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Case Study

Women: The Power behind Economic Growth

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Abstract

As populations decline countries are faced with a shrinking workforce. The shortages of workers eventually mean a decline in production and a threat to both income and economic growth. What can be done to correct this situation?

INTRODUCTION

Birth rates are falling, and the population of countries has shrunk. The United Nation's best guess is that the global population will grow to 10.4 billion by the mid-2080s and stay there for the rest of the century.

In 1950 each woman bore five children on average. As families flocked to cities, and women gained education and access to contraception, that number started to fall. The global fertility rate plunged to 2.3 in 2021, the rate at which births offset deaths in populations with low mortality by 2050. The world is getting older. Between 1990 and 2019 life expectancy at birth rose by nine years to 72.8. The share of people aged sixty-five and older will rise from 10% this year to 16% in 2050.

India replaced China as the world's most populous country in 2024 (not only because India was growing faster but because China was declining). Just eight countries will account for more than half the rise in population expected by 2050: The Democratic Republic of Congo, Egypt, Ethiopia, India, Nigeria, Pakistan, the Philippines, and Tanzania (Dhume, 2023).

Falling birth rates translate into a smaller workforce. But fast population growth in countries is also dangerous, especially if their economies do not expand quickly enough to employ the young productively.

Falling birthrates yield a decreasing labor supply and a slowdown in GDP growth. With declining fertility rates in most economies, there are concerns about the impact on the labor supply. Countries have responded to shrinking labor forces by extending retirements of older workers (Economist, 2018A) and increasing net inward migration (Economist, 2016), (Economist, 2018B). America needs immigrants to solve its labor shortage (Economist, 2006). A key strategy often ignored by countries is an increase in the labor force participation of women. The increased participation of women could help both developing and developed economies.

Participation of Women

Women have contributed more to global GDP growth than have either technology or the giants, China, and India.

Women are the world's most underutilized resource; getting more of them into work is part of the solution to economic woes, including shrinking populations and poverty.

People fret that if more women work rather than mind their children, this will boost GDP but create negative social externalities, such as a lower birth rate. Yet developed countries where more women work, such as Sweden and America, have higher birth rates than Japan, Spain, Korea, and Italy, where women stay at home.

What is clear is that in countries such as China, Japan, Korea, Germany, Spain, and Italy, which are all troubled by the demographics of shrinking populations, far fewer women work than in America, let alone Scandinavia. An increase in female labor-force participation in these countries

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would give a helpful boost to these countries' growth rates (Economist, 2015A). Despite representing just over half of the adult population worldwide, women are working at a lower rate than men.

Discrimination, laws, and practices, as well as social, religious, and cultural norms have limited female employment opportunities.

One way to explore the importance of women to economic growth is to consider the share of adult women who are participating in the labor market.

Female labor force participation rates vary across countries. Countries in Central Africa and Southeast Asia consistently have the highest female labor force participation rates, whereas countries in northern Asia, the Middle East, and southwest Asia have the lowest. It may be surprising to find that female participation in the labor force is high in both countries with a high GDP, such as Canada (61%) and Norway (61%), as well as low GDP countries, such as Burundi (80%) and Mozambique (83%).

The share of women who are working increases GDP per capita, but at the same time, women change their work decisions based on their financial circumstances and the financial viability of forgoing the additional family income that working would generate.

As GDP rises, women who otherwise would have worked out of necessity will choose not to work and instead spend their time on activities outside of the labor market.

Meanwhile, this downward trend reverses among middle and higher-income countries where female labor force participation rises with GDP. Additionally, holding productivity per worker constant, an increase in the share of adults who are working through a rise in the female labor force participation rate will directly increase GDP per capita.

The results of these studies highlight the potential for additional growth through increased participation of women in the labor force (Economist, 2019).

Making the Case: Vietnam

In Vietnam 79% of women aged 15 to 64 are in the labor force, compared with 86% of men Figure 1.

Scholars believe that Vietnam was a matriarchal society before a period of Chinese conquest that began in 111 BC. A long history of wars with China, and later France and America, sucked women into the workforce.

Vietnamese-style Confucianism also plays a part. Combined with nationalism fostered by war, it helps to create a feeling that women have a moral duty to make money. Communist ideology reinforces this norm. Supportive government policies help, too. Parental leave increased to six months in 2013.

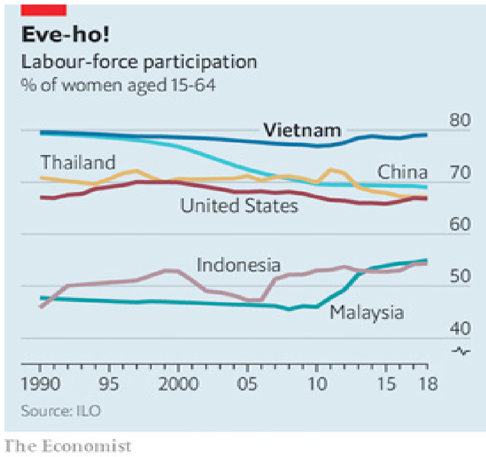

Figure 1: Eve-ho! Labour Force Participation.

The different sexes gravitate towards diverse types of work. Men tend to take jobs in corporations or organizations that confer status, whereas women tend to be more enterprising. Vietnam had the highest ratio of women to men: 1.14 to 1. This is partly because mothers still do most childcare, so they must work flexible hours.

But as the economy shifts from farming to manufacturing and supply chain locations, women are becoming more independent (Economist, 2015B).

India

The Indian economy has grown at 7% a year for two decades. Such dynamics sucked millions of women into the labor force in other poor countries Figure 2.

India's bid to become a middle-income country is challenging (Economist, 2018C).

India is the world's fifth largest economy. India is on track to become the world's third largest economy by 2029 (Economist, 2018D).

Were India to rebalance its workforce, the International Monetary Fund estimates, the world's biggest democracy would be 27% richer.

Young women are staying in school, and thus out of the labor force. It is not unusual in developing economies for a family's improved social standing based on having its women remain at home.

Automation has replaced the jobs done by women. Mega-factories that boosted female employment in other countries are absent in India. Unlike Vietnam, India's potential for supply chain re-location from China has stalled.

The most fruitful policy would be to reform India's labor market so that women have better access to jobs in large numbers. Few entrepreneurs want to set up large factories

Figure 2: Out of work.

when they have little control over hiring. Barriers to trade and foreign direct investment restrict entry of firms with better job opportunities for women (Financial Times, 2022).

Japan

The latest gender-gap index published by the World Economic Forum ranks Japan 111th out of 144 countries, a fall of ten places since 2015.

For the first time most, Japanese people agree that mothers can continue their careers, since Japanese women are healthier, better educated, and have longer life spans than their peers anywhere else in the world.

Labor reforms introduced a decade ago, meanwhile, have accelerated the growth in the number of temporary workers, of whom an outsize share is female.

Companies and unions are loath to dismantle Japan's employment system, but without more flexible labor practices the outcome remains uncertain. Companies, desperate to keep workers, are already converting irregular positions to full-time ones (Wall Street Journal, 2022A).

Korea

South Korea is running out of children. The fertility rate, for the average woman stood at 1.05 in 2017. In Seoul, the rate is just 0.84. Though South Koreans are not as old as their Japanese neighbors, they are ageing faster.

Women are now more educated than men and are keen to succeed in the workforce; despite entrenched sexism and a huge gender pay gap (the average South Korean woman makes just 63% of the salary of the average male). The long hours and rigid hierarchies in South Korean businesses mean that family life is not easy to fit in, even for men. But women face more hurdles.

Having a family is difficult. Unemployment among young people stands at 10.5%. University graduates, who make up 69% of those between 25 and 34, can no longer expect to walk into a lucrative job and keep it for life Figure 3.

The government has announced measures to improve childcare and increase support for single-parent families. That makes sense since South Korea spends less of its GDP on family benefits than most other rich countries (Wall Street Journal, 2022B).

Potential Remedy

In South Asia, for instance, women perform 90% of unpaid care work. Women make up less than a quarter of the paid workforce in India and account for just 17% of GDP, a measure of output that excludes unwaged work. By contrast, women contribute 41% of GDP in China Figure 4.

Gender inequality in work and society is itself distributed unequally across the world. South Asia (India excluded) is the global laggard with a score of 0.44 (a score of one represents perfect parity between the sexes). Richer parts of the world do better but are still a long way from complete gender equality. North America and Oceania, the best-ranked region, has a score of 0.74.

Studies find that countries could boost their GDP by 5-20% if women's participation in the workforce was on a par with

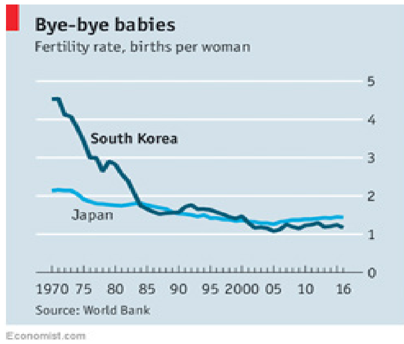

Figure 3: Bye-Bye Babies.

Figure 4: Self-Harm.

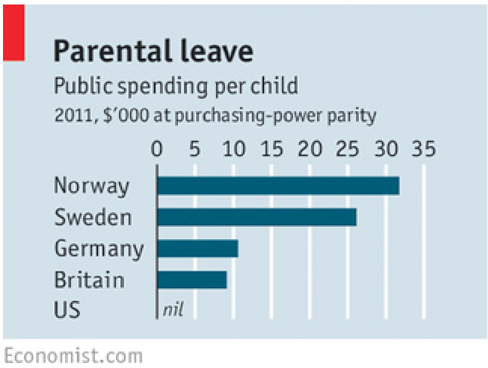

Figure 5: Parental Leave.

men's. But that captures only part of the lost output. Even in rich areas of the world, where women are close to half the paid workforce, they tend to work fewer hours than men and in jobs with lower productivity, not to mention lower pay because of pure discrimination. If the gender gaps in participation, hours worked and productivity were all bridged, the world economy would be $28.4 trillion (or 26%) richer, the potential gains are proportionately greater in places where fewer women are in paid work. India, for instance, could be 60% richer.

The policies that would quicken a closing of the gender gap at work, such as keeping girls at school for longer and providing better legal protections for women, are in the scope of government (Yurkevich, 2022) Figure 5.

CONCLUSION

Countries can reverse the decline in the workforce through increased migration and automation. However, the best remedy is to increase the participation of educated women. Women are the world's largest underutilized resource.

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