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

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

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

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

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

Christine Lagarde
Managing Director
International Monetary Fund
Preface

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

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

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

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

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

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

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

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

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

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

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

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

Chapter 8A (by Tobias Rasmussen) provides an overview of the drivers of female labor force participation in the Gulf Cooperation Council. Chapter 8B (by Ferhan Salman) examines how, for Pakistan, an integrated set of policy measures could help raise female labor force participation. In addition to policies that touch upon childcare, parental leave schemes, and flexible work arrangements, women’s access to labor markets could be facilitated by infrastructure spending in rural areas to increase access to clean water and transportation to reduce the time women spend on domestic tasks.
Chapter 9A (by Dalia Hakura, Mumtaz Hussain, Monique Newiak, Vimal Thakoor, and Fan Yang) shows that income and gender inequality jointly impede growth mostly in the initial stages of development, resulting in large growth losses in sub-Saharan Africa. In particular, the average annual growth of GDP per capita in sub-Saharan African countries could be higher by almost 1 percentage point if income and gender inequality were reduced to the levels observed in the fast-growing Association of Southeast Asian Nations (ASEAN).

Chapter 9B (by Corinne Deléchat, Monique Newiak, and Fan Yang) focuses on gender gaps in financial inclusion and finds that unequal access to financial services is strongly associated with higher income inequality, particularly in sub-Saharan Africa.

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

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

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

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