Women, Work, and the Economy: Macroeconomic Gains from Gender Equity

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Female Labor Force Participation Rates are Low in Many Countries...

Source: World Bank, World Development Indicators, 2013; Key Indicators of the Labour Market (KILM), ILO.
...and Stagnated at Low Levels Worldwide on Average.

Source: World Bank, World Development Indicators, 2013; Key Indicators of the Labour Market (KILM), ILO.
Gender Gaps in Participation Rates Remain High.

Gender Gap in Labor Force Participation, 1990 to 2010
(Male Minus Female Labor Force Participation Rates, in Percentage Points)

Source: Key Indicators of the Labour Market (KILM), ILO.
Country groups are based on UN Geoscheme and WB regional classification.
Why is this an issue for the IMF?

1. Women’s participation in the labor market is part of the growth and stability equation

2. The Fund, in collaboration with other IFIs, can contribute to level the playing field through:
   - Fiscal advice can take into account the potential gender-specific impact of measures
   - Improvement of gender-disaggregated data (with World Bank/OECD/ILO)
The Macroeconomic Gains from Raising Female Labor Force Participation

865 million women (Aguirre and others, 2012) have the potential to contribute more fully to national economies:

- Higher Female Labor force participation
- Greater Opportunities to Control and Earn Income
- Equal Access to Inputs
- Employment of Women on an Equal Basis

→ Boost Economic Growth by Mitigating the Impact of a Shrinking Workforce
→ Higher School Enrollment for Children and Stronger Human Capital
→ Higher Productivity in Female Owned Companies
→ Improvement in Talent Pool
Income Losses Due to Gender Gap by Region, in Percent

- MENA: 27%
- South Asia: 23%
- Latin America and the Caribbean: 17%
- East Asia and the Pacific: 15%
- Europe and Central Asia: 14%
- Sub-Saharan Africa: 12%

Source: Cuberes and Teignier (2012)
The Macroeconomic Gains – Japan

• With its population aging, Japan’s potential growth is falling
• FLFP rates are well below OECD averages
• Raising FLFP to G7 level would yield 4 percent GDP per capita gain and increase potential growth rate by 0.2 percentage points
Policies to Increase Female Labor Force Participation

• Need to work on many margins
• Employment, promotion, and wage policies
  – Access to education
  – Access to credit
  – Legal and property rights
• Policies to facilitate balancing family and work responsibilities
  – Parental Leave
  – Child care
  – Flexible Work Arrangements
Policies to Increase Female Labor Force Participation

• An integrated set of policies is needed

• Focus of the presentation on one of the core areas of expertise at the Fund: Fiscal Policies
Tax Measures

Replacing family income with individual income taxation
- Secondary earners are mostly women
- Female labor supply more responsive to taxation than male labor supply
  ⇒ Efficiency gains and better labor market outcomes

Tax credits or benefits for low-wage earners
- “In-work” credits reduce net tax liability
  ⇒ increase net income gain from accepting a job
- Phasing out with rise in individual income
  ⇒ encourage secondary earners to remain in the labor force
Expenditure Measures

- Publicly financed parental leave schemes
- Greater parity in paternity and maternity leave
- Improved access to comprehensive, affordable and high-quality child care
- Pensions: ensure that spells from maternity leave do not translate into lower pensions
- Higher spending on education of women
- Improvements in rural infrastructure
Thank you!