

## ECONOMIC IMPACTS OF REDUCING THE GENDER GAP

In the past decade, progress made in narrowing the gender gap in labour market participation has slowed. This trend is worrisome given that a recent Gallup–ILO study highlighted that most women – some 70 per cent – prefer to work in a paid job regardless of their labour market status. This indicates that there are significant obstacles restricting women’s freedom to participate fully in the labour market, with potential negative effects on individual welfare and economic growth. Should progress in narrowing the gender gap continue to stall, the 2030 Sustainable Development Goals, notably to end poverty (Goal 1), to achieve gender equality (Goal 5) and to promote inclusive and sustainable growth, full and productive employment and decent work for all (Goal 8), will be difficult to attain.

### Key findings

- Closing the gender gap in participation by 25 per cent by 2025 could increase global GDP by US\$5.3 trillion.
- The economic impacts of closing the participation gap could include tax revenue increases of almost US\$1.4 trillion, suggesting the potential self-financing effects of closing the gender gap.
- A multifaceted and comprehensive policy framework is required to help narrow the gender gap in labour market outcomes and to guide changes in the attitudes and norms that currently surround the role of women at work.

### Research question

According to the World Employment and Social Outlook: Trends for women 2017 report, the gender gap in labour force participation is one of the most pressing challenges in the world of work today. In fact, women are substantially less likely than men to participate in the labour market: in 2017, the global labour force participation rate for women – at just over 49 per cent – is nearly 27 percentage points lower than the rate for men (and is anticipated to remain unchanged through 2018) (figure 1).

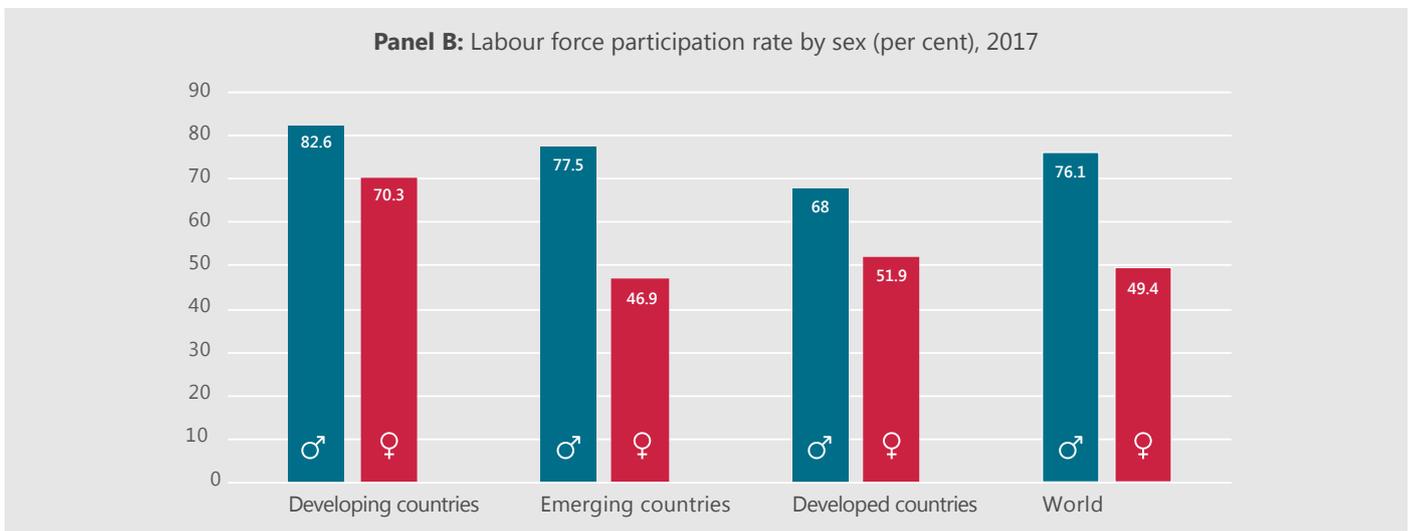
This gap is in striking contrast to the findings of a 2017 study by Gallup and ILO, which highlights that many women prefer to be in paid work despite their labour

market status. In fact, 58 per cent of women outside the labour market would prefer to work in paid jobs. Worryingly, underlying the gap in participation is a downward trend in the participation rates for men and women: between 1997 and 2017, both the male and female rates fell by roughly 3 percentage points, with the male rate falling faster than the female rate, leading to a “false” improvement in the gap. The slowdown in progress over the past decade highlights the need for substantial efforts to close the gender gap in the coming decades.

Figure 1.



Source: ILO, 2017.



Source: ILO, 2017.

In 2014, G20 leaders made a commitment to reduce the gap between male and female participation rates by 25 per cent by the year 2025 (“25 by 25”, see box 1). Increasing women’s labour force participation would not only yield significant benefits for the economy, but also improve the welfare of women, their households and their communities. There are therefore two parts to the research question: (i) What would be the economic impact of the G20’s “25 by 25” target?; and (ii) In order to achieve this target, how can women achieve better access to the labour market?

### Box 1. Estimating the economic impact of “25 by 25”

To estimate the economic impact of the “25 by 25” scenario, several assumptions have to be made. The first is, obviously, that the female participation rate increases such that the gap between the male and the female participation rates decreases by 25 per cent by 2025. For instance, a prevailing gap in a country of 10 percentage points would fall to 7.5 percentage points over the period. The second assumption is that each additional woman to enter the labour market succeeds in finding a job at the same rate as those currently in the labour market, i.e. the female unemployment rate remains unchanged. Finally, it is assumed that these additional women attain 80 per cent of the average labour productivity in the respective year and country. This takes into consideration the prevailing sectoral and occupational segregation, i.e. the fact that women are currently employed in lower productivity sectors and occupations.

## What works?

If the “25 by 25” target is applied to all countries, rather than just G20 nations, the overall effect of reducing national labour market gender gaps could be to increase the global labour force by 194.2 million by 2025 (an increase of 5.1 per cent) (table 1). Furthermore, holding male unemployment and participation rates constant could increase global GDP by 3.6 per cent, or US\$5.3 trillion (equivalent to raising average global GDP growth over the next eight years by almost half a percentage point).

The achievement of such a goal would also unlock large potential tax revenues. For example, global tax revenue would increase by almost US\$1.4 trillion, given currently projected government revenue shares in GDP, most of

it in emerging countries (US\$940 billion) and developed countries (US\$415 billion). Consequently, policies promoting gender equality could be self-financing.

The bulk of the additional employment, i.e. 162.4 million (6.2 per cent), would be created in emerging countries (due to their relative size, combined with the fact they also have the widest gender gaps). In both developing and developed countries, the impact on employment would be comparatively small, because of their narrower gender gaps (table 1). Thus, the analysis suggests that while much larger efforts in all policy dimensions will be required in developing countries to reduce poverty, closing gender gaps can contribute significantly to reducing poverty in emerging countries.

**Table 1.1. Effects of reducing gender gaps in the labour market by 2025**

Country/region	Labour force		Employment		GDP
	Millions	Per cent	Millions	Per cent	Per cent
<b>World</b>	<b>203.9</b>	<b>5.4</b>	<b>188.6</b>	<b>5.3</b>	<b>3.9</b>
Developing countries	7.8	2.1	7.1	2.0	2.0
Emerging countries	175.5	6.3	162.4	6.2	4.8
Developed countries	20.6	3.3	19.0	3.3	2.6

Source: ILO, 2017.

Closing other gender gaps that affect women in the workplace could unlock additional economic benefits. For instance, most of the gender wage gap is explainable by observable factors, notably sectoral and occupational segregation. This suggests that women tend to be employed in lower productivity sectors and occupations.<sup>1</sup> Consequently, facilitating access to higher productivity sectors and occupations for women in the labour market, as well as valuing female-dominated sectors and occupations, would provide an additional boost to global growth.

## Policy considerations

To achieve the target of reducing the gender gap in participation by 25 per cent by 2025, a multifaceted and comprehensive framework for policy action is necessary. The aim should not only be to narrow the gender gap in labour market outcomes, but also to guide changes in the attitudes and norms that surround the role of women at work.

### Reshape social norms

Women are often held back by social norms. A woman’s preference and decision to participate in the labour market is influenced by how we, as a society, view the role of women in the world of work, as well as their role in society more generally. This means combating discrimination both within and outside the workplace. Legislative frameworks that ensure that women and men have equal eligibility for and coverage by labour regulation, employment legislation and social protection, without discrimination or harassment, is one necessary mechanism for ensuring equal treatment in the workplace. Both within and outside the workplace, public awareness initiatives that directly address the roles of women and men can play an important part in challenging restrictive social norms and in promoting, for example, the equal sharing of household tasks and caregiving by men and women.

### Address socio-economic constraints holding back women

At the same time, policies should address the socio-economic factors that influence participation. In particular, they should reflect the contribution that the largely invisible and undervalued forms of work disproportionately done by women – especially unpaid

<sup>1</sup> The underlying assumption is that wage levels and productivity are related.

care provision – make to households and society. Recognizing and giving value to such work is critical for acknowledging and unlocking the full value of women in the world of work (ILO, 2016). Accordingly, there are a number of measures that need to be considered, starting with policies that improve work–family balance. In this regard, improved efforts are needed to provide quality, family-friendly working conditions for women and men. Today, far too many women and men worldwide are without the fundamental right to adequate maternity protection, parental leave and benefits or other basic social protection measures, including quality and affordable social care services and gender-responsive child and family benefits, which may be considered fundamental rights.

Redistributing care work through public care services and social infrastructure will be important for freeing up women to participate in the labour market. It will also be important to invest in basic infrastructure, thereby reducing the time that women spend on unpaid work. Ensuring there is adequate access to water supply, sanitation, electricity, roads, safe transport and health-care services is essential for giving women better

access to the labour market – particularly in developing countries (ILO, 2016).

## **Create and protect quality jobs in the care economy**

Women are over-represented in certain occupations, including care professions, which often have a history of insufficient regulation and protection. Hence, promoting decent work for care professionals, including domestic and migrant workers, and overturning any decent work deficits is an essential policy target for care professions. This includes promoting male participation in these occupations.

Any measures must be in line with the ILO Workers with Family Responsibilities Convention, 1981 (No. 156), and in the case of domestic care workers also with the ILO Domestic Workers Convention, 2011 (No. 189). For migrants, the Migrant Workers (Supplementary Provisions) Convention, 1975 (No. 143) must be applied, to ensure that policies and practices are non-discriminatory in their efforts to promote decent work.

## **Further reading**

Gallup; International Labour Office (ILO). 2017. *Towards a better future for women and work: Voices of women and men* (Geneva and Washington, DC).

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