WOMEN IN THE ECONOMY
Global Growth Generators

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WOMEN IN THE ECONOMY
Global Growth Generators

The relevance of gender to economic growth as a mainstream research question is a relatively new field. There is an impressive and growing body of literature on women and the economy most notably from global institutions such as the IMF, the OECD, the United Nations and the World Bank. This year the G20 has also included women as a driver of growth as part of its overall progress agenda. Despite this, most of the work produced by leading economists on global growth and, in particular, on whether we face a future of secular stagnation, still concentrates on monetary and fiscal policy responses. This report in our Citi GPS series is a statement that we at Citi believe that the role of women in the global labor force should be incorporated as a mainstream topic within the debate on global growth for both economic as well as social reasons. We shall be building on this report by developing a deeper research work stream on gender economics.

In this report, our global economics team has partnered with Heidi Crebo-Rediker to analyze the dynamics of global female labor force participation. We are delighted to work with Heidi who has enjoyed a distinguished career in both business and government, including as Chief Economist at the State Department under Hillary Clinton where she worked and lectured on the topic of female labor force participation.

Average female labor force participation has flat-lined over the past 20 years. In this report, our economists revisit the “Global Growth Generators” thesis that we outlined when we launched our Citi GPS series in 2011 and argue that fresh policy responses, as well as learning from best practice, could improve female labor force participation with significant benefits that are not just economic but also social as well. Looked at purely through an economic lens, greater female labor force participation would drive productivity, reduce the economic drag of adverse demographics and substantially improve the skill mix of the global economy. Of course, our authors point out that much work currently done in the informal economy cannot be ignored and does not get adequately captured in conventional economic measurements. Moreover, there are many cultural and societal issues that lie behind the gender composition of the global labor force, especially in developing economies. These issues also need to be analyzed and understood.

In advanced economies, education gaps have largely been closed but other barriers still remain, some in legislation, that impact the gender balance of the workforce. We observe significant progress in countries such as Canada, the Netherlands and Sweden which may offer models that can be leveraged more widely. In Japan, Prime Minister Abe is embracing “Womenomics” as a core pillar of his reform strategy. In developing economies, there is a markedly widespread variance in female economic participation with many social and cultural factors impacting gender equality. The potential for policies and practices – and therefore for economic opportunities for women to improve – is likely highest, on average, in the developing markets.

The unlocking of women’s potential in the global economy may well prove to be the key factor that tips the balance from a future of weak growth to one of sustained, inclusive and improving growth over time. I would like to thank our authors for their impactful contribution to this critical global debate and we look forward to developing further research in this area as well as to contributing to the public policy debate on gender economics.
Women in the Workforce
Ready for their New Role as Drivers of Global Economic Growth

THERE IS STILL A GENDER GAP IN LABOR FORCE PARTICIPATION . . .

2013 Labor Force Participation Rate by Sex, Ages 14 to 64 (% Average)
Source: OECD

OECD Female 62.6%
OECD Male 79.7%

. . . BUT USING PROVEN POLICIES TO ADDRESS THE GENDER EQUALITY . . .

0.3%
Increase in per capita income if the share of women with secondary education increases 1%

6.5-10%
Increase in labor supply of young mothers when price of childcare is reduced by 50%

50%
Legal restrictions on women’s access to institutions and property removed over the past 50 years

90%
Number of countries with at least one law on books restricting women’s economic opportunity

5%
Female labor participation increase in 50% of countries 5 years after gender equality was constitutionally granted

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Closing the gender gap in labor market participation could add 12% to OECD GDP... even a 50% reduction leads to a 5% increase in GDP over 15 years.

Source: OECD
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Women as Global Growth Generators

In 2011, we published a study called the ‘The Global Growth Generators (3G)’. The study had two main ambitions: to provide a short overview of the main drivers of economic growth and to provide forecasts for long-term GDP over the coming decades. Our view was rather optimistic at the time – we forecast global real GDP growth (in purchasing-power-adjusted terms) at a little over 4% growth between 2010 and 2050 and a little short of 5% between 2010 and 2030.

Even though we did not produce short- or medium-term forecasts in that publication, it is fair to say that the performance of the world economy since our publication has been disappointing. According to the IMF, global real GDP growth in PPP-adjusted terms was a mere 3.5% per annum in 2010-14. The IMF, along with the OECD and other international organizations, expects global growth to pick up somewhat in the coming years, but to remain below the rates of global growth that they (or we) anticipated only a few years ago. This is despite the fact that utilization rates of capital but, more important, labor (i.e. employment rates defined as employment as a percentage of the population of working age) remain low in a wide range of advanced economies and emerging markets, which should in principle support some period of above-trend growth.

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Figure 1. Global Forward 5-Year Average Growth Forecast, % 2011-2014

Source: IMF

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2 For an overview of the academic literature on economic growth, see e.g. Barro, Robert J. and Xavier Sala-i-Martin, 2003, Economic Growth, 2nd Edition, McGraw-Hill.
Economic growth therefore appears harder to achieve than many had hoped and expected a few years ago. This is bad news, not least for the eradication of poverty, the employment prospects of the many that remain unemployed or inactive, and for the public finances. Even though much of the poor performance in recent years can probably be attributed to weak demand, supply factors have also often been disappointing. Productivity growth has been a disappointment almost everywhere and, at least in the advanced economies, weak investment has meant that the capital stock has also only grown very slowly. Labor force growth, because of lower birth rates and population aging, is contributing less to output growth than in past decades.

In our 2011 3G publication, we discussed the main drivers of economic growth (based on the enormous academic literature on the topic). These are:

1. initial backwardness — allowing faster growth for some time as economies ‘catch up’ by adopting and adapting more efficient production and management methods already widely used in the advanced economies;
2. shifting resources from low-productivity sectors to high-productivity sectors;
3. physical capital formation, human resources development and human capital accumulation;
4. technological change at the frontier; and
5. the quality of institutions and policies.  

This is where allowing and supporting women to realize their full productive potential comes in. Supporting women in the workplace is often justified by the fact that female labor force participation (LFP) lags male LFP in most countries, if to varying degrees. For instance, according to the OECD, the labor force participation rates for women between 15 and 64 years of age in Turkey, Mexico or Italy in 2013 were 34%, 44% and 54%. This compares with LFP rates in Sweden of 79% and in Switzerland of 78%.

But viewing the potential from promoting women’s greater participation in the economy through the lens of greater labor force participation is only a convenient (and imperfect) proxy. The enormous potential that exists derives from the potential gains in the productivity of women. That is, it is not so much about women ‘working more’ but about allowing and supporting women to realize their full productive potential in the economy, by enabling them to move freely from low-productivity, low-skilled and low-paid sectors and jobs to high productivity, high-skilled and high-paid sectors and jobs.

Measured LFP rates do not generally capture labour and production in the informal sector (both household production and the shadow economy), which women are more prominent in. It is probably true that the productivity of women in the formal economy is higher than in the informal economy. To the extent that women moving into the formal labor market reduce their activities and contribution in the informal sector, computing the potential contribution of women through the increase in

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⁴ In our publication, we also noted a number of additional potential drivers of growth, including openness to trade, capital mobility and FDI, history, geography and culture, the structure of production and the endowments with financial capital or natural resources.
measured LFP rates therefore somewhat overstates the true potential.\textsuperscript{5} But in the absence of careful studies of the productivity in the informal sector, this is all we have.\textsuperscript{6}

In the formal economy too, there are large differences between the shares of employment in different sectors, industries, professions, trades, crafts and skills accounted for by men and women. Many of those differences most likely reflect discrimination, that is, artificial barriers to entry into different jobs/sectors/industries/professions etc., rather than differences in aptitudes, knowledge, skills and attitudes. Even when there are relevant differences in aptitudes, knowledge, skills and attitudes, when labor market decisions are made, these differences can be the result of past discrimination, sometimes spanning generations (e.g. the scarcity of female role models in certain academic disciplines or the absence of male role models in primary and, increasingly also, secondary education).

But in our view, it is highly likely that the potential for increases in productivity for women is probably still large in many countries, for several reasons. First, the scope and quality of policies to boost women’s ability to participate in the formal economy vary widely across countries. Some countries still erect artificial barriers to female labor force participation and advancement. These range from gender-based discrimination in nutritional intake during infancy and childhood, inculcation of gender-based stereotypes discouraging female interest in certain careers and professions during early socialization, differential access to education and training, ‘old boy’ network effects biasing the outcomes of job applications and interviews and even restrictions on the independent physical mobility of women through bans on females driving a car or allowing women outside the home only in the presence of a close male relative.

Second, differences in policy are often quite closely related to differences in outcomes, including labor force participation, wage differentials between men and women, educational achievement, and the share of women in top jobs. The often close association between policies and outcomes suggests that improving on the

\textsuperscript{5} This point is illustrated by the following example: consider two similar economies, each consisting of two two-parent families with children. In the first economy, one parent works in the formal economy while the other one (the ‘home maker’) stays at home, looks after the children, cleans the house and supports the family. In the second, otherwise identical economy, each home-maker of the first economy enters the formal economy and becomes the paid home maker of the other family; doing exactly the same things they did at home before. In the second economy, LFP would have doubled to 100% compared to the first (and measured GDP would also be larger), yet in reality there is probably little difference as regards productive inputs, outputs and wellbeing.

\textsuperscript{6} Measuring the true potential is hard. Even if we could measure the productivity in the informal economy accurately, it is not, except under very restrictive conditions, appropriate to take the difference between the value of the average contribution of women in the formal economy and the value of the average contribution of women in the informal economy as a measure of the gain in labor productivity that can be obtained by moving women from the informal sector to the formal sector. This caveat applies whether we consider the productivity impact of moving one woman, moving all women currently in the informal sector, or moving women to the point that formal sector LFP rates for men and women are equalized. First, there are distributions of productivity levels for women in the formal and informal sectors, and, second we have to know for each woman moving from the informal to the formal economy, the productivity level she leaves behind in the informal sector and the one she achieves in the formal sector.
current outcomes should be relatively straightforward – simply adopt the policies that have worked in other countries and drop the ones that are blatantly dysfunctional.

The potential for policies and practices – and therefore for economic opportunities for women – to improve is likely highest, on average, in the emerging markets. But the scope for improvement is by no means small in the advanced economies, evidenced by a still fairly large degree of dispersion in policies to support equal opportunities for women in the economy, and also in outcomes.

We conclude with three further points:

First, by and large, one should not think of the changes in policies and practices required as hugely complex policy interventions that require extraordinarily careful design and even more careful calibration. Many of the policies required are relatively simple, do not have obvious undesirable side-effects and many are rather inexpensive in their direct fiscal impact. Often, it is a change in mindset that is needed or rather than a change in statutory policies. In our view, it is therefore hardly surprising that countries that do well in the World Economic Forum’s Global Gender Gap index consistently score well in its Global Competitiveness Ranking, too. In a world of few obvious sources of growth, we consider releasing the true economic potential of women the ultimate low-hanging fruit.

Second, the issues we discuss here are not just a matter for governments. Companies can substitute for government action and insufficient, ineffective or even counterproductive action by governments can be compensated by supportive policies in businesses. In fact, ‘womenomics’ as the science and practice of realizing women’s potential in the economy, begins in each home and each office.

Third, our discussion of these policies puts the potential benefits of increasing opportunities for women mostly in terms of immediate economic benefits. But there are of course likely to be wider social and other non-economic benefits too, as well as economic benefits that will only be reaped by generations yet to come by the children of equal opportunity.

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Emerging markets have the largest scope for potential policies and practices — and therefore for economic opportunities — but there is still room in advanced economies for improvement.

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8 There are, of course, also likely to be some costs associated with these policies too, both economic and non-economic.
The WG3 Effect: How Women Can Drive Global Growth

Growth: the most pressing issue on the agenda of almost every economic policy maker today. How do we get it back, sustain it, make it inclusive? With growth in much of the developed and developing world at risk of remaining in a state of “new mediocre”, there may be no silver bullet. But there may be a silver lining. One of the answers is right in front of us: women drive economic growth when given greater opportunity to participate equally in the labor force and can serve as growth accelerators. This is true in both the advanced and emerging world.

Women make up half the world’s population, but their economic contribution remains below — in some cases far below — potential, while at the same time education gaps are closing. Average female labor force participation has stagnated over the past two decades, remaining at around 50%, with macroeconomic implications. Given the advances in educational opportunities and poverty reduction over the past 20 years, the slow progress — even stagnation — of women entering the labor force, advancing to senior positions and attaining political office has been itself mediocre. How can this gap be closed and these gains realized?

Figure 2. Female Labor Force Participation (% of female population age 15+)

Source: IMF

Gender in the economy has a long history in micro and development economics. Gender and its relevance to macroeconomics is a relatively new field. Less than a decade ago, The Economist made a back-of-the-envelope assessment that the increase in female employment in the advanced world "has been the main driving force of growth in the past couple of decades. Those women have contributed more to global GDP growth than have either new technology or the new giants, China and India". A number of official institutions like the Organization for Economic Cooperation and Development (OECD), International Monetary Fund (IMF), International Labour Organization (ILO), United Nations (UN) and World Bank, as well as some private institutions and economists, have since reached well beyond

10 The average gender gap between men and women in the labor force has been declining since 1990, largely due to a fall in the worldwide male labor force participation rate.
the back-of-the-envelope to piece together substantial parts of the gender growth puzzle over the past decade. The goal: to quantify the impact increased numbers of women in the paid workforce has had on past economic growth, to understand what policies and other drivers of change got them there, and to envision what economies might look like given a more positive trajectory for female labor force participation rates in the future.\textsuperscript{12}

Better data and analysis already provide clearer growth estimates of what we might expect from increased labor force participation by women, though more, better and consistent gender-disaggregated data is needed. The analysis so far is compelling. According to the OECD, if OECD countries saw full convergence of men and women (ages 15-64) in the labor force, these countries would benefit from an overall increase of 12\% in GDP over the next 15 years.\textsuperscript{13} Some emerging countries could see increases of 20\% in GDP or more in the same time period.

Most calculations of GDP, as highlighted in the introduction to our survey, do not include assumptions for contributions of unpaid care and household work (such as child rearing, caring for sick or elderly, preparing meals and housework) which largely still falls to women in the household in both advanced and emerging markets and undervalues the true economic contribution of women to the economy. Women also provide much of the unpaid work in small businesses, for example via a family business or a farm, and are overly represented in the informal sector of the global economy. Much of women’s work is not measured. For the purposes of this survey, however, we rely on GDP figures as commonly measured and used in the research highlighted here. We assume that the absence of women in the labor force who want and/or have to work but cannot, due to barriers to entering the paid labor force, means women’s contributions to growth is far below potential with macroeconomic consequences.

Because women in control of their income typically use more of their income to invest in their families (health, education and welfare) than do men, women in the paid labor force can, in fact, provide a double boost to human capital. Studies from advanced and emerging countries as diverse as the United Kingdom, Bangladesh, Brazil, Mexico, South Africa and Côte d’Ivoire, show that increasing the share of household income controlled my women changes spending patterns in ways that benefit children.\textsuperscript{14} Women’s track record of investing a large proportion of their household income in their children’s education, including the education of girls, potentially triggers a virtuous cycle.\textsuperscript{15}

Variation of growth benefits from country to country is enormous, especially in emerging markets, but the overall message from research to date is largely the same: increasing women’s equal participation in the workforce is a global growth generator, one we are only beginning to understand and one we have only partially unleashed, which has potentially transformational effects.

\textsuperscript{12} Clearly many other factors, in addition to policies, affect a woman’s decision to participate in labor markets. This paper examines primarily economic policy-making contributions aimed at supporting growth.


What will it take to get to convergence?

Growth-driven economic agendas require good policy options to empower women in the economy. Governments need to complement policy with cooperation with the private sector, especially on issues such as pay parity, anti-discrimination initiatives, family-friendly workplace support and corporate board and management diversity. Some governments and leaders are now taking bold steps to encourage women into the labor force as a means to drive growth and are embracing policies to advance this change. Japan’s Prime Minister Abe’s adoption of “Womenomics” as a core component of his “Third Arrow” of reform is case in point. Abe’s starting point was that to grow, Japan needed to tap further into its most under-utilized resource — women.\footnote{Wall Street Journal, Shinzo Abe, “Shinzo Abe: Unleashing the Power of “Womenomics”, September 25, 2013.}

At the multilateral level, the 2014 Brisbane G20 Leader’s Summit embraced women as a driver of growth as a key component of the G20’s overall growth agenda. The G20 countries target closing the gender gap (reducing the gap in participation rates between men and women) 25% by 2025. The closing of this gap would “bring more than 100 million women into the labor force, significantly increase global growth and reduce poverty and inequality.”\footnote{Brisbane G20 Leaders’ Summit, 15-16 November 2014. G20 Leaders’ Communique, p. 2.} Turkey, as Chair of the G20 in 2015, recently launched the W20 alongside the G20, to ensure continued attention to the issue of gender-driven growth. Such high-level focus on women’s economic participation and commitment to targets should begin to translate into supportive government policy, and policy, while not the whole answer, is central to enabling equality of opportunity in the workforce.

The G20 now includes women as a driver of growth as part of its overall growth agenda

The goal is to raise female LFP 25% by 2025

The W20, launched alongside the G20 this year, is tasked with furthering the issue of gender-driven growth
Institutions play an important facilitating role. The IMF is beginning to mainstream structural labor market reform and inclusive growth policy advice to include gender with an aim to increase opportunity for women’s participation in the labor force. This is crucial, as the IMF’s research, advice and surveillance mandate elevates women’s labor market participation as a serious macro-economic issue. The IMF can request increased and higher-quality gender-related data from member countries in each of the economies where the IMF operates. This in turn can enable better analysis of the role increased women’s participation rates have on growth leading to better policy prescriptions. These prescriptions are increasingly showing up in regular IMF Article IV assessments and staff papers. Importantly, the IMF is delivering this message at the most senior political and policy levels through a powerful messenger — Christine Lagarde. Also, official institutions will monitor and mark the progress (or lack thereof) of G20 commitments made related to gender equality in the workforce over the coming years, holding member countries to account.

Similarly, for the past four years, Asia Pacific Economic Cooperation (APEC) leaders from 21 countries elevated the issue of women in the economy and committed to address barriers to women’s participation, especially related to entrepreneurship, and measure progress in removing these barriers over time. Collecting gender-disaggregated economic data in the region and using it to mark progress complements the efforts now underway in the G20.

This growing body of research, together with increased policy focus, points to gender-driven growth as one of the next frontiers, especially given the sharp increase in education levels for women and girls and the broad based lifting from poverty of large populations, including women, into the middle class. Today, knowledge-economy skills and service-economy skills are more in demand in developed economies, and rising labor costs in fast developing countries are expanding opportunities for poorer countries in light manufacturing and textiles, which often employ women.

The implications could be profound for both advanced and emerging economies, although the challenges to gender inclusive growth vary greatly from country to country, as do the policy prescriptions. But one thing is becoming more clear: countries that embrace gender-targeted economic policies will likely have growth advantages over the coming years. Countries facing demographic declines, including Japan, South Korea and Germany, ignore gender gaps at their peril, as they need to close these gaps to mitigate the impact of a shrinking labor force, low fertility rates and in some cases, resistance to outside immigration.
What Policies Encourage Women to Enter the Labor Force?

In advanced economies, policy recommendations usually include: providing access to high quality affordable childcare, supporting family-friendly work environments that allow family leave (for men and women) for child or elder care responsibilities, providing more flexible work alternatives, eliminating legal and other discriminatory barriers and removing tax disincentives for second earners to work, to name a few.

In many advanced economies, tax systems that treat second earners, often women, differently than if they were single, essentially penalize married women who work. IMF studies show that female labor supply is more responsive to tax incentives than male labor supply, and suggest that France, Portugal and the United States have potential to reduce the second earner tax disadvantage significantly. Often tax disincentives, combined with the high cost of child care, make it uneconomic, and therefore less likely, that women will enter the workforce, particularly for lower income earners. The good news: where targeted policy measures to encourage female labor force participation are introduced, work force participation rates can rise, sometimes significantly.

A few examples from the OECD: In 2013 in Sweden, the Netherlands and Canada respectively, 78%, 74% and 74% of women (ages 15-64) participated in the labor force, compared to Italy and South Korea, where only 54% and 55% (ages 15-64) participated in the labor force. In Sweden, national strategies support high-quality affordable public whole-day child care and free universal pre-school, generous parental leave policies, job guarantees and eligibility for reduced working hours which enable dual-earner family models that ensure one of the lowest child poverty rates in the EU.

This holds true beyond Sweden. Across ten countries, when the price of childcare was reduced by 50%, the labor supply of young mothers rose between 6.5% and 10%. In the case of the Netherlands, a rapid increase in female labor participation from 35% to 74% resulted from a breakdown in barriers between full-time and part-time work contracts in the early 1980s alongside improvements in parental leave policy. Likewise, Canada’s lowering of the tax disincentive for second earners, combined with extended parental leave and improved access to childcare, contributed significantly to Canada’s sharp rise in female labor force participation in the mid-1990s, boosting participation rates from below US levels to Nordic country levels, after years of having been stable. The lesson is that policy measures can and do effectively eliminate disincentives and encourage those women who want and need to work to do so.

Figure 5. Canada: Tax Wedge for Secondary Earners and Female Participation Rate, 1990-2004

As populations age, especially in advanced economies, elder care will likely take on greater urgency alongside childcare, given that these services are also disproportionately provided by women. The “professionalization” of such care is one proposed way forward.

The private sector has a large role to play alongside policy. As employers of women, corporate culture, leadership, equal pay and the promotion of an anti-discriminatory workplace are fundamental to encouraging women to join and remain part of the labor force. Getting more women on corporate boards has seen a dramatic shift in the past several years, with Germany joining Norway, France, Spain and the Netherlands in introducing policies to govern women’s participation rates on corporate boards.

Education is a Key Element

One direct and compelling link across the advanced and emerging world is the relationship between labor force participation and level of education. Labor force participation in advanced countries is so highly correlated with educational attainment that the OECD estimates it is responsible for half of the economic growth in OECD countries in the past 50 years. A World Bank study found for a selection of 100 countries, increasing the share of women with secondary education by 1% translates into a 0.3% per annum increase in per capita income, underscoring how much productive potential remains to be achieved with improved education attainment.

Across the world during the past decade the gender gap in primary education has largely been closed, with female enrollment rates reaching an average of 94% of males. In secondary education, the rate of female to male enrollment is 97% globally, though this high rate is partially due to increased drop-out rates for boys.

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The significant and rapid improvement in primary enrollment rates since 1980 has been extraordinary, particularly for low income and least developed countries. In those emerging countries where large gender gaps still exist in education, education’s correlation with poverty is striking (Figure 8). Still, the underlying message that closing gender gaps in education can translate into growth is an enormous opportunity for those countries that embrace the right set of policies.

Figure 8. Average Number of Years that 25-34 year-olds Spend in Education by Gender

Female average years of education

Note: Educational attainment is measured as the number of years spent in education. Countries are grouped by the World Bank Income Classification System.
Source: OECD

In advanced economies, women are beginning to outpace men in tertiary education, with implications for labor force participation as well as income potential. On current trends there will be an average of 1.4 female students for every male in higher education by 2025 in OECD countries. Yet persistent problems remain in gender-stereotyping in education that can channel women to lower income fields and career advancement opportunity. This translates into less participation in higher income sectors of the economy (such as STEM fields, or science, technology, engineering and mathematics fields).

In advanced economies, gender differences persist in pay parity. Although wage gaps have closed significantly over the past 50 years, they remain pronounced in some countries. On average, women in developed countries earn 16% less than men, but with huge variation: New Zealand’s gender wage gap is only 5.6% while South Korea’s is 36.6%.

Possible reasons for disparity in wages vary from discriminatory practices, to self-selection by female workers into lower income jobs, to preference for part-time work and time taken from the labor force due to child-bearing and child-rearing and increasingly eldercare.

Source: IMF

Continued high-level attention to the issue of pay equality is important. At the G20, all member countries have established, or are in the process of establishing, minimum wages to protect low-paid workers, the majority of whom are women. Many G20 governments, including China, Indonesia, Argentina and Brazil, have raised minimum wages significantly over recent years and many are tackling the issue of pay parity.\(^{28}\)

Given that women are overrepresented in low-wage service industry jobs, raising the minimum wage would have a disproportionately beneficial effect on women’s incomes. However, their concentration in lower-skilled jobs also makes them potentially more vulnerable to the trend toward greater automation of the labor force.

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Easing Legal Restrictions is Another Driver

One area ripe for policy change in emerging markets relates to gender-based legal restrictions that are acknowledged to be strongly associated with large gaps in female labor force participation. This is an area where both the IMF and World Bank are recommending action to level the economic playing field. Unless legal constraints to economic participation — especially in the Middle East, Sub-Saharan Africa and South Asia — are lifted, even the best educated female population will not result in raising labor force participation. Legal constraints on women joining the labor force are rapidly becoming better understood in a systematic way that relates to macroeconomic impact.

Promoting equality in legal economic rights includes ensuring inheritance and property ownership laws and land titling are gender neutral, allowing equal access to credit or opening a bank account, eliminating laws limiting a woman’s capacity to make legal or economic decisions (like to sign a contract, get a job, head a household or have access to the courts), or to travel, to name a few examples. While this might seem obvious, a surprising 90% of the 143 countries recently surveyed by the World Bank in 2014 had at least one law on the books that restricted a woman’s economic opportunity.

In countries where laws became more gender-neutral, particularly with regard to property and inheritance, women’s labor force participation increased and investment in girls’ education likewise increased. The IMF, in a study released earlier this year, found in 50% of countries where equality of men and women was constitutionally granted, female labor force participation rates rose 5% in the following five years. Other changes, such as the introduction of the right to open a bank account, saw a substantial increase in female labor force participation in the immediate aftermath (Figure 11).

Figure 11. Changes in Female Labor Participation Rates after Selected Legal Changes

Source: IMF

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There has been much progress in the removal of these legal barriers over time. In the past fifty years, in over 100 countries monitored by the World Bank, more than 50% of the restrictions on two important metrics, women's access to institutions (for example, sign a contract, open a bank account, head a household, access courts) and ability to use property (for example, control income and land) were removed.\(^{32}\) Momentum is growing in the policy community, particularly at the international level, to highlight and promote elimination of gender-based legal restrictions. Changing legal impediments to equality in the economy is also relatively inexpensive to do compared to other potentially more costly policy prescriptions, though legal restrictions are often linked with socio-cultural or religious norms that can be challenging to address. Will a more growth-constrained global economy provide the catalyst for the next hurdle in breaking down legal gender barriers?

**Figure 12. Evolution of Restrictions over Time in 100 Economies**

Various factors (barriers and catalysts) can affect why or whether a woman joins the labor force. Many women prefer to stay home and raise a family, which also contributes to the economy. But for those who want paid work in countries with barriers, the full list of policy prescriptions is long, varies from country to country, and varies widely from advanced to emerging markets. In emerging countries, and especially ones with large gender gaps, discrepancies are often reflective of more systemic socio-cultural and religious issues that perpetuate unequal access to education, lack of literacy, lack of access to capital, jobs and markets.

In many countries women dominate work in informal sectors of the economy. In too many places around the world, basic safety is a first order issue. Lack of infrastructure, especially good roads and public transportation, can overwhelm women's time allocation for basic needs, like fetching water. Infrastructure investment in this instance, another driver of growth in and of itself, can also expand horizons for women to work outside the home. Improvement in the level of education is still the primary catalyst for increased participation in the labor force, but in countries where large formal and informal barriers to women's participation exist, it is far from sufficient.

For countries that invest in education and encourage equal opportunities for women to work, continued opening up of trade, broad economic development and investment in export-related industries, such as light manufacturing, textiles and service sectors, will continue to draw larger numbers of women into the workforce, providing stronger market incentives for women to work, including increasing levels of wages. Given that higher-income countries are highly correlated with opportunity for women to work to their potential, and that women working to their potential can drive growth, those developing countries that invest in girl’s education and eliminate barriers to equal work opportunities should benefit from stronger growth trajectories in the coming years.
The WG3 Effect: What Characteristics and Policies do Countries Need in Order to Benefit?

There has been much progress over the past several decades. In the past fifty years, in over 100 economies, more than 50% of the restrictions in women’s access to institutions and using property have been removed. Momentum is growing in the policy community, including at the international and supra-national level, to highlight and promote the elimination of gender-based legal restrictions. Changing legal impediments to gender-based equality in the economy is also relatively inexpensive, compared to other more costly policy prescriptions, though these changes are often linked with social or cultural norms that can be challenging to address. Will a more growth-constrained global economy provide the catalyst for the next hurdle in breaking down additional gender barriers?

We characterize the potential for women to drive faster global growth (through increased female labor force participation rates and higher productivity) the “WG3 Effect.” There is no single silver bullet or policy arrow to deliver the WG3 Effect. Instead, the WG3 Effect results from the fairly complex interaction of a range of factors, notably policies, practices, laws, but also supportive public attitudes and the presence of senior female role models, such as politicians and female business.

But the policies and practices needed are not themselves intrinsically complex, they are usually not difficult to administer and there is now a wealth of studies to document the relevance and effectiveness of many of these factors. In fact, many of the required changes in policies and practices seem rather intuitive. And only a few of them imply meaningful direct fiscal costs, even though we are convinced that the holistic fiscal calculus (taking into account not just the direct fiscal cost but the indirect costs and benefits too) would deliver a positive verdict for even these policies.

As with any enacting any policy measure, especially reforms, what is critical is political capacity and political will. Many of the G20 countries have sufficient strength and cohesion of government (as measured by either a majority or the absence of meaningful formal opposition) to pass reforms; in other words, they have the capacity. It then becomes a question of political will, and further, the willingness to expend political capital on reforms that will close the gap on gender inequality and boost female labor force participation. Some countries, such as Rwanda and Bolivia, have put these measures at the center of their reform agenda.

Figure 13. Key Drivers of the WG3 Effect

<table>
<thead>
<tr>
<th>The Basics</th>
<th>Policies</th>
<th>Tax Policy</th>
<th>Discrimination</th>
<th>Public Attitudes</th>
<th>Role Models</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>Affordable Childcare</td>
<td>No tax disincentive for second income</td>
<td>Policies to prohibit discrimination</td>
<td>Towards women working in the formal economy</td>
<td>Female role models in all sectors</td>
</tr>
<tr>
<td>Health (including reproductive health)</td>
<td>Provision to support flexible work</td>
<td>Child and working tax credits</td>
<td>(in the workplace, in inheritance, in financial matters and in social issues)</td>
<td>Towards women in politics, business and executive level positions</td>
<td></td>
</tr>
<tr>
<td>Safety (including in the workplace)</td>
<td>Maternity provisions (including paid parental leave for men and women and right to return to work)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political stability/security</td>
<td>Infrastructure (especially transportation)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Citi Research

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34 According to the Cambridge Judge Business School Report, “The Rise of Women in Society”, “A higher proportion of females holding parliamentary seats may have role-modeling, championing and networking effects, all of which are essential in paving the way for women to rise to senior positions”.

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Better utilization of women in the labor force should help offset the demographic decline many developed nations are facing.

Advanced Economies: Room to Grow

Women could be very significant drivers of growth in developed economies, with the greatest potential benefit to those countries facing demographic decline over the coming decades and those countries where benefits supporting women in the workforce are relatively low compared to peers. For these reasons, the United States, Japan and South Korea provide interesting examples and are highlighted below.

By better utilizing educated and highly skilled women in the labor force, countries facing demographic challenges could boost competitiveness, tap into a more skilled labor force and generate growth with little incremental cost, as well as increase the tax base per retired person, increase the tax base relative to debt load, and help address the issue of pension sustainability, amongst other benefits.

The OECD estimates that closing the gender gap completely in labor market participation could add 11.2% to GDP in Germany, 9.4% in France and 22.5% in Italy in the next fifteen years. Even reducing the gap by 50% over the same time period would lead to a 5.6%, 4.7%, 11.2% gain to GDP, respectively. Japan, South Korea and Italy, in particular, stand to benefit as their current participation rates for women rank very low relative to OECD peers.

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The United States

The US is a good example of where there is material room for improvement, with impressive potential growth benefits. According to the OECD, closing the gender gap completely in the US would raise GDP by about 10% by 2030.\(^\text{37}\)

We have already seen the US economy benefit from increases in the female labor force over the past forty years. Between 1970 and 2009, the US added 38 million female workers to the labor force and, without these additional workers, McKinsey estimates that the US economy would have been 25% smaller.\(^\text{38}\) There are large interstate variations. McKinsey estimates that if the United States raised female labor participation rates to the average participation rate of the top ten US states, it would add 5.1 million women workers and see a 3% to 4% increase in GDP.\(^\text{39}\)

Women in the US labor force have become far better educated over this same time period, with the proportion of women with a college degree more than tripling from 1970 to 2012, although women are still under-represented in STEM subjects.


\(^{39}\) Ibid
The pay gap closed significantly during this time period, with women now earning 81% to their male counterparts in 2012, compared with 62% in 1979, according to the Bureau of Labor Statistics (BLS). That’s the good news. The bad news is that the gap still persists even with women now attaining the majority of undergraduate and graduate degrees. One potential reason given for this is that over time, women do not accumulate the same level of on-the-job experience, and yet women in the United States today are more likely to work throughout their lifetimes. Other issues such as choice of profession (high paying vs. low paying) and time away from the labor-force for family-related reasons explain part of the difference. But more studies show that even accounting for all knowable differences in pay, pay gaps persist between men and women with similar levels of experience, tenure and credentials.

High level political and public attention to gender pay gaps help. But greater transparency on pay levels in the workplace will need to become the norm before this gap can be eventually closed.

Educational attainment does become decisive for absolute income levels, as disparity between higher and lower incomes based on education levels is rising, particularly for young adults. This argues for overall strengthening of education levels for both men and women in the US labor force moving forward.

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Figure 19. Median Annual Earnings Among Full-time Workers Ages 25 to 32, in 2012 dollars

Note: Median annual earnings are based on earnings and work status during the calendar year prior to interview and limited to 25- to 32-year-olds who worked full time during the previous calendar year and reported positive earnings. “Full time” refers to those who usually worked at least 35 hours per week in the last year. Source: Pew Research Center

On a positive note, women in the United States are more likely than their OECD peers to serve as senior management of companies.

Figure 20. OECD Percentage of Employed Workers who are Senior Managers

Source: OECD
Female labor force participation rates in the US are declining and have dropped relative to peers (male labor force participation rates in the US have been falling consistently as well), while the gap between men and women has been closing over time.

Figure 21. Labor Force Participation Gender Gap

In 1990, the US had the sixth highest female labor participation rate among twenty-two OECD countries. By 2010 the US fell to seventeenth place. A 2013 study by Francine Blau and Lawrence Kahn found that the expansion of “family-friendly” policies, including parental leave and flexible work in other OECD countries, explained nearly 30% of the relative decrease in US women’s labor force participation relative to other OECD countries. Total family benefits spending in the US as a percentage of GDP is second lowest of advanced economies, with only South Korea providing less, but with many countries doubling the US average. So part of the explanation is that other OECD countries caught up to US levels while the US failed to adjust policies relative to OECD peers.

Figure 22. Total Family Benefits Spending in 2009 (Percent of GDP)  
Figure 23. Paid Leave (Weeks)


Female participation rates have dropped vs. other OECD countries due to lack of expansion of ‘family-friendly’ policies.
Women in the United States continue to hold the majority of low-paying jobs and currently constitute more than half of minimum wage earners, with average age of minimum wage earner at 35, and with 28% of them raising children.\footnote{Economic Policy Institute, David Cooper and Dan Essrow, “Low Wage Workers are Older Than You Think”, (Economic Policy Institute, August 28, 2013).} With downward pressure on wages of lower income earners, women have been disproportionately hit, especially through the financial crisis. Women also account for 72% of all workers in “tipped” professions, such as waitress or bartender.\footnote{National Economic Council, Council of Economic Advisors, Domestic Policy Council and U.S. Department of Labor, “The Impact of Raising the Minimum Wage on Women, and the Importance of Ensuring a Robust Tipped Minimum Wage”, (Council of Economic Advisors, Washington, DC, March 2014), p. 1.} The Federal “tipped minimum wage” in the US is $2.13 per hour. The minimum wage has become a heated political issue, however, with twenty-nine states and some companies taking the rate above the federal level. Popular support for raising the minimum wage is gaining momentum. While economists debate the economic impact of raising the minimum wage compared to other policies, an increase in minimum wage has potential to boost income levels and could have a material positive impact on women as well as on family-related spending.

The US and Canada are close neighbors, but have significant differences in female labor force participation rates. As referenced earlier, in the 1990s Canada made tax and childcare policy changes that took female labor participation from below the US average to near Nordic levels, while the US rate stayed relatively flat. The US could benefit significantly from decreasing the second earner tax penalty as well as increasing family-friendly benefits to boost potential growth, similar to the path Canada took. This is an opportunity for the US. If creating equal potential for women to engage in paid work is a priority, the policy path to get there is clear, and is one other countries have taken with success.

Japan and South Korea

Japan and South Korea show striking examples of how women can help address the challenge of population aging and demographic decline. While substantial official institution and private research has examined women as a potential driver of growth in Japan, and Prime Minister Abe has embraced women as key to his structural reform arrow, there has been somewhat less focus on South Korea, which faces a similar demographic challenge.

Japan’s total population is projected to shrink by approximately 30% by 2050 compared to its population in 1995 – the sharpest drop of any economy.\footnote{IMF, Chad Steinberg, “Can Women Save Japan (and Asia Too?)”, IMF, October 2012.} Japan is, quite simply, running out of workers. Therefore bringing its highly educated female population into the new workforce is essential. It should also be key to driving future growth. The OECD estimates closing the gender gap in Japan completely could add 19.1% to GDP and closing the gap by only 50% could deliver 11.2% to GDP in the next fifteen years.\footnote{OECD, “Closing the Gender Gap: Act Now”, (Paris, OECD Publishing, 2012), p. 58.} The gender gap in the Japanese labor market in 2012 was approximately 25%, compared with the OECD average of 10%.
Prime Minister Abe’s Third Arrow targets appropriate policy prescriptions to increase female labor force participation from the current 68% to 73% by the year 2020, including: scaling back discriminatory practices against second earners, improving childcare and parental leave benefits and increasing the number of women in senior government positions and encouraging private companies to do so as well. Implementation will determine success or failure, but already Prime Minister Abe recently highlighted that since he took office in 2012, 800,000 Japanese women joined the labor force and female executive officers at listed companies in Japan increased by 30%. Heightened political attention helps a great deal, especially to removing long-standing socio-cultural barriers and a corporate culture that discourages women from staying in the workforce.

Source: IMF, Steinberg 2012

South Korea faces similar demographic pressures to Japan. Despite declining growth rates, unemployment rates are still amongst the lowest in the OECD. However, demographic projections point to a decline in the working age population, starting as early as 2018. Women’s labor force participation has risen over the past two decades, but remains among the lowest in the OECD. OECD estimates for closing the gender gap entirely by 2030 in South Korea would raise GDP by 19.5%, and 9.8% assuming a 50% increase.49

Emerging from a poor country 70 years ago to its high income status today, South Korea focused on investment in education, and now boasts women attaining tertiary education slightly above the OECD average, providing a highly educated talent base to draw into the economy. President Park Geun-hya, Korea’s first female head of state, has spoken to this opportunity.

The policy prescriptions for South Korea are familiar and address formal barriers similar to those found in other developing countries. The IMF suggests that South Korea addresses comprehensive reforms of tax treatment of second earners, increases childcare benefits and facilitates more part-time work opportunities, which could increase female work participation rates by around 8% over the medium term and reduce the gap between male and female workers by one-third.\(^50\)

South Korea’s Gender Equality and Family Minister, Kim Hee Jung, noted recently that attention should focus on encouraging women in their late 20s and 30s to return to the workforce, as the gender gap for entry level is largely closed.\(^51\) However, entry level figures appear to be skewed in South Korea due to compulsory military service for men.\(^52\) Similar to Japan, national culture and corporate culture in South Korea are informal barriers that will take time and persistence to change.

Figure 27. Labor Participation Rates in South Korea in 2014

![Labor Participation Rates in South Korea in 2014](source: Bloomberg)

\(^{50}\) IMF, Mai Dao (IMF), Davide Furceri (IMF), Jisoo Hwang (BoK), Meeyeon Kim (BoK) and Tae-Jeong Kim (BoK) “Strategies for Reforming Korea’s Labor Market to Foster Growth”, IMF Working Paper, July 2014, p. 3.


\(^{52}\) Ibid
Emerging Economies Have the Most to Gain

Emerging economies have the most to gain from women joining the formal labor force in the coming years. In most emerging markets, as earlier noted, women and girls are making enormous gains in education, but there is substantial variation by country and large gaps in literacy still remain. The gains are translating into increased labor force participation in some countries, again, with wide variation, due to cultural, social, legal and institutional differences. Booz and Company estimate that developing markets are home to 812 of the 865 million women globally that have potential to contribute more to their national economies —referred to as the “Third Billion” — as they begin to enter the global workforce in the coming decade. Overcoming formal and informal barriers and translating education into equal opportunity to work could unleash women’s economic potential and lead not just to higher growth outcomes, but also create far broader consumer bases with enormous commercial implications as these women begin to control and spend income. Women in the workforce are also key to lifting families out of poverty in the poorest countries. The ILO estimate that women’s paid and unpaid employment “may be the single most important factor for keeping many households out of poverty” in the developing world.

The “Third Billion” concept foresees women in developing countries entering the workforce globally being as significant as adding another China or India to the world economy, with significant macroeconomic effect. For example, in 2010, Booz and Company estimated the potential GDP growth could be raised by 12% in the UAE, 27% in India, 34% in Egypt and 9% in Brazil by 2020 with equal labor force participation. As referenced earlier, women in paid work controlling their income would bring positive spillovers in terms of education, health and family welfare. Discrepancies in regional labor force participation rates (Figure 29) give a sense of the enormous opportunity, as well as the challenge. In 2011, the average rate of female labor force participation for Latin American was 52%, for South Asia it was 35% and for the Middle East and Africa (MENA) it was just 26% — the lowest level in the world. In fact, the MENA region has seen little increase in female labor force participation over the past three decades, despite improvements in girls’ education. Compare this with Latin American female labor force participation rates which are comparable to some OECD rates, rising 33% since 1990, largely due to education gains and breaking down of legal barriers.

In MENA and to a lesser extent South Asia, progress in female economic participation has lagged other regions considerably. In MENA in particular, although educational opportunities have improved substantially, reducing gender inequality has been the slowest of any region, commensurate in many ways with this region having experience limited political development generally in the past several decades. Legal, social and religious institutions, restrictions on transportation,

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mobility and working outside the home constrain an increasingly educated female population from working.

Whether a sustained low oil price environment and the increasing expectations of the region’s burgeoning young population, male and female, might prompt greater openness to reform remains to be seen, but the MENA region stands to reap significant economic benefit from greater gender inclusion, a policy move which could help further wider goals of economic diversification away from hydrocarbons in the GCC states in particular.

In South Asia, cultural attitudes that are resistant to female labor force participation are compounded by constraints in level of, and access to, education, infrastructure and often the physical safety of women in public, a phenomenon highlighted by the 2012 gang rape and murder of a 23-year old female who was traveling by bus at night in India. The incident sparked large-scale public protests in many Indian cities against the government for failing to provide security for women. Since this case, several new laws have been passed and fast-track courts established for the purpose of prosecuting rape cases; although progress in overcoming deeply-held attitudes is likely to be slow.

Even in countries like China where public attitudes toward female labor force participation are more positive, as indeed is the rate of women working in formal employment, recent incidents such as the five Chinese women jailed for planning a campaign against sexual harassment on public transportation highlight the challenges women face even where some barriers to gender equality have been overcome.

These incidents and many more illustrate that although the economic case for increasing female labor force participation may be compelling, the underlying social and cultural challenges may serve not only as an impediment, but spark greater social tensions. As the figures on public attitudes show, even in countries where public attitudes are generally positive toward women working, these often shift downward in the event of an economic crisis, where many think men should be prioritized in an environment where jobs are scarce.

Interestingly, Saudi Arabia is a member of the G20 committed to the same ambitious goals as the other 19 members with respect to increasing women in the workforce as a means to drive growth. Saudi Arabia’s female labor participation rate is 21%, the lowest of G20 members, though India at 27%, is not that far behind.\(^{58}\)

**Vox Populi Risk, Politics and Gender Agenda**

Given that greater female labor force participation also acts as a force multiplier for wider social change, some elements of which are perceived as destabilizing, it remains a topic of controversy (not only in emerging markets, but globally). With this in mind, tensions such as in the India and China cases are highly likely to result where the expectations of young, educated women diverge from the societies they inhabit.

We see such instances as a further by-product of what we call *Vox Populi* risk, shifting and more volatile public opinion (see *Citi GPS: Taking it to the Streets - The New Vox Populi Risk*) where rising expectations of new emerging markets middle classes are increasingly prompting mass protests; indeed, the protests that followed the rape and murder of the student in Delhi were among the largest in India’s history. Women were also active in the Arab Spring protests; one risk to regimes that invest in education, but fail to provide employment opportunities for young men and women appear to be at higher risk of experiencing *Vox Populi* risk. The initial hopes of the region’s youth and women seem for now to be on hold, as most countries in the region have returned to the pre-2011 political order, with the possible exception of Tunisia. In some cases, the rights of women have actually gone into reverse.59

More than cultural attitudes, lack of infrastructure or other factors, realizing gender equality and women’s labor force participation is most constrained by environment: weak and failed states, especially those experiencing conflict. According to the International Crisis Group, the number of conflicts is on the rise, and these have become more intractable and generated larger numbers of refugees. Such adversity disproportionately impacts women and children.60 The number of weak and failed states, according to the FT Failed States Index, is also growing.

In advanced economies, we have observed that rather than mass protests, *Vox Populi* risk is more likely to be channeled into support for political alternatives. Here, the link to the gender agenda is less clear, as all political parties are inclined to present themselves as pro-family, if not pro-female empowerment.

A recent example is the UK Conservative Party under David Cameron, which sought to set out a progressive agenda including greater provision for pre-school childcare. In the current 2015 UK General Election, both the center-right Conservative Party and the Center-Left Labour Party included new provisions for childcare in their party manifestoes.

But support for these measures did not fall along gender lines; it was nearly equally supported by men and women, provided they were under 45. Instead, age was the decisive factor. This matters for a simple reason: if political parties see limited likelihood in the number of votes they are likely to pick up because such policies are already appreciated by their core supporters, they are less likely to devote budgetary resources to them. And demographics in advanced economies suggest that older voters, with whom such policies were decidedly less popular, continue to have greater weight in the political system.

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60 Foreign Policy, Jean Marie-Guehenno, “10 Wars to Watch in 2015”, January 2, 2015.
Similarly, the United States maintains a penalty on second incomes, popularly referred to as a “marriage tax” and is well-known for its limited paid maternity leave, and absence of state-subsidized child care. Whether such policies (or the lack thereof) are vestiges of traditional attitudes, the longstanding US political instinct to limit state intervention; tax credits are often the preferred solution.

There is very limited data on the extent to which gender issues figure in political party identification and voting behavior; broadly speaking, voting preferences of women have gradually moved from the right to the left in the past 20-30 years in the advanced democracies. The evidence of whether adopting gender-equality promoting policies wins votes is far from clear, but anecdotal evidence suggests that it may increasingly be a policy option for leaders looking to gain support in a more competitive political environment.

In Germany Angela Merkel promoted a policy improving access to childcare and under the Grand Coalition, supported reforms to the country’s parental leave law and increasing childcare for children under the age of three; these shifts are thought to have co-opted some voters for her center-right CDU party in the process.61 In France’s 2012 elections, all parties converged around supporting the expansion of child care provision, rendering supporting this policy more politically-neutral in the process.

The extent to which policy platforms are put forward and gain traction with voters will be a crucial component of the potential to further the reforms needed to realize the gains possible from the WG3 Effect, though we suspect, as illustrated by the UK example, that countries with aging populations may see limited voter support for the expansion of childcare provision, particularly in an age of austerity.

Can female leaders and parliamentarians help accelerate this agenda? Potentially, though given current levels of representation, increasing the number of women in politics will be a slow and incremental process; here again Nordic countries lead the pack, with 41.5% representation, with the rest of the world languishing between 13-26%. When it comes to individual countries, Rwanda, Bolivia and Sweden top the list of highest representation of women in parliament.

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### Figure 31. Regional Differences in Women as Political Leaders

<table>
<thead>
<tr>
<th>Region</th>
<th>Single House or lower House</th>
<th>Upper House or Senate</th>
<th>Both Houses combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nordic countries</td>
<td>41.5%</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Americas</td>
<td>26.5%</td>
<td>25.5%</td>
<td>26.4%</td>
</tr>
<tr>
<td>Europe - OSCE member countries (including Nordic countries)</td>
<td>25.3%</td>
<td>24.3%</td>
<td>25.1%</td>
</tr>
<tr>
<td>Europe - OSCE member countries (excluding Nordic countries)</td>
<td>23.7%</td>
<td>24.3%</td>
<td>23.8%</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>22.7%</td>
<td>20.3%</td>
<td>22.4%</td>
</tr>
<tr>
<td>Asia</td>
<td>19.0%</td>
<td>13.3%</td>
<td>18.4%</td>
</tr>
<tr>
<td>Arab States</td>
<td>18.1%</td>
<td>7.3%</td>
<td>16.1%</td>
</tr>
<tr>
<td>Pacific</td>
<td>13.1%</td>
<td>36.0%</td>
<td>15.7%</td>
</tr>
</tbody>
</table>

Source: Inter-Parliamentary Union (situation as of February 1, 2015)

### Emerging, But on Different Paths

India, Brazil, Bangladesh and Rwanda have different but important stories to tell about female education and labor participation, related contribution to growth and a link with demographic changes over time. We use these countries as examples.

India has large potential upside in encouraging more women into the formal labor force, starting from a low base as India’s female labor force participation rate is at less than 30%, and stagnating compared to world averages. The rate has actually declined over the past twenty years and is the lowest among the developing countries. The World Economic Forum’s Global Gender Gap report ranks India number 114 (between Kuwait and UAE) out of 142 countries in the world for gender-based disparities.  

The informal economy is the largest sector in India overall and over 90% of women belong to it. In the informal sector, India has an important initiative to mobilize and support women — the Self-Employed Women’s Association (SEWA) — a trade union which gives voice and support to poor women in the informal economy. However, basic health and welfare issues persist, and poor infrastructure and safety issues keep many women from working to their potential. A more strategic policy direction is needed to enable women to participate equally in the economy as India moves from a less rural to more urban population balance, with a workforce that is less agricultural and more knowledge-based. In this process, the investment in infrastructure, health and sanitation will support gender inclusion in the economy.

India has several notable characteristics. The IMF found that female labor force participation rates vary widely between urban and rural areas, where rural participation rates are significantly higher. Participation rates also vary widely across Indian States, with rates higher in the South than in the North.\(^{64}\) Policy prescriptions are needed to take the nature of these differences into account.

But India is making headway on girl’s and women’s education which should help

At the same time, India is making headway in girls’ and women’s education, providing the potential for India to reap the benefits of demographic transition longer-term. Some of the significant gap in labor participation could be explained by increased women in school attendance, which should eventually lead to more women in the workforce in higher paying jobs in the future. Other reasons could

include increased pay for poor rural agricultural workers since 2005 enabling poor women to stay at home.\textsuperscript{65} Shrinking the gender gap in education and work will potentially boost India’s per capita income significantly by 2030, with the right policies in place and political will to implement them, in concert with tackling the social, cultural, legal and governance barriers to women participation in the workforce, including financial inclusion, which is a particular challenge for women in India.

Alongside poverty reduction in Brazil over the past few decades, Brazil saw a transformation in women in the economy over the same period. Brazil now has more women getting tertiary degrees than men, and illiteracy rates fell from roughly 20\% in 1991 to roughly 10\% in 2008.\textsuperscript{66} Labor force participation climbed from around 52\% in 1990 to around 73\% in 2010, boding well for women to play an important role in driving future economic growth in the country, bolstered by the Bolsa Familia anti-poverty cash transfer program, which preferentially gives the funds to the female head of the household.\textsuperscript{67} But challenges remain. The gender gap in labor force participation is 22\% and women face significant earnings gaps and are more likely than men to live in poverty.\textsuperscript{68} Brazil’s National Plan for Women’s Policies, in place since 2004, incorporated gender perspective into public policies and its Bolsa Familia direct cash transfer program increased women’s financial independence, increased participation in the labor force and increased resources spend on family well-being. The policy tools and political leadership are in place to tackle the remaining gaps, but this will still take time.

Bangladesh – while still poor and densely populated — made significant policy changes to support female education back in 1999 in Bangladesh has led to a doubling of female labor force participation since 1995.\textsuperscript{69} Education levels are high in Brazil but significant earnings gaps and high poverty rates are still issues.

Labor force participation by women has doubled since 1995 and continues to grow, although much of this was driven by one industry — ready-made garments — and most women continue to work in the informal sector. Investment in rural infrastructure increased labor supply and incomes, but lack of good infrastructure remains an overall constraint. Income remains low, and poverty-levels high, with enormous potential upside for growth, given current trajectories, and external factors like transfer of low income manufacturing from China. Millions of jobs have been created in the export-oriented garment sector, which has helped increase women in the labor force, earnings, health and girl’s education. The increased

\textsuperscript{69} Bangladesh Bureau of Statistics, Statistics and Informatics Division Ministry of Planning, Government of the People’s Republic of Bangladesh, “Gender Statistics of Bangladesh 2012”.
ability to engage in paid work, participate in political life, and access credit through micro-finance has enabled women to help drive economic growth in the country.

Ensuring protection of all workers, but especially female workers, following the Rana Plaza tragedy in 2013, and extension of supportive policies will pay dividends as Bangladesh aims to reach middle income status by the beginning of the next decade. The World Bank calls this an “ambitious goal, but within reach.” A reflection of this investment and success over the past few decades, Bangladesh is climbing up the ranks of the World Economic Forum’s Global Gender Gap Index, which benchmarks gender gaps on economic, political, education and health-based criteria. 2014 saw Bangladesh rise from 86th in 2012 to 68th out of 142 countries, ahead of Italy, Japan, Brazil, China and South Korea.70

Rwanda has a unique story to tell. Rwanda has been one of the fastest growing economies in the world, and has also made tremendous progress in improving girls’ education over the past decade, with 100% gender parity in both primary and secondary school enrollment.71 Rapid education gains reflect sharply in literacy gains in the young population.

Figure 35. Literacy Rates, by Gender and Five-year Age Group, Rwanda, 2010/11

![Literacy Rates](image)

Source: African Development Bank

The 2003 constitution enshrined women’s representation and laws were passed to secure women’s equality in inheritance and land ownership. Remarkably, Rwanda’s parliament is now roughly 60% female and the country has become an economic success story.

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The 2003 constitution enshrined women’s representation and laws were passed to secure women’s equality in inheritance and land ownership. Remarkably, Rwanda’s parliament is now roughly 60% female, the highest in the world, up from 17% in 1995.72 Rwanda still has high levels of poverty, but has introduced policies over the past ten years to promote inclusive growth, with a focus on gender in policies, activities and budgets in all sectors. As Christine Lagarde recently remarked in Kigali, “Women

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have been empowered and now offer a practical case of “gender in economics.” Rwanda is an “economic success story.”

High female labor participation rates in Rwanda, which are close to male rates at 86%, are not telling the whole story. As is the case with many poor countries, women are not necessarily in good jobs or paid on par with male counterparts. While Rwanda has been successful in moving workers out of agriculture and into services and industry compared to peers in Sub-Saharan Africa, women still make up the bulk of the workers in agriculture, mostly working in subsistence farming. Women are more likely to work in the informal sector and are four times more likely to work as unpaid family workers, according to the IMF, although there is movement in the right direction.

Figure 36. Employment in Rwanda by Key Sector

![Graph showing employment in Rwanda by key sector](Image)

Source: IMF

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Conclusions

Predictions of a future of mediocre growth may or may not be proven correct. But the unlocking of women’s potential in the global economy — as the ultimate growth generators — may in fact tip the balance from mediocre growth to sustained, inclusive and improving growth over time. Given how much has already been invested in female education opportunities, increasing the ability of women to join the workforce and achieve their potential equates to the policy equivalent of low-hanging fruit. Where women can and want to work, overturning barriers to entering the workforce, pay disparities and limits to what they can achieve in the labor force represent an economic opportunity.

What we have learned is that supporting policy measures can and do change outcomes, sometimes significantly. From different experiences of countries around the world, we find some models that can be replicated.

In advanced economies, those that have the most to gain face demographic challenges stemming from fast shrinking and aging workforces or have underinvested in supporting women in the labor force relative to peers. Here, populations of educated women can also enhance competitiveness, improve the skill mix, increase the tax base per retired person, increase the tax base relative to debt load and help address pension sustainability. Successful policy measures here should focus on removing tax disincentives for second earners, providing affordable childcare, allowing more leave for child and elder care responsibilities and providing more flexible work options. Policy prescriptions also include promoting cultural shifts away from gender stereotyping, which can lead women to choose education paths or professions with lower income potential.

In emerging markets, where overall gender-driven growth potential is far greater, there is wide variation of experience. Women are making strong gains in education in many countries, but not all. Policy supporting women’s and girl’s education is a crucial starting point. We also know that education alone is not sufficient, so policymakers must tackle widespread legal barriers, poor infrastructure and personal safety issues that inhibit or prohibit women’s equal opportunity to participate in the economy. Transitioning women from the informal to the formal paid workforce should remain a priority for a wide range of countries.

For companies, the challenges and opportunities are three-fold, first, to address equal pay, maternity and other components of the gender equality agenda, thereby increasing retention of female employees, and increase representation in management and at the board level. Second, address concerns about gender equality within their supply chains, an issue likely to remain in the spotlight following such disasters such as the fire at the Rana Plaza factory in Bangladesh which killed over 1,200 women. Third, capitalize upon the opportunity that increased spending potential that women with greater disposal incomes represent as well as their greater influence in household spending decisions.

More broadly, efforts at the G20 and W20, APEC, UN Women, and international organizations such as the IMF, OECD, World Bank and World Economic Forum will draw increasing attention to the opportunity of gender driven growth and opportunity costs of not tearing down gender walls. Support for “nice to have” policies, like childcare provision, or controversial, such as removing the penalty for second income-earners, may instead be seen as costly not to implement. Substantial evidence documents that the most productive countries and well-run companies are those that are more gender-balanced. Gender equity, in short, is good for growth and competitiveness.
Women themselves are also key drivers of change, suggesting that increasing the numbers of women in government and business leadership decisions will help accelerate the advent of Women as Global Growth Generators.

As a relatively new field, gender in macroeconomics suffers from incomplete data and from insufficient focus outside official institutions, such as the IMF, OECD and World Bank. There is far more work to be done and a need to mainstream gender economics within traditional macroeconomic study. With Citi incorporating gender economics into its own research plan moving forward, we may see new insight into how metrics can better reflect the full contribution of women working in unpaid, informal and household economies, assess which policies work and which ones do not, and given Citi’s global reach, examine in greater detail which countries are set to benefit the most from enabling women to fully develop their potential in the world economy.
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Key Insights regarding the future of Women as Economic Drivers

**LABOR MARKET**

Global growth is expected to pick up somewhat over the coming years, but to remain below the rates of global growth that was anticipated only a few years ago. If OECD countries saw full convergence of men and women (ages 15-64) in the labor force, these countries would benefit from an overall increase of 12% in GDP over the next 15 years.

**EDUCATION**

The gender gap in primary education has largely been closed globally with female enrollment rates reaching an average of 94% of males and progress has been made in secondary and tertiary education. Because labor force participation in advanced economies is so highly correlated with educational attainment, closing the gender gaps that still exist in emerging countries can translate into an enormous growth opportunity.

**REGULATION**

A surprising 90% of the 143 countries recently surveyed by the World Bank had at least one law on the books that restricts a women’s economic opportunity. In countries where laws become more gender-neutral, women’s labor force participation increases as well as investment in girl’s education.