Analysis Note: the Economic Case for Gender Equality

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EXECUTIVE SUMMARY

Although gender equality is widely regarded as a worthwhile goal it is also seen as having potential costs or even acting as a constraint on economic growth and while this view may not be evident in official policy it remains implicit in policy decisions. For example, where there is pressure to increase the quantity of work or promote growth, progress towards gender equality may be regarded as something that can be postponed. However, it is possible to make an Economic Case for gender equality, as an investment, such that it can be regarded as a means to promote growth and employment rather than act as a cost or constraint. As such equality policies need to be seen in a wider perspective with a potentially greater impact on individuals, firms, regions and nations.

The Economic Case for gender equality can be regarded as going a step further than the so-called Business Case. While the Business Case emphasises the need for equal treatment to reflect the diversity among potential employees and an organisation's customers the Economic Case stresses economic benefits at a macro level. An Economic Case stresses the wider economic benefits that span individuals, firms, regions and nations and thus can address inequalities on the wider labour market; something more partial Business Case approaches have a necessarily more limited impact upon.

By shifting the discourse around equality from a socially worthwhile aim, yet potentially expensive, towards an economically productive investment it is possible to see the equal treatment of women as contributing to economic success. In this Analysis Note we see how gender equality can contribute to economic development in a number of ways: firstly, through quantitative improvements in female participation, as envisaged in the European Employment Strategy, but also through qualitative improvements in terms of the effective use of their investment in human capital; secondly, in women's contribution to growth through greater economic independence and their contribution as consumers of goods and services; thirdly, in the integration of women into the fiscal system as net contributors to the welfare state; and, fourthly through the establishment of a sustainable system of social reproduction that is essential for economic growth, future labour supply and sustainable public finances. However, although there is clear evidence of an Economic Case for gender equality, it is also important not to ignore the moral or social dimension to equality and this still remains an important justification. Indeed gender equality has many non-economic benefits in the form of reductions in child poverty and enhanced personal freedom for example.

Making the Economic Case for equality requires persuasion, effective leadership, and awareness-raising activities to convince a wider number of decision-makers but once the longer-run benefits of gender equality policies are accepted then viewing equality as an investment in our economic future becomes inevitable.

INTRODUCTION

Gender equality is widely regarded as a socially important goal reflected in both European and national institutions, the 1957 Treaty of Rome and many EU Directives and policy processes since. Unfortunately, the view that equality is also a constraint or a cost has hampered its integration in some policy development, particularly in the field of economics. This limiting view of equality policies, as a societal choice that may act as a break on economic development, also has the effect of narrowing the scope of potential benefits of advances towards gender equality, focusing on the short term and relying on the status quo as the model with which to compare progress. However, it is also possible to view equality as having a productive or economic role with much wider implications for European economies. In fact elements of this perspective are implicit in the European Employment Strategy (EES) since female employment rate targets are an, if not the, essential component of the growth and employment objectives.

However, going a step further to make the Economic Case for equality means that social and economic goals around women in the labour market become more closely integrated. This potential is in fact evident in the European Pact for Gender Equality (adopted at the 2006 Brussels European Council) that stresses the need to eliminate employment and pay gaps to draw full benefit from European workforces and their productive potential (Presidency Conclusions Annex II. 23-4 March 2006). A commitment to such an approach has the capacity to move equality from being regarded as a cost or a constraint to one where it has an important role in the development of a productive Europe while reinforcing the position of gender mainstreaming in all aspects of policy. These economic benefits are evident at three levels – macro, meso and micro – and can be seen in the advantages of higher female employment rates, women's contribution to GDP, fiscal contributions and sustainable fertility rates and it is around these broad themes that this Analysis Note is organised.

AN ECONOMIC CASE FOR GENDER EQUALITY

While equality is widely regarded as a worthwhile goal it is also seen as having potential costs or even acting as a constraint on economic growth (Humphries and Rubery 1995). The view may not be evident in official policy but remains implicit in many policy decisions. For example, the reduced focus of the EES on equality after the re-launch in 2003 at both the Member State and European level can be seen as an implicit acceptance of the view that economic growth and quantity of jobs must come before equality and job quality (Rubery et al. 2003a; 2004; 2006; Fagan et al 2005; 2006). This is clearly illustrated for the Central and Eastern European (CEE) countries where Pollert (2005:228) states that (see also Box 6);

> "gender equality has been relegated to a superfluous concern in the grand march towards economic 'reform'. Even the falling birth rate has hardly registered as a danger signal of this neglect"

Pollert's (2005) study of equality and economic conditions in CEE countries demonstrates the potential for diverse trends in equality measures. She shows how the decline in measured equality in CEE countries, measured by the GDI (Gender Development Index), has occurred in the fifteen years following the transformation from communist rule. In 1991 the UN's GDI measure placed many CEE countries in relatively high in international rankings and higher than their HDI (Human Development Index) positions. The transitions to free-market capitalism has seen GDI rankings drop and converge with HDI rankings in some Member States, for example the Czech Republic, Poland and Hungary. Pollert concludes that while there were limits on women's progression in the command-economy era there has been a deterioration in the period since. Thus changing economic conditions can have a negative impact on gender equality but, in contrast, it is also possible to make the case for equality to have a positive economic impact, an Economic Case for gender equality.

An Economic Case for equality makes gender equality more central to economic thinking with a potential positive impact on economic growth and jobs. In this way equality can be seen as a means to promote future economic growth and not necessarily a cost or an issue that can be postponed. However, it is important to make the distinction between the Economic Case for gender equality and Business Case for diversity (see box 1). The Business Case is focussed on persuading employers or even managers to adopt equality practices to reap benefits where they are in line with organisational objectives. For example, the Business Case literature emphasises the need for equal treatment to reflect the diversity among potential employees and an organisation's customers. Equality is seen, on the one hand, as an incentive or a pre-condition to attract a larger and therefore more diversified supply of labour and, on the other hand, as a way to ensure that differences become comparative productive advantages within organisations favouring equality, hence sources of productivity. The Economic Case can be seen as going a step further to highlight the advantages, beyond the level of the individual firm adopting policies likely to enhance equality, to the wider economy or the macro level. Furthermore, an Economic Case addresses one of the weaknesses of the Business Case as a means to address inequalities on the wider labour market; Business Case approaches are necessarily limited to the employees of organisations adopting such measures and their partial nature. The promotion of a Business Case for equality should not be seen in the same light as equality at the national level since the emphasis on the top-down managerial activity represents a dilution of the equality agenda (Kirton and Greene 2006). However, there is some inconsistency in the debate around the terminology used and in some cases the Business Case has been used to describe something more akin to what we call here the Economic Case (see box 1).

Box 1: Business Case is not an Economic Case

As Hutching and Thomas (2005) point out the details of the Business Case may vary but there are a number of core claims often associated with proponents to this approach. Kirton and Greene (2005:201-4) summarise these as:

- an organisation sensitive to diversity can better recruit in a labour market characterised by diversity;
- employees are, in fact, diverse to some extent in any organisation, even the less enlightened, and sensitivity to this will maximise employee potential;
- an organisation sensitive to diversity will operate more effectively across cultural and national borders/boundaries;
- a diverse workforce, properly managed, has more likelihood of being creative, and also of being sensitive to a wider range of opportunities for the organisation.

This approach places an emphasis on equality measures as a business necessity, as such an essential management tool, and places equality at the heart of the organizational strategy (Maddock 1995). However, Dickens (1994) argues that by its very nature the Business Case approach is selective and unable to address inequalities since the Business Case for various measures is contingent on the context in which those business decisions are made. Franks (2003) highlights both the limited scope of such policies and the limited real impact on workers. Nevertheless there are some overlaps between the Business Case and the "Economic Case" made in this Analysis Note. For example, as in the Economic Case presented here the Business Case seek to make use of the full range of human resources by employing women and others not simply out of "political correctness" but in "search for the best candidate from a much larger pool of labour" (Hutchings and Thomas (2005:267) . However, the Business Case approach is not a way to address wider discriminatory processes and sources of disadvantage on the labour market. Equality is not well served by appealing to the self interest of those already doing quite well out of the current system. This is not to say that the Business Case does not have its place but it needs the support of the legal and a moral argument to really address inequalities (Dickens 1994; 1999).

More recently the World Bank has used the term 'Business Case' to relate to a much broader notion of equality more in line with our development of the Economic Case or, in their words, a gender equality as "smart economics" (World Bank 2006). The World Bank's smart economics approach argues the unequal opportunities for women are "inefficient" and increasing participation and earnings are a source of economic development. However, at the same time the World Bank also uses the more conventional notion of Business Case in the promotion of organisational access to talent pools, diversifying customer bases and developing new products (World Bank 2002).

Nevertheless there is some evidence of positive economic outcomes associated with the Business Case approach promoting a more gender diverse workforce (see box 2 for the case of Sweden). The results of the McKinsey Women Matter Report (2007) suggests that companies with three or more women in top management positions score more highly on nine measures of the McKinsey diagnostic tool measuring 'organisational excellence' (measured by leadership, direction, accountability, coordination and control, innovation, external orientation, capability, motivation, work environment and values). While the economic impact of these measures may not be clear the higher ranked companies along these dimensions also had twice the operating margins and market capitalisation of those ranked more lowly. Selecting 89 large European companies in their sample with the highest levels of gender diversity at board level the McKinsey Report went on to show that these organisations outperform against their sector average on return on equity, operating results and stock price growth (2007:13-14). Inline with these results, a study by Campbell and Mınguez-Vera (2007) on female presence in Spanish boardrooms confirms a positive impact on firm value of a diverse board with a balance of women and men (rather than simply the presence of a woman). They also find no evidence that it is the firm value that encourages the appointment of women or that shareholders react negatively to the more diverse boards. The 2007 Spanish Equality Law that urges companies, with more than 250 employees, to set goals for company boards to be made up of at least 40% women within eight years will be a driver for greater boardroom diversity in Spain. Similarly such results place the recent policy changes in Norway in an economic as well as ethical spotlight (see box 2).

Box 2: Gender Equality is profitable

A more equal distribution of women and men among the board members in companies listed on the stock exchange has for a long time been discussed in Sweden. Only one fifth of the ordinary board members in companies listed on the stock exchange in Sweden are women. The former government talked about introducing a law to increase the proportion of women. The arguments were about gender equality and a fair distribution of power. However, another argument could be profitability, since there are studies which show that more women on the boards mean higher profits in the companies (Catalyst 2004; Kossowska et al. 2005; Handelshøjskolen and Roy; 2007). A Swedish study compared 24 companies listed on the stock exchange with the highest number of women on their boards with 24 companies from the same list, which did not have any women on their boards. In the first category, where women constituted almost 40 percent of the ordinary board members, the profits were higher and the tendency over time was that profitability increased faster than in companies without any women on their boards. The companies with women on the board were also bigger, measured by the number of employees but not measured in turnover per employee. They did not grow faster measured by the percentage change in turnover, but they had more assets. The authors´ conclusion is that the study shows that there are other good reasons for more women on the boards than gender equality and fairness – companies with more women on the boards are more profitable. By securing women's competences and experiences on the boards, the demand for gender equality is not only met, but it also means higher quality and profitability.

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A further important distinction between a Business and an Economic Case for equality is that efficiency at the level of an individual firm may be inefficient at a higher macro economic level. Whereas the Business Case promotes the self interest of single organisations the Economic Case focuses on potential efficiencies at this macro level. Indeed there is also no requirement that a Business Case and Economic Case be necessarily always be compatible since self interest of a single firm may not be in the best interest for all. The economic literature contains many examples where the micro economic behaviour of individual firms may be efficient but lead to inefficiencies at a macro economic level. For example, the monopolistic behaviour of individual firms is a good example and governments place a great deal of energy seeking to avoid such behaviour. The so-called 'externalities' arising from the polluting behaviour of individual firms also illustrate the potential for tensions between rational behaviour at the micro and macro level. Similarly we can see market failures in the provision of training as a good example where poaching by individual firms may make good economic sense for one firm but is not in the interest of the wider economy (Felstead 1995). Furthermore whereas the Business Case may lead to an uneven distribution of costs between organisations for some equality policies, an Economic Case distributes these costs more evenly. For example, the gender segregated nature of the labour market means that there is an uneven distribution of the costs of social reproduction since the concentration of one gender in certain sectors leads to some firms being more affected by reconciliation policies. Thus, while the Business Case would argue that firms bear the reconciliation costs as a means to reduce costs of hiring and to improve the productivity/wage ratio for women, the Economic Case goes further to stress the additional benefits if all firms behave this way.

However, equality, although morally justifiable, is not necessarily viewed as efficient by economists even though there is evidence of inefficiencies under the status quo, for example in the form of missing markets or externalities of pollution (Rubery et al 2003b:238). Humphries (1995:79) sums up the limitations of this approach by saying that;

> "by interpreting the status quo as efficient in the case of conventional neo-classicism, or on its way to becoming efficient, or nearly as efficient as possible in the case of new neo-classicism and by suggesting that men and women have difference preferences, both approaches have obfuscated inequality and dressed it up as difference".

Even within the neo-classical framework discriminating behaviour by employers can also be seen as inefficient. For example, statistical discrimination by employers, where characteristics of the group are attributed to all members of the group, can lead to inefficiencies: an employer's discrimination, manifested in lower wages, is based on the assumption that one group, women, is less productive but, even if true for some members, this will not be the case for all, so more productive workers seek employment elsewhere. A number of authors argue that inefficiencies also arise since wages for the disfavoured group, women, move further away from wages that reflect actual productivity and may also discourage investments in human capital among the disfavoured group (Lundberg and Startz 1983). Women's use of (over) education as a signal for commitment to a labour market career can also be seen as inefficient since they are then over educated for the jobs. Schawb (1986) argues that while labour supply becomes more efficient for the favoured group the opposite effect is found for the disfavoured group. Furthermore Schwab suggests these inefficiencies extend to the economy even if there are underlying differences in the productivity of the two groups. Thus unequal treatment of members of one group based on employer discriminatory behaviour has the potential to lead inefficiencies at both the firm and macro level.

Holterman (1995) suggests that many studies of the impact of equality are not only incomplete but also lack a long-term perspective. The incompleteness comes from a concentration on costs over potential benefits, often missing the point that any short-term costs need to be balanced against long-term gains. This balance may vary between policies and Holterman accepts that an evidence-based approach may be important in prioritising policies and assessing their relative costs and benefits. Picking up the costs perspective, Sawyer (1995:51) stresses that any additional costs associated with equality policies at the organisational level are likely to be passed onto consumers rather than remain a 'burden' for the business itself. Furthermore costs to one party can be regarded as a benefit to another. Therefore, for those focussed on costs, it is also useful to think of equality as a redistribution of costs. For example, higher wages can be translated into higher productivity or addressing the dis-benefit of those who previously bore the costs of inequality.

Rubery et al (2003b) argue that far from consumption, equality policies can be seen as an investment, even if the aims of economic development are limited to economic growth. Thus an Economic Case for gender equality can be seen as a means to ensure the more effective use of human resources in Europe, in line with the Pact for Gender Equality. Here, for example, expenditure on education of women reaps the maximum rewards and the depreciation of human capital investments associated with labour market withdrawal and occupational downgrading for childcare leave can be largely avoided. Similarly an appropriate system of securing social reproduction can also be ensured (Box 6).

From an investment perspective equality policies have the potential for a positive impact on individuals, firms, regions and nations. As such equality can be viewed as a means to not only reduce social risk but also to fully develop human potential and reconfigure the full range of socio-economic arrangements (Humphries and Rubery 1995). For example, in the case of Denmark we can see investment in the welfare state paying off both in terms of fertility and the Flexicurity lauded by other Member States. Unfortunately the more narrow perspective on equality is informed by the dominance of economic thinking that places gender equality as a societal choice rather than potential economic investment. Rubery et al (2003b:237) argue that economics has traditionally seen equality policies as a form of consumption and thus associated with preferences and costs. By viewing equality in this way there is a tendency to see such initiatives as imposing costs on organisations which, for example, might include raising wages, restricted working hours, limits on flexibility, increasing training budgets. At the societal level these 'costs' are regarded as manifesting themselves in increases in social protection expenditure, for example, through increasing family support and services, and the establishment of individualised rights. On the other hand, it is also possible to consider the investment in family support and services as leading to pay backs in the shape of increased participation and economic contribution from women (see box 5).

However, the relative scope of equality policies can also be shaped by economic thinking, for example around competing perspectives of how labour markets should be regulated (Sawyer 1995): for proponents of 'free' or deregulated labour markets, equal opportunity policies only need to address pre-market inequalities while for those who take a more eclectic view of the labour market there is the potential for disadvantage to be reinforced on the labour market and for equal opportunity policies to have a wider scope. This distinction mirrors that of Jewson and Mason's (1986), between 'liberal' and 'radical' approaches to equality; liberal approaches where governments provide the conditions for members of society to compete for social rewards contrast with radical approach where more direct intervention is required for a fair distribution of rewards. However, for Sawyer there remains an overlap between the perspectives in that "both involve making better use of skills and talents of significant parts of the labour force" (1995:48). Ironically these benefits are not always included in government analyses against the so called 'costs' of equal opportunity policies, even when there is sound independent evidence of positive outcomes (Holterman 1995:150). These competing views of the role of equality policies also require consideration of the concept of equality since the means of achieving equality will necessarily be shaped by what a more equal society would actually look like (Rubery 2002:502). Kirton and Green (2005) argue that the European approach, based heavily on mainstreaming, is more akin to the radical model proposed by Jewson and Mason (1986) in that it seeks a transformation of society. However, Stratigaki (2005) points out the EU approach is more the outcome of two competing perspectives; one transformational and one rather more conservative and not quite so radical. In their development of a European Gender Equality Index, Plantenga et al. (forthcoming) advocate the approach of Frasier (1997) requiring change in behaviour of women and men to achieve equality with a notion of 'equal sharing'. As such gender equality "refers to an equal sharing of assets and is conceptualised rather broadly as an equal sharing of paid work, money, decision-making power and time" (op cit: 356).

Box 3: Rationale Economics Woman ?

The neo-classical notion of a rationale economic man is an important underpinning of much economic thinking but can also be regarded as problematic when applied to women. Rational Economic Man makes his decisions based on a set of stable preferences or tastes that do not depend on past behaviour, behaviour of other or social and economic circumstances. However, for women, often with caring roles, and particularly lone mothers, the notion of preferences or tastes, independent of the behaviour of others or past behaviour, is difficult to apply. Duncan and Edwards (1997) argue that these tastes or preferences are subject to the context in which women and men find themselves and are "collectively negotiated, sustained, modified and changed" (op cit:54). Walby (1997:24) highlights the conditions under which women make decisions by saying that while they can make choices they do so "not under conditions of their own making [and] …they choose the best option that they can see, rationally, though usually with imperfect knowledge, but only within the range of options open to them".

Moreover, the simplified view of the household in much economic thought decisions at household level are taken consensually, ignoring potential conflicts and differences of tastes or interests. For example, in modelling labour supply responses to tax changes, authors such as Hutton and Ruocco (1999:268) assume households search for "some optimal mix" of economic participation that depends on the relative wages for full and part-time work for women and men. In broad agreement with the approach of household bargaining pioneered by McElroy and Horney (1981), McDonald (1998) argues that intra-household gender inequalities are often ignored in both economic theory and policy so that differences in well-being can exist within the same household. A life course perspective further highlights the pitfalls of such an approach based on an idealised view of the household since tastes and preferences inevitably change over time – family formation, divorce, active ageing, etc. - so gendered behaviour at one point in time should not be cast in stone for the whole life course.

Although it would assist the case for equality if the measure against which societal progress is judged was expanded, the focus on GDP growth reflects the predominance of the more narrow economic approaches (Islam and Clarke 2002). Indeed GDP growth can be regarded as a rather limited measure of societal development and there are both academic and political debates around its applicability (Box 7). Nevertheless advances in per capita GDP rely on demographic change, increases in labour productivity and labour utilisation thus, even when we use GDP as the sole measure for economic development, women still make a vital contribution. The importance of expanding participation is clearly recognised in the Lisbon targets but there are also economic benefits of reconciliation for a sustainable system of social reproduction (see box 6). Furthermore labour utilisation extends to the amount to work each worker does not only whether they work; placing the potential economic (dis)benefits of short hours part-time work in a different light (Steiner and Wrohlich 2005).

Thus a greater recognition of the positive impact of equality between women and men has the potential to leverage equality policies (see Box 4) even when the 'costs' or 'investment' in policy or infrastructure are factored in (see Box 5). An Economic Case for equality shifts the debate around equality policies from a cost to an investment for future growth and, in particular, higher quality economic progress. Whereas a Business Case approach tends to make the case for equality at the level of the firm an Economic Case stresses the benefits at the macro level while highlighting potential tensions between the behaviour of economic actors at different levels. We can see these economic benefits in the following examples of increased in female participation, the contribution to economic growth, women's inclusion in the fiscal system and the establishment of a sustainable system of social reproduction.

PARTICIPATION IN ECONOMIC LIFE

One of the persistent concerns of economists and policy makers alike has been the difference in participation in economic life on each side of the Atlantic. European Commission documents since the Delors White Paper have been motivated by the need to catch up with North America in terms of employment rates and placed this at the centre of economic policy objectives. Many authors have pointed out that the key difference in employment rates both between Member States (Rubery et al. 1999) and between the US and the EU (Elmeskov and Scarpetta 2000; Dolado et al. 2001 Freeman and Schettkat 2005) has been the behaviour of women. However, the Trans-Atlantic differences in the contribution of women to the economy do not only revolve around the level of employment rates. The greater propensity of European women to work part time also has a role. Freeman and Schettkat (2005) argue that the difference between working time per adult in Europe and the United States is in fact due to a greater retention of domestic and care work in the family in many European countries (with the obvious exception of the Nordic countries). They point out that in 2002 the annual hours worked per adult in the working-age population (15–64 years) averaged just 1,059 in eight Member States while they rose to 1,305 in the United States (Freeman and Schettkat 2005: table 1). McDonald (1998:6) is one of many authors who highlight that care giving and unpaid household work are economically important yet economic theory and policy has tended to ignore their contribution (see box 7). In this sense investment in provisions that permit women to work and combine professional and family life can be seen as an investment akin to that in physical infrastructure. Freeman and Schettkat (2005) show that, between 1980 and 2002, half of the difference between the USA and EU15 in annual working time per adult was due to the rising gap in working hours for those in work while the other half was due to the gap in employment rates. Bettio and Plantenga (2007) point out that in both cases, it is the behaviour of women that makes the difference either in the use of part-time work as in the Anglo-Dutch Model or in the much lower female employment rate as in the Mediterranean Model.

Over recent years there has been a significant increase in female labour market participation in the EU and this has had an important role in offsetting falling male employment rates

(Rubery et al 1999) and improving overall EU employment performance in relation to the Lisbon targets (CEC 2007a). However, Dolado et al. 2001 point out that about 50% of the difference between US and EU employment rates can still be attributed to differences in the educational attainment and the employment rates of women aged 25–54. These authors suggest that EU educational levels are slowly converging to that of the US across cohorts but the employment rates of less educated women are still markedly different (again with the exception of the Scandinavian countries).

By contrast, the more effective use of women with higher levels of education also has potential economic benefits. The low utilisation of more educated women can be seen as a prime example of the incoherence in policy making in the investment in education (Rubery et al. 2003b). All Member States are willing to fund high levels of education for both women and men yet when it comes to allowing both women and men to make full use of these qualifications some Member States retain barriers that inhibit women's ability to deploy these investments. Similarly skill shortages and bottlenecks are recognised constraints on economic development so policies to make effective use of women's skills can help remove some of these constraints while also making effective use of previous investment in women's education. Examples from Austria and Belgium illustrate the potential benefits of freeing up women's labour supply to address skill shortages in the tourism sector (CEC 2007b). In both cases the tourism sectors were facing skill shortages and while many women were available to take up the work the lack of flexible or sufficient childcare was a constraint. Projects funded jointly by the EU and the local authorities helped address both skill shortages and barriers to women entering work. Furthermore a by-product of viewing women as a potential solution to skill shortages would be the freeing up of low-skilled jobs, that women are often over qualified for, for both unemployed men and women (Rubery et al. 2003b:257). Dolado et al. (2001) suggest that occupational segregation is lower for the younger highly educated women although it remains at a higher rate in the US than in the EU. Indeed reducing rigidities caused by segregation and gendered skill formation is another important benefit of an integrated equality approach (Maier 1995; Felstead 1995) and one that is recognised in parts of the European Employment Strategy (CEC 2008).

WOMEN AND ECONOMIC GROWTH

As we have seen above a broader definition of economic growth would incorporate more of the benefits of equality into economic thinking and provide even greater recognition of women's contribution. However, even remaining within the confines of narrower economic measure the greater economic independence of women has benefits through their contribution as consumers of goods and services in the economy and the purchasing power of households. Here women's contribution to expanding household purchasing power has potential benefits for men as well since they also bear the costs of social reproduction by supporting families through their specialisation in paid work (Humphries and Rubery 1995:15); thus freeing them up to greater involvement in family life with potential quality of life enhancements. On the other hand, a lack of recognition of the contribution of unpaid work underestimates household access to goods and services since only marketised services are recorded in GDP measures and the impact of non-marketised services are ignored.

There is some evidence that the economic contribution of women is being recognised in the economic policies at the regional level. Naples (1997) argued that failure to integrate the needs of women in rural development strategies in mid-West USA resulted in a propagation of male breadwinner norms and an undervaluation of women's contribution to the economy. Furthermore by excluding women from the political process the range of potential alternative strategies and understanding of the consequences of existing strategies was limited. Here the sustainability of rural communities was at stake from the migration of jobs and people. We can see similar risks, although with a different approach, in Sweden where avoiding out migration of women was seen as important for maintaining regional development in Jamtland (CEC 2007b). Here a clear link was made between the socio-economic interests of the region and the demographic benefits of equality policy. Again stressing the importance of women at the level of the regional economy Williams (2001:63) argues that the lower participation of women in Wales constitutes an economic inefficiency as entrenched gender segregation and the under-utilisation of women's skills combine to reinforce the relatively low-wage economy. For Williams, the Economic Case for equality in Wales revolves largely around the economic contribution of wasted female skills but higher participation would also improve other life chances as well (see Box 7).

When comparing GDP per capita measures across Member States it is important to consider the negative impact of shorter hours working. However, here a potential tension with reconciliation exists. Both shorter full-time hours and higher levels of part-time work lead to lower recorded levels of GDP per capita in Europe compared to that in the US (see above). In Nordic countries the high participation of women helps address some of this difference. Elmeskov and Scarpetta (2000) calculate that lower utilisation of labour contributes more than 20 percentage points to the gap in GDP per capita in the European Union compared to that of the United States. Even if labour productivity of workers currently outside the labour market is assumed to be only half the average productivity level, these authors claim that reducing the 20 per cent gap in labour utilisation would lead to an increase in GDP by ten per cent, or the equivalent annual growth of an additional half a percentage point over a 20-year period. Similarly, for New Zealand, Bryant et al. (2004) show that increasing the female participation rate for the 25-34 age group to the average of the top five OECD nations (adjusted for paid maternity leave) would have made GDP one per cent higher than it actually was in their baseline year 2001. On the other hand, raising female participation rates in all age groups to the average of the top five OECD countries would have had the effect of increasing GDP by 5.1 per cent more than it would otherwise have been. These authors again use a rather cautious estimate of the productivity of new workers entering the labour market yet still recorded substantial increases in GDP from the greater participation of women.

An alternative to increasing the number of working hours is to increase GDP through greater productivity: rather than each person working more hours greater investment and utilisation of human capital makes a positive contribution to GDP through improved productivity. Given the underutilisation of women's current investment in education (see above) here again an Economic Case for equality has a role to play.

Box 4: Regional Growth and Gender Equality in Sweden

The Regional Growth Agreements (RGA) were an instrument introduced by the Swedish Government in order to implement a new regional economic policy in 1998. The aim was to stimulate sustainable economic growth, which contributes to more and expanding companies and increasing employment, by stimulating cooperation between different organisations both on a local, regional and national level. The RGAs were drawn up in so called regional partnerships where public and private participants were involved in different ways. The agreements included an analysis of the strong and weak aspects of the region and the economic development conditions. From this a development program was elaborated with a strategy, objectives, and resources to achieve the aims. In the work with the RGA, both women's and men's circumstances, needs and interest should be taken into account and this knowledge should be transformed into concrete measures to further gender equality (Prop. 2001/02:4). The RGAs were mainly elaborated during 1999 and came into force in 2003 when Regional Growth Programs (RGP) were drawn up, which were carried through during 2004-2007. Today there is no time limit for the programs (Prop. 2007/08:1 Utgiftsområde 19 p. 19).

RGPs are required to contribute to sustainable growth, defined as growth which contributes to a sustainable development (Swedish Institute for Growth Policy Studies (ITPS) 2006:68), also requiring social and environmental aspects to be seen as driving forces and possibilities for growth. These aspects of sustainability are the environment, integration and gender equality. The aspect of sustainability defined as gender equality is linked to growth processes by fuller use of women's labour force and competences. When women participate in the labour market and women's competences are used there is a potential for economic growth. This is an important part of labour supply from a growth perspective. As women's employment levels increase and women's knowledge and experiences are used, they contribute to the economy without production of other higher value being crowded out. Historically women's increased employment has been a precondition for the greater exploitation of companies' growth potential.

Initially a 2003 ITPS evaluation found that only a few draft RGPs tried to integrate gender equality but since then NUTEK (Swedish Business Development Agency), in 2005, found that there had been more positive developments. According to their survey, half of the respondents in the partnerships responded that the relationship between growth and gender equality has been discussed to a high degree and 18% to a lower degree. Half of respondents believed that the guiding principles were clear as far as how gender equality should be included and implemented in the RGP. Meanwhile in their interviews, 12 out of 21 regions made reference to gender equality and growth. Four regions had, in different ways, started to integrate gender equality into their ordinary work, for example when judging projects and applications for grants, and a further four regions worked actively on equality with special groups, projects and resource centres. There are local and regional resource centres for women in around 150 places (Prop. 2007:24). Additionally there are around 30 networks for women, with different aims, but connected to the resource centres. The objective is to contribute to improving women's circumstances and conditions in the regional development program in general and within the RGP. A majority of the persons responsible in the counties and the programs believed that the resource centres had a positive impact on the Regional Growth Plan. On the other hand, in only two regions it seemed that the interest in gender equality was very weak and not prioritised.

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Author: Anita Nyberg, Swedish Expert to the EC's Expert Group on Gender and Employment

The economic value of housework has been recognised by economists for many years (Wilson 1929) but it was not until the work of Becker (1965) that more mainstream economists acknowledged that households enhance their access to goods and services by spending time doing both housework and market work. Today, there is general agreement that the time spent by household members cooking meals, laundering clothing, gardening, etc. enhances economic well-being. This recognition has led to a body of literature seeking to incorporate housework and other non-market work (e.g., volunteer work) into a system of national accounts that document the economic activities of countries (see for example, Ironmonger and Soupourmas 2003; Landefeld and McCulla 2000). While there are two approaches to including housework in GDP measures - opportunity cost approach and replacement cost - the opportunity cost approach can be problematic since housework done by better-paid people is worth more per hour than that that done by the less-well paid. Regardless of the measurement issues GDP, unadjusted for the value of unpaid work, remains the dominant measure of economic progress. Zick et al. (2008) use American time use data to show, in line with others studies, that time spent on household work also reduces inequality between families when its value is added to the value of household market work. Since for economists the GDP concept of well being is defined as the household's access to goods and services, almost always measured by money income, then differences between households' use of marketised services may disguise overall wellbeing since the impact of non-marketised services are ignored. In fact, Zick et al. (2008:22) argue that household work can be seen as a way that households expand their access to goods and services, even if these are excluded in conventional GDP measures.

WOMEN AND FISCAL BENEFITS

Estimates of the size of the informal economy vary but where there is a large informal sector women have lower rates of participation in the formal economy and the fiscal system misses out on the potential contribution from female workers (Williams and Windebank 1998). In the light of ageing populations and increasing dependency ratios this contribution is particularly important. We can draw the analogy between incorporating more of the informal sector into the formal labour market with incorporating more women from the household sphere into the formal labour market.

The exclusion of workers in the informal sector from the protection of the social security system exacerbates disadvantage during and after their working lives. In this sense any work that is excluded from the fiscal system represents a loss to the Member State in terms of contributions. Furthermore the inclusion of additional social security contributions is not always a costs to the employer (Sawyer 1995). Steiner and Wrohlich (2005) demonstrate the potential negative fiscal effects of encouraging jobs outside the fiscal system as well as unequal outcomes on the labour market for women and men. The German 'Hartz' reforms that led to the creation of mini jobs partly exempt from taxation and social security contributions have been criticised elsewhere for their negative impact on gender equality (Fagan et al. 2005). However, Steiner and Wrohloch (2005) use German panel data to show that the reforms have the potential to actually reduce labour supply by encouraging short-hours working with a negative fiscal effect. The authors predict that encouraging more women to work in short part-time jobs was likely lead to a 1 billion euro reduction in tax receipts and social security contributions. On the other hand, promoting women's labour supply where taxes and social contributions are paid can have significant positive fiscal effects (see Box 5). Rubery et al (2003c) point out that while women's right to enter employment should not be conditional on them generating sufficient taxes to fund additional childcare places, in relation to the concern around the costs of policies, it is useful to note that a higher employment rate for all more than covers 'investment' in infrastructure to support women working.

Box 5. Fiscal Impact of Working Mothers

Maier and Carl (2003) provide evidence of a study that supports the productive efficiency of integrating women into the economy. The study from Germany conducted by the Deutsche Bundesbank demonstrates the fiscal effects of mothers´ integration into the labour market (DIW 2002). The Deutsche Bundesbank study concludes that public investment in childcare, which would enable mothers to return to the labour market could actually increase public revenues both for the state and the social security insurance fund.

In 1999 the estimated required expenditure on childcare was 7.4 billion euros but the additional women's employment, associated with integration of all mothers of at least one child aged 2 to 12 who wish to return to work, was estimated to generate nearly 9 billion euros of additional taxes and 15.6 billion in additional contributions (see table). These results were not sensitive to the expenditure on childcare since even with an increase of 100 percent in expenditure on childcare the fiscal effects remained positive, as long as sufficient employment could be generated.

Gross Fiscal Impact of Mothers Employment in Euros

Group (number of persons involved)	Taxes	Contributions	Social assistance
Unemployed mothers (121.000)	470 mill.	700 mill.	—
Mothers – wish to return within one year (273.000)	1.1 billion	1.6 billion	—
Mothers – wish to return within five years (1.235.000)	6 billion	8.9 billion	—
Mothers receiving social assistance (244.000)	—	—	1.5 billion
Additional employees in child-care facilities (430.000)	1.2 billion	4.4 billion	—

Note: data based on year 2000
Source: DIW 2002 cited in Maier and Carl (2003); Rubery et al. (2003c)

FERTILITY

In their recent review of the impact of work life balance policies in the Nordic countries Datta-Gupta et al. (2008:85) concluded that;

> "[these countries] have arrived at solutions to balancing family responsibilities with market work in a way that may turn out helpful in meeting future economic challenges and which have desirable properties with respect to female labour supply, fertility and children's development".

The importance of fertility for industrialized economies should not be underestimated. Even remaining within the confines of traditional macroeconomic concerns, the potentially negative repercussions of very low fertility encompasses, among other things, unbalanced pension systems, a large share of public (or family) budgets devoted to health care, and future employment or skill shortages in the labour market (for example, see Grant et al. 2004).

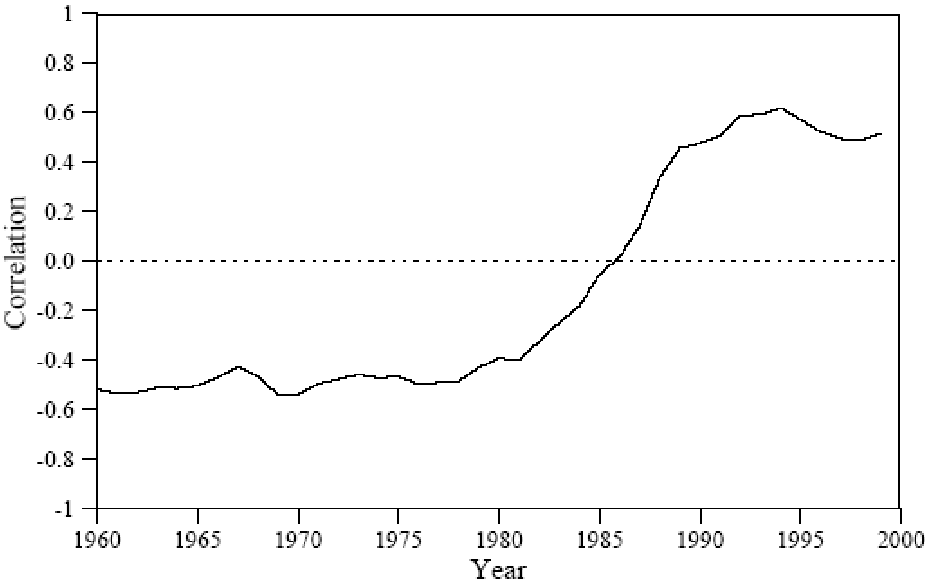
Until a few years ago the practically unchallenged view in economics was that high (rising) female employment meant low (decreasing) fertility. However, a number of authors (Bettio and Villa 1998; Brewster and Rindfuss 2000; Ahn and Mira 2002) questioned this received wisdom showing that in the OECD area the negative relationship between fertility and female employment no longer held, especially across countries (see also Esping-Andersen 2002). Subsequent research indicated that a more gender equal labour market, welfare system, or households can be accompanied by higher fertility at similar or even higher levels of employment (see Box 6).

Box 6: Gender equality, a win-win ingredient of a fertility and female employment strategy.

Chart 1 documents the basic facts. Reported on the vertical axis is the coefficient of correlation between the rate of female employment and the fertility rate for twenty OECD countries between 1960 and 2000: the sign of the correlation changed from negative to positive around 1985 and has stayed positive since then, implying that higher fertility recently associates with higher female employment in this group of countries, and conversely. The countries included are Austria, Australia, Belgium, Canada, Denmark, Finland, France, West Germany, Greece, Italy, Ireland, Japan, Luxembourg, Norway, the Netherlands, New Zealand, Portugal, Spain, Sweden, Switzerland, United Kingdom, and the United States.

A conservative way to account for the fact that the relationship turned positive is to oppose an income and a time effect, each of which can prevail in different places or times. As women progressively integrate into the labour market, and as they earn more they may be able to financially afford more children even if they have less time to spend at home (Ahn and Mira 2001). However, this possibility does not satisfactorily explain why at broadly comparable per capita income level, countries like, say, Germany record lower female employment and lower fertility than Sweden.

Correlation between level of female employment and rate of fertility



Source: Engelhardt, Henriette, and Alexia Prskawetz. 2004. "On the Changing Correlation Between Fertility and Female Employment Over Space and Time." European Journal of Population 20: 35-62 (figure 2)

Three alternative explanations have received empirical support, respectively the marketisation of household production, the relationship between unemployment, job (in)stability and fertility and the degree of rigidity in gender relations. Each of these factors impinges on gender equality.

Marketisaton or outsourcing of household production. Economic systems that tend to 'confine' care to the family, and therefore to the informal sphere, inhibit female employment both on the supply and demand sides (Freeman and Schettkat 2005). In a Cartesian diagram with the classic demand and supply curves, outsourcing of domestic and care work shifts both curves rightward. On the supply side, the availability of substitutes for informal care work (paid or otherwise) frees up time to be devoted to paid employment. On the demand side, the more care services are supplied by the market or by the state the more this creates female employment, albeit sometimes at the cost of preserving or enhancing occupational segregation (Bettio 1992). Available and affordable child care facilities are, in turn, widely recognized to enhance female fertility (Gornick et al. 1997, Blau and Robins 1998, Del Boca 2002, Addio 2005; Plantenga and Remery 2008). Overall, therefore, re-dressing the gender imbalance in unpaid care work by transferring production to the market or the state helps both employment and fertility

Unemployment and job instability. One of the factors that drive the positive correlation between employment and fertility in the above group of countries is the tendency for lower participation countries to also record higher unemployment among women, in absolute terms and in comparison to men. This is because in contemporary market settings unemployment can depress fertility via uncertainty as well as via lower income. Uncertainty over future income and work arrangements can discourage fertility insofar as it favours postponement of maternity (Adsera 2005, Blossfeld et al. 2005; Del Bono 2001). A recent example was the sudden drop in fertility experienced in a number of Eastern European countries undergoing transitions where women often experienced greater setbacks in terms of employment reduction and unemployment increase (UNICEF, 1999; Bhaumik and Nugent 2005; Chase, 2003). The depressing influence of uncertainty on the decision to bear children has also been shown with respect to temporary work arrangements (De la Rica and Iza 2005). Finally, the consequences of uncertainty can be exacerbated by the risk that a pregnant woman may be discriminated against by prospective employers if she is searching for a job, or by incumbent employers if she is on a temporary contract. Taken together this evidence indicates that redressing existing gender imbalances in unemployment and job stability is good for the future of European fertility.

Gender role rigidity and gender inequity. An influential strand of demographic research assigns central place to (in)equity of gender relations in the explanations of fertility patterns in industrialized market economies (Caldwell and Schindlmayr 2003; Miller 2004). Some blame *gender role rigidity* for the apparent paradox of lower female employment countries also featuring as lower fertility countries (Dalla Zuanna 2004). In this view gender role rigidity permeates the whole organisation of society – and accounts for an especially unbalanced share of housework and care work via gender role stereotypes; it also accounts for norms discouraging paid work in the presence of children, or for insufficient pressure on the state to provide or subsidize child care substitutes or to make work schedules 'time friendly'. Others (MacDonald 2000) emphasize the discrepancy between gender equity of key institutions like Schools or Universities and gender inequity within the family: the higher the distance between institutional and private gender equity the lower the level of fertility. Economists use a different language to reach not too dissimilar conclusions. De Laat and Sevilla Sanz (2007) formally model the unequal division of care work in the family as a negative social externality, namely individual behaviour producing a cost for the whole of society (and which individuals do not pay for). The main implication of their analysis is that less gender equal societies may end up with lower fertility and lower participation. Turning this around, greater gender role equality may favour a win-win fertility and employment outcome.

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Source: Francesca Bettio and Alina Verashchagina, EGGE Coordination Team

There are of course a range of factors that help explain trends in fertility (see box 6) but there is clear evidence of the importance of economic conditions and policy in these demographic changes. Kontula and Söderling (2008) highlight the negative impacts of reducing benefits, weakening child care facilities and generally insufficient attention to family policy on fertility levels, family welfare and the postponement of child bearing. Selecting Hungary as an example to illustrate the effects of family policy on fertility, these authors point to the relatively modest decline in fertility while family policies were preserved but then a subsequent decline in fertility when many family benefits were reduced as part of the Bokros economic reforms (see above). In contrast, using the case of Sweden, Sundstrom and Stafford (1992:212) argue that it is tax and family policy that actually “stimulates both fertility and women's gainful employment” by reducing the costs of having children and allowing employees to gain full benefits of working; in other countries this may not be the case. Indeed experts from CEE Member States in Kontula and Söderling’s study stress the need to secure economic growth, create stable policies towards families and children, improve labour market conditions and gender equality before fertility levels can be addressed.

TOWARDS A WIDER DEFINITION OF ECONOMIC PROGRESS

The narrow perspective of the potential impact of equality policies embodied in economic policy making is also shaped by a limiting view of the aims of economic development. If economic goals are broadened from growth to also include quality of life or well being (see box 7) then more of the potential positive effects of equality policies can be incorporated. Ultimately the outcome of cost and benefit analyses around equality policies depends on what is included and quantified as a cost or benefit on each side of the “economic calculus” (Humphries and Rubery 1995:398-99). There is clear evidence of the economic benefits of gender equality within these confines. Even from the relatively narrow perspective adopted in economics, gender equality has a role to play in growth but expanding the range of economic outcomes beyond growth measured by GDP (CEC 2007c) means that full range of the benefits of equal opportunity policies can be recognised.

Box 7: GDP, the Economic Olympian or are there alternatives?

GDP the “sum of all goods produced during a given period, adjusted for duplication, and net of any commodities consumed in the process of production” (Kuznets, 1968:16)

An agreed measure of social welfare would be a very powerful tool but lack of agreement around alternatives means that the established measure, Gross Domestic Product (GDP), remains the main currency in this area. The difficulties in finding an alternative are significant so economist and non economists alike have stuck with the GDP. There are also advantages too; as Islam and Clarke point out “the historic Olympian feat of GDP (high, faster, and stronger) provides a positive story to share with their constituents of ever increasing welfare” (2002:202). However, GDP while simple and attractive, is also based on a number of assumptions which may not be compatible with well being. Defined as the sum of all goods and services produced, GDP excludes household production such as child raising, housekeeping and small scale food production – all areas where women play a vital role. As Osberg and Sharpe (2002:353-4) point out GDP, although based on rigorous and harmonised statistics, ”implicitly set the weight of income distribution or economic insecurity to zero”. Similarly GDP not only understates the true cost of some economic activity (for example using natural resources) but also ignores potential welfare benefits of increased levels of leisure or even human freedom (Islam and Clarke 2002).

Development can be regarded as more than simply money income and including quality of life requires a multidimensional measure beyond GDP. Furthermore there are examples of countries developing economically while quality of life measures display an opposite trends and the reverse. For example on the surface the rapid growth of Korea over recent decades has transformed it from one of the countries poorest countries to one of the more developed but this has been uneven, for example in the case of Gender equality. For example, using five composite indicators Lee (2003) points out that although a country like Korea fares well against other OECD countries in terms of GDP and education other measures of well being such as gender equity and work conditions are much lower and it is these areas that need to be focussed on in social and economic development: maximising income and the enhancement of human lives do not necessarily move together.

Well being is another way to look at the outcomes of economic development. Tsech-Romer et al (2008) argue that women’s disadvantage in access to opportunity, resources and power and these inequalities help explain gender differences in subjective well being. These authors show that the larger the gender inequality in a society, the larger gender differences in subjective well being but these gender differences are affected by cultural believes. Where the population supports gender equality on the labour market, gender differences in subjective well being tend to fall with increasing labour market equality . On the other hand where there is an acceptance of gender inequality on the labour market gender differences in subjective well being increase with higher equality on the labour market. Tsech-Romer et al (2008) point to the importance of gender differences in action resources (education, income) for explaining gender differences in subjective well being. Datta et al (2008) suggest that there is a link between equality, work life balance and overall well being; this is clearly one of the factors that distinguish those countries recording high levels of well being - Denmark, Sweden and Finland – and those recording lower levels – Portugal, Italy, Greece and Spain. Although they find no systematic analysis of these links Datta-Gupta and her co-authors suggest that greater personal freedom, greater parental involvement by fathers and reduced childhood poverty may all contribute to this positive relationship. Similarly Blanchflower and Oswald (1997) point to the importance of personal and marital freedom in life satisfaction; two benefits also associated with an improved work life balance.

Thus through equality policies decision makers can promote well being through the benefits of increased personal choice, and a redistribution of resources to reduce poverty, particularly among women and children. Indeed from this perspective even more of the 'costs' can indeed be seen as investment with returns in quality of life, for example, through benefits that may include enhancement to working life through a reduction in stress and a wider distribution of the rewards from working: these well-being benefits may also have economic pay offs if the costs of ill health and stress are avoided. Once the benefits of economic development are expanded to included quality of life as well as growth the positive impact of equality policy can also be extended to the development of a coherent socio-economic model (Rubery et al. 2003c). These social changes offer potential economic benefits in the development of a dual earner society, based on coherent tax and welfare policies, providing increased tax and social security contributions.

SUMMARY

We can see these benefits of equality operating at different levels with advances in gender equality having potential benefits throughout the economy. In their report on the *Costs of Non-Equality* Rubery et al (2003c) identify the social and economics implications at three levels and we can cross reference these with the major themes discussed in this Analysis Note.

Table 1: Economics and Social benefits of Equality

	Participation	*Growth*	*Fertility*	*Fiscal*
Macro	Employment rates, Utilisation of investment in education system	Investing in a productive labour force Reduced poverty/social exclusion	Sustainable fertility rates	Funding and sustainability
Meso	Utilisation of Human resources Access to full range of skills	skill diversity avoid skill loss	Work life balance	Avoid perverse thresholds
Micro	Return on personal investment in human capital domestic division of labour	Reduce social risks and personal costs of inequality	Individual rights, individual employment preferences	Taxation without perverse disincentives Receive benefits on work done Rights for non-standard workers

By shifting the discourse around equality from a socially worthwhile aim, yet potentially expensive, towards an economically productive investment it is possible to see the equal treatment of women as contributing to economic success. Rubery et al (2003b) argue that it is important to see equality as an economically productive factor both for an improved understanding of the economic and social policy making environment and also for the benefits of increased flexibility and decreased personal risk. Thus by incorporating the equality agenda into policy reform and development it is possible to ensure coherence between institutional structures and the personal aspirations and behaviours of women and men. The benefits of greater flexibility arise from a reduced specialisation in the division of labour between women and men either in households, within organisations or the wider labour market. However, we can also see how gender equality can contribute to economic development through increases in female participation, contribution to GDP, establishing a sustainable system of social reproduction and women's inclusion in the fiscal system. When societal development is expanded beyond GDP growth to quality of life and well being the benefits of equality expand further.

However, it is also important not to neglect the moral or social dimension to equality (Rubery and Humphries 1995) and this still remains an important justification. Authors such as Holterman (1995) recognise that there are policies that may promote gender equality that may also have significant costs and here it is still important for governments to act since they have a wider set of interests than other economic actors. Indeed in high participation countries the moral or social case for equality may be more important since women are already making an important contribution to the economy such that moves to iron out unequal pay in the context of equal participation, for example, may be harder to justify on economic grounds. Furthermore, regardless of the female economic participation rate, equality policies can have many non-economic benefits, for example, in the form of reductions in child poverty and enhanced personal freedom that should remain important policy objectives.

Williams (2001:75) points out that, even where a region places great emphasis on equal opportunity, progress in making the case that economic growth demands equality requires persuasion and effective leadership as well as awareness-raising activities to convince a wider number of decision-makers. Nevertheless once the longer run benefits of gender equality policies are accepted then seeing equality as an investment becomes inevitable.

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