Concepts & Trends

Take-Aways

- A 2017 study by the IMF reveals that the disadvantages women face in labor markets lower GDP in the developed countries an estimated 10% and more than 30% in the developing economies.
- The economic benefits of tearing down those barriers may bring more sustainability as well increases in output.
- Men and women bring different, but complementary, viewpoints and skills to decision making.
- Gaining solid benefits depends on female participation moving from performing routine tasks – those which automation will likely replace by the 2040s – to a greater representation in managerial and professional positions.
- Because gender discrimination takes so many forms, and developed and developing countries' governments differ so widely, no single remedy will work.

Recommendation

It is old news that women make less money than men, even in the same profession and with similar levels of experience and education. But new research tallies the macroeconomic impacts of the disparities, suggesting that promoting workforce gender equality can deliver economic growth in both developed and emerging economies. This insightful, accessible article by IMF researcher Era Dabla-Norris and HR professional Kalpana Kochhar highlights the steps government officials should take to redress the issue.

Summary

"Not only is female labor force participation lower, but women who are paid for their work are disproportionately employed in the informal sector – especially in developing economies."

"Increasing women's employment boosts growth and incomes... exceeding the improvement that comes simply from adding workers."

"While there is no one-size-fits-all solution, policies should seek to foster opportunity and remove barriers."

A recent study by the IMF reveals the extent to which the disadvantages women face in labor markets lower economic growth and impede productivity. The developed countries see an estimated GDP loss of 10%, while some developing economies are missing out on upward of 30% of their potential. Research suggests that the economic benefits of tearing down those barriers may bring more sustainability as well as increases in output. One study shows higher levels of financial stability at banks when their boards of supervision have more gender diversity. Furthermore, banks with high ratios of female board members have lower proportions of nonperforming loans and more robust capital buffers, among other signs of financial strength. Another report found that men and women brought different, but complementary, viewpoints and skills to risk management and decision making.

Evidence shows that adding more female workers to the mix produces about 80% of GDP gains. But bringing more women into the workplace is only one side of the equation: Gaining solid benefits depends on female participation moving from performing routine tasks – those which automation will likely replace by the 2040s – to a greater representation in managerial and professional positions. The gaps between men and women are particularly wide in the developing economies, where employers operate relatively free of regulation and women work in sectors with the lowest wages and the least security.

Because gender discrimination takes so many forms, and developed and developing countries' governments differ so widely, no single remedy will work. Policy approaches vary. Emerging markets need to bring many more women into the workforce by building basic infrastructure, providing financial systems that support female entrepreneurs and promoting legal rights for women. Officials in the advanced economies must focus on delivering greater gender parity for parental leave and making quality, affordable child care widely available.

In all countries, support for women's education and training, and for assistance to displaced workers is essential. Flexible work, enhanced pension systems and income supports are also necessary.

About the Authors

Era Dabla-Norris is a division chief in the fiscal affairs department of the International Monetary Fund. **Kalpana Kochhar** directs the IMF's human resources department.