

An Overlapping Generation's Model of Gender and Growth- – An Sociological Analysis

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Abstract

If women were to participate in the economy identically to men, they could add as much as \$28 trillion or 26 percent to annual global GDP in 2025, write Anu Madgavkar, Kweilin Elingrud, & Mekala Krishnan in the Stanford Social Innovation Review. The idea that persistent gender inequality has very large economic costs is increasingly accepted. In fact, new research from the McKinsey Global Institute (MGI) finds that if women were to participate in the economy identically to men, they could add as much as \$28 trillion or 26 percent to annual global GDP in 2025. This is roughly the combined size of the economies of the United States and China today. Even an alternative “best-in-region” scenario—in which countries match the progress of the neighboring country that has made most headway in closing its gender gap—would make a great difference. Such a scenario would add as much as \$12 trillion in annual GDP in 2025. That’s equivalent to today’s combined GDP of Japan, Germany, and the United Kingdom. In that scenario, female workers would contribute about double the GDP growth they are currently on track to achieve.

So it follows that taking bold action to increase the economic participation of women is critical for long-term prosperity. What is perhaps less appreciated, though, is the fact that we will achieve economic gender equality only if we also tackle social gender inequality. Women need to be equal partners in society in order for them to be equal participants in work. Education. Narrow gender gaps in educational attainment not only help to boost female participation in the workforce but also are strongly correlated with the status of girls and women in the family, and linked with lower prevalence of child marriage, violent abuse by an intimate partner, and improved maternal and reproductive health.

But legal provisions that outline and guarantee the rights of women as full members of society also have a beneficial impact on several social indicators including violence against women, child marriage, unmet needs for family planning, and education.

Keywords: Gender equality, economy, India, sociology, discrimination, gender bias.

Introduction

MGI’s new gender parity score (GPS) illuminates the issue. The GPS uses 15 economic and social indicators of gender equality to measure the progress that 95 countries—home to 93 percent of the world’s female population and generating 97 percent of the global GDP—have made toward gender parity. Using the GPS, MGI has for the first time established a strong link between social and economic equality, as well as the importance of shifting

attitudes about the role of women. Of the countries in the study, none that demonstrates high equality on social indicators shows low equality on indicators related to work. Women who have parity in education are more likely to share unpaid work with men more equitably, to work in professional and technical occupations, and to assume leadership roles.

Legal protection. At a very basic level, legal rights are linked to the increasing number of women participating in the labor force.

How can the social drivers of inequality accelerate progress toward gender parity at work? We believe that taking strong action on four fronts—education; legal rights; access to financial services and digital technologies; and unpaid work such as child care, caring for the elderly, cooking, and cleaning—would be particularly effective. The four fronts are distinct, but progress on each benefits all.

Financial and digital inclusion. There is a strong correlation between access to financial services and digital technology with the presence of women in leadership roles, their participation in the labor force, and the time they spend doing unpaid work. Despite rapid digitization around the world, however, some 4.4 billion people are still offline, 52 percent of whom are women.

Unpaid work. The lower representation of women in paid work is mirrored by their higher representation in unpaid work. Women do an average of 75 percent of the world's total unpaid work, including the vital tasks that keep households functioning. However, this contribution is not counted in traditional measures of GDP. Time spent on unpaid work contributes to overall welfare, but could be streamlined through better provision of infrastructure and public services, converted into market-oriented jobs, or more equitably shared between household members. Doing these things would boost female labor-force participation, the hours spent by women on paid work, and their ability to undertake more demanding roles in the workplace.

Governments are responsible for many of the interventions required to close the global gender gap. For instance, they can and should remove legal barriers to women entering the workforce, and provide basic gender-friendly services (including safe transport, sanitation facilities for girls in schools, and special courts to handle gender-based violence cases).

But companies can also do much more than they have done to date—both within their own operations and among suppliers, distributors, consumers, and communities. Companies should think of their efforts to achieve gender parity not as a cost but as an opportunity. Gender initiatives can deliver significant benefits for organizations in a myriad of ways. They can expand and enhance a company's talent pool, improve the organization's

understanding of its female customers, and boost the bottom line. There is a considerable and growing body of evidence suggesting a link between the presence of women in executive positions and higher corporate returns.

What actions can companies take? For one, they can develop women's skills and capabilities through vocational training, as Unilever's Shakti program has done. The Shakti program has trained more than 70,000 rural women in India to be micro entrepreneurs and sell personal care products, extending the Unilever brand to rural locations in the process.

For another, they can use their business capabilities or products to help create change outside their organizations. Telecom firms Vodafone and Ericsson, for example, have initiatives in place that help educate women, boost their reading skills, and connect them quickly to emergency services if they are subjected to violence.

Objective:

This paper seeks to explore the gender equality scenario of gender equality in economy. Also it unravels sociological paradigm of the importance

Encourage girls entering STEM

Companies can also be purposeful about changing attitudes. Verizon's #inspirehermind campaign, for example, uses digital and social media to try to encourage girls to enter math and science fields, along with partnerships and sponsorships of computer-science training and mentoring sessions for girls in school. Procter & Gamble's #ShareTheLoad television campaign in India draws attention to the societal belief that laundry is exclusively a woman's job.

The potential of collaborative efforts

Not surprisingly, some of the most effective programs targeting gender inequality to date involve both public and private-sector players. Consider the Bell Bajao—Ring the Bell—campaign in India, which uses public-service announcements on TV and radio, community-based programs, and even content in popular soap operas to increase awareness of domestic violence. Breakthrough, an NGO operating in India and the United States, is involved in this initiative, as are the multinational Ogilvy & Mather, India's Ministry of Women and Child Development, and the UN Trust Fund to End Violence against Women.

Meanwhile, in Germany, a group of 11 private sector, government, media, and science and technology organizations (including McKinsey) joined together in an initiative called Chefsache (meaning “CEO priority”), which was launched in July 2015 under the sponsorship of German Chancellor Angela Merkel. The aim is to strengthen awareness of deeply rooted gender stereotypes, and how they influence communication and behavior in the world of work. The initiative will run training programs and events to help business leaders build the skills required to recognize and reshape these perceptions.

Achieving parity between women and men offers very significant economic as well as human and social benefits. Yet in virtually every country in the world, women still fall short of economic and social parity with men. The case for new coalitions between governments, the social sector, and companies that push more aggressive change is compelling.

Gender Equality global scenario

Reducing gender inequity will require a wide range of policies. This column describes a framework for quantifying the growth effects of gender policies in developing economies and, by applying an overlapping generations model to Brazil, shows that gender policy is likely to produce tangible economic results, but only in the long term.

The role of women in economic development continues to occupy centre stage in policy debates. As documented in a number of studies, including the World Bank’s recent World Development Report 2012, gender inequality – in terms of access to education, health, formal sector employment, and income – remains a significant constraint to growth in many countries. Although near-parity has been achieved in primary school enrolment in many countries, progress toward gender equality in secondary schooling has been slower. In some regions – sub-Saharan Africa in particular –secondary enrolment gaps have widened. Despite progress in recent years, women and girls account for six out of ten of the world’s poorest and two thirds of the world’s illiterate people. In today’s low- and middle-income countries, the labour force participation rate for women remains low and large pay differentials continue to prevail between men and women (UN WOMEN 2011, International Labour Organization 2012).

Because gender inequality is unlikely to fix itself, there is also broad agreement that a wide range of gender-based policies, motivated by both equity and efficiency considerations, may be needed in the years to come (Duflo 2012). However, there has been limited effort so far to develop practical tools that would allow policymakers to assess the impact of these policies, and ultimately quantify their effect on economic growth. Studies based on cross-country differences, while informative, have proved to be of limited use for policy design because they often do not identify the causal link from gender inequality to growth (Bandiera and Natraj 2013).

Infrastructure and women's time allocation

Just like gender equality, the role of infrastructure in the process of economic development has received renewed attention in the ongoing debate over how to promote growth in low-income countries.¹ In addition to the conventional positive effects on factor productivity and private investment, more recent evidence suggests that access to infrastructure may have a significant impact on health and education outcomes. In addition, a number of empirical studies have documented that improved access to infrastructure may have a significant impact on women's time allocation; in turn, changes in women's time allocation may have substantial effects on growth, both directly and indirectly. For instance, on average women in rural sub-Saharan Africa spend between four hours and ten hours a week fetching water and firewood (see Table 1). Including other household chores, women may be forced to allocate up to six hours a day to home production activities – thereby constraining their ability to invest in their health, in the health of their children, and to engage in market work.

An overlapping generations model of gender and growth

In a series of contributions, we have developed a gender-based overlapping generations model to address interactions between infrastructure, women's time allocation, and economic growth.² Key features of our model include:

Women allocate their time between four alternatives: market work, raising children, human capital accumulation, and home production.

Home production combines women's time allocated to that activity with infrastructure services.

In families, fathers have a relatively higher preference for current consumption, whereas mothers have a higher preference for children's health, thus family-wide preference parameters for consumption and children's health depend on women's bargaining power.

Gender bias in the workplace is captured by assuming that women earn only a fraction of their marginal product, and differences in economic outcomes in the market place between men and women are fundamentally related to gender bias experienced in the home during childhood.

Women's bargaining power depends on the relative levels of human capital of husband and wife, and thus indirectly on access to infrastructure, which influences women's time allocation and thus the time that they allocate to human capital accumulation.

Inter- and intra-generational health persistence, in the sense of women's health affecting the health of their children, and health in childhood affecting health in adulthood.

The Gender equality way forward

Suppose now that the government introduces antidiscrimination laws that lead to a complete elimination of gender bias against women in the workplace. Women's 'take-home' pay therefore increases, all else being equal. The direct effect of this policy (at the initial level of wages) is to raise family income. In turn, higher income leads to a higher level of private savings and higher private capital stock, which has a direct positive effect on growth and brings higher tax revenues. Because changes in the degree of gender bias in the workplace affect tax revenues and private savings in exactly the same way, the public-private capital ratio is not affected, nor is women's time allocation. Nevertheless, because higher tax revenues lead to higher public spending on health, there is a positive effect on health in childhood and female health in adulthood. Thus, a reduction in gender bias leads to an increase in the growth rate of output and improved health outcomes.

In quantitative terms, the model-based calculations suggest that an 'equal work, equal pay' policy that would ensure that women earn a wage that fully reflects their marginal contribution to market production could add up to 0.2 percentage points to the country's annual growth rate. Over a sufficiently long period of time, this would also have a significant impact on the population's standards of living. In addition, it is important to note that the analytical framework from which this estimate is derived does not capture the possibility that gender gaps in access to managerial positions and employment may also distort the allocation of talent and women's incentives to invest in particular skills, thereby constraining overall productivity growth. If these effects were to be accounted for, the growth benefits of eliminating gender bias in the market place would be even higher.

Conclusion

Consider the case of a public policy aimed at promoting access to infrastructure by investing in rural roads, power grids, and others. The direct effect of this policy is of course an increase in the public-private capital ratio, which therefore promotes growth directly. In addition, this increase reduces mothers' time allocated to home production and raises time allocated to market work, human capital accumulation, and child rearing. The latter is also productive; it leads to improved health in both childhood and adulthood. Thus, all of these effects also help promote growth and health outcomes.

Crucially, the increase in time devoted to human capital accumulation raises women's bargaining power, which translates into a higher family preference for girls' education and children's health, an increase in the average share of family income spent on children, and a lower preference for current consumption. The first two effects increase further the amount of time allocated to education and child rearing, whereas the last effect contributes to a rise in the savings rate. Because increases in the level of income and in the savings rate raise private savings and the private capital stock, there is a positive effect on the growth rate of outputs. At the same time, female health in adulthood also improves – as a result of receiving more care in childhood and higher government spending on health.

In quantitative terms, the numerical experiments focused on a policy that takes the form of a budget-neutral increase in government spending on infrastructure investment, from its current value of about 2.1% of gross domestic product (GDP) to 3.1% of GDP.

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