

WOMEN IN THE ECONOMY II

How Implementing a Women's Economic Empowerment Agenda Can Shape the Global Economy.

Citi GPS: Global Perspectives & Solutions

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WOMEN IN THE ECONOMY II

How Implementing a Women's Economic Empowerment Agenda Can Shape the Global Economy

Andrew Pitt
Global Head of Citi Research

I am very pleased to launch this report as a detailed follow up to our 2015 publication *Women in the Economy: Global Growth Generators*,¹ which made the case that the role of women in the labor force should be incorporated as a mainstream topic within the debate on global growth for both economic as well as social reasons. In this report, we dig deeper into the economic case for female economic empowerment through some fresh insights on the key issues as well as through a series of country case studies comparing the U.S. with Canada and Italy with Sweden. Alongside this, we have produced a standalone investigation of the issues facing Japan where harnessing the potential of women in the economy will be vital to protecting even modest growth prospects in the country.

Following on from updating our assessment of the growth potential captured in our first report, we also incorporate concrete actions and a tool kit that companies can adopt as part of a wider embrace of the global agenda to reduce gender inequality through promoting women's economic empowerment.

We remain wary of the more exaggerated growth estimates driven by the simple assumption that direct female labor force participation and productivity can be raised *fully* to the current level of males. We also note that women currently undertake about three times more unpaid care work than men, something which conventional economic measurements fail to capture and which also creates cultural barriers to gender parity in the formal economy. Nevertheless, we estimate in this report that significant (and, in our view, achievable) reductions in workplace gender inequalities could perhaps add around 6% to GDP in the advanced economies over the course of one to two decades —a very significant number relative to the potential of other structural reforms or to the relatively depressed growth prospects in advanced economies more generally.

Much of the growth potential that could be realized from higher female labor force participation could be achieved simply by following best practices already adopted by some countries, such as Canada. Our case studies highlight which policy interventions appear to have had a meaningful effect in reducing economic gender inequalities. We note that many policies which tend to boost gender equality are also conducive to better labor market outcomes more generally. For example, countries with high female labor force participation rates tend to also have relatively high male labor force participation rates. And for countries such as Italy or Japan, where estimates of potential economic growth are very low but where economic gender gaps are large, the potential significance of pursuing gender equality on economic grounds alone is even more compelling.

The specific measures required to advance economic gender equality differ widely from country to country. However, common themes emerge around government initiatives such as tax, childcare support and retirement structures as well as workplace flexibility and other employer-led initiatives. The country comparison between the U.S. and Canada is particularly instructive in this context. In Canada, for example, we show that tax reforms as well as federal and provincial government support for parenting initiatives appear to have made a positive difference to female employment rates.

¹ See Citi GPS: *Women In The Economy: Global Growth Generators*, May 2015.

Part of the economic case for the empowerment of women within the labor force is not about women simply working more hours, but about enabling women to achieve their full productive potential within an economy. While gaps in educational attainment between male and female school-leavers have mostly disappeared in aggregate across advanced economies (indeed, in a growing number of countries, average educational attainment is *higher* for women than for men), there are still gaps on an intra-country basis and also gaps on a tertiary (university and post-graduate-level) education basis. We show, for example, in our case study of Italy versus Sweden that Italy reports the second-lowest percentage of working-age women (15-to-64 year olds) with tertiary education in Europe at 18%, less than half that of Sweden at 40% and well below the EU average of 28%. Raising tertiary education attainments in some countries may well contribute to higher female labor force participation rates as well as to higher overall productivity growth.

As a direct result of our earlier work on the topic of female economic empowerment through the *Citi GPS* series, our Chief Political Analyst, Tina Fordham, who co-authored the first report and who has continued to spearhead our efforts in the area of gender economics, was appointed by the United Nations Secretary-General to join the prestigious UN High-Level Panel (HLP) on Women's Economic Empowerment, established in January 2016. The HLP was tasked with developing an action-oriented agenda in support of Women's Economic Empowerment in the context of achieving the UN's Sustainable Development Goals of the 2030 Agenda for Sustainable Development.² The HLP comprised 20 senior representatives drawn from business, government, and civil society. Tina Fordham co-chaired the High-Level Panel's working group on Changing Workplace Culture and Practice alongside U.K. Secretary of State for Education and Minister for Equalities, Justine Greening. We highlight in this report some key elements of the research that the UN HLP pioneered on women's economic empowerment and link this back to our own analysis.

On a global basis, the UN points to four systemic constraints to the economic empowerment of women: adverse social norms; discriminatory laws and lack of legal protection; the failure to recognize and redistribute unpaid household work and care; and a lack of access to financial, digital, and property assets. These constraints undermine women's economic opportunity in all aspects of work. To accelerate progress, transformations are needed to break through all of these constraints and the UN HLP, which Citi has supported, has made recommendations to address these as we outline in this report. The recommendations encompass seven drivers of change: tacking adverse norms and promoting positive role models; ensuring legal protection and reforming discriminatory laws; recognizing and redistributing unpaid work and care; building financial, digital and property assets for women; changing business culture and practices; improving public sector practices in employment and procurement; and strengthening visibility and representation of women.

In support of Citi's mission to enable growth and progress for all, Citi established a new partnership with UN Women as a key strategic partner in 2016. The core focus of Citi's collaboration was to support UN Women's work encouraging increased procurement of goods and services from female-owned businesses. This collaboration resulted in a gender-responsive procurement guide, [Corporate Guide to Gender-Responsive Procurement](#), published in March 2017.

² See *The Sustainable Development Goals Report 2017*, United Nations, July 2017.

While great strides have been made to open up access to the financial system to unbanked individuals and communities, far less progress has been made in closing the financial access gap between genders. Picking up on one of the themes in the UN HLP work, another chapter of this report looks at the potential of expanding financial access to women through some practical examples that Citi has pioneered. I am very grateful to my colleague, Bob Annibale, Citi's Global Director of Inclusive Finance and Community Development, for his insights and engagement here.

Continuing with the theme of making a practical difference, we conclude this report with a series of interviews and case studies. On the back of Citi's engagement with the UN HLP, we have conducted specific interviews with the co-Chairs of the Panel: Simona Scarpaleggia, the CEO of IKEA Switzerland; and with President Luis Guillermo Solis of Costa Rica. Simona Scarpaleggia discussed with us the management challenge of maximizing corporate female labor participation while President Solis discussed how government and the private sector can advance the UN principles around women's economic empowerment. Our case studies focus on IKEA's building of networks with social entrepreneurs and on the Citi-Tsao Foundation Financial Education Program which has been designed to help women in the lower income bracket become financially independent in their older years.

I would like to thank our authors across Citi and also the UN for their collaboration and for their contribution to this critical global debate. We would welcome the feedback and engagement of our readers.



Andrew Pitt
Global Head of Citi Research

Women as Global Growth Generators

The Economic Rationale for Gender Equality

If we raise Labor Force Participation (LFP), Average Hours Worked and Average Labor Productivity to parity for men and women, OECD GDP could in theory increase 20% and GDP generated by women could **increase 50%**

If instead we only narrow the gap between men and women by 50% on LFP, Average Hours Work, and Average Labor Productivity, by, GDP would increase 8% in advanced economies and GDP by women would **increase 20%**

Adjusting those numbers with a conservative assessment on the potential impact of gender policies and changes, we forecast GDP in advanced economies could **increase 6%**.



Putting it in Perspective

Citi Research, OECD, European Commission

6%

GDP growth expected by pursuing gender quality



1.5%

total sustainable growth for OECD countries expected 2016-18



6%

GDP growth expected by the European Commission if structural reforms are enacted in the European Union



1.5%

Expected 'Trump fiscal stimulus' to GDP in the U.S. over 2018-2021



1.2%

Expected growth in GDP with a 1% increase in infrastructure investment



Changing Business Culture and Practice

Employer initiatives

- ✓ Incentivize frontline managers to ensure equal pay plus balanced employment and leadership
- ✓ Set procurement spend targets with women-owned companies
- ✓ Ensure ethical sourcing and workers' rights
- ✓ Provide access for women



Seven Primary Drivers of Women's Economic Empowerment

Source: UN High Level Panel on Women's Economic Empowerment



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Reviewing the Case for Women's Economic Empowerment

The Economic Potential of Gender Equality in Context

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Kim D. Jensen, CFA

Lucy Zhang

The case for reducing the additional hurdles that women tend to face relative to men to participate and contribute fully in the formal economy has many dimensions. Here, we focus on the economic rationale for reducing these hurdles and this economic rationale is very compelling — even in the advanced economies (AEs), let alone in emerging markets (EMs).


A growing number of studies have attempted to quantify the potential growth benefits of reducing hurdles for women in the formal economy and generally find these potential benefits to be very significant.³ We roughly estimate that significant reductions of gender inequalities could perhaps add around 6% to gross domestic product (GDP) in the advanced economies over the course of one to two decades, which is very significant relative to the potential of other structural reforms or the relatively meager growth prospects in advanced economies more generally. Much of this potential could likely be realized simply by following the best practices already adopted by some economies and we present a number of case studies that highlight that policy interventions can have a significant effect in reducing economic gender inequalities.

Decomposing GDP

A 2015 McKinsey report suggested that women currently account for 37% of measured global GDP. A useful way to understand the discrepancies in GDP contributions by gender is to decompose GDP into: (1) the working-age population (the population of age 15-64 years); (2) the labor force participation rate (those working or actively looking for work) as a share of the working-age population; (3) the employment ratio (the share of the labor force that is employed); (4) the number of hours worked per employee; and (5) labor productivity per hour.

Figure 1. GDP Calculation

Men	Women
Working-age Population	Working-age Population
x	x
LF Participation Rate	LF Participation Rate
x	x
Employment Rate	Employment Rate
x	x
Full Time Equivalent	Full Time Equivalent
x	x
Labour Productivity	Labour Productivity
=	=
Male GDP Contribution	Female GDP Contribution

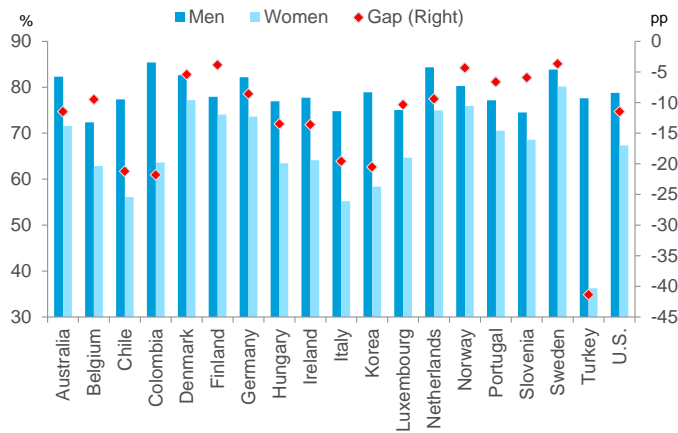


Total GDP

Source: Citi Research

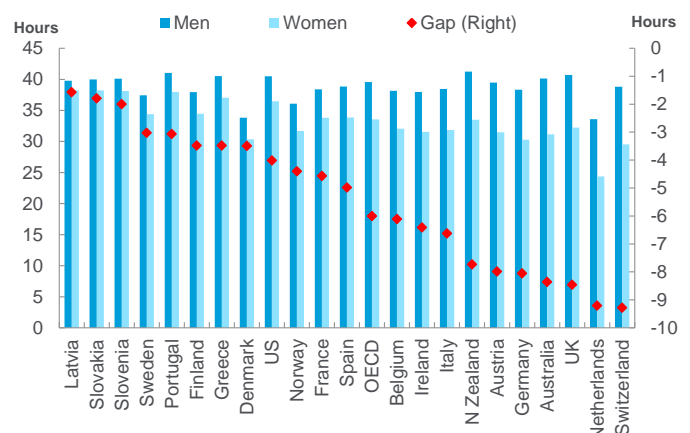
³ See e.g., McKinsey (2015): Power of Parity, OECD (2012): Closing the Gender Gap: Act Now, Strategy& (2012): Empowering the Third Billion, Citi GPS (2015): Women in the Economy and IMF (2013): Women, Work, and the Economy: Macroeconomic Gains from Gender Equity.

Figure 2. Selected Countries: Labor Force Participation Rate, 2016



Note: Gap is Women minus Men
Source: OECD and Citi Research

Figure 3. Selected Countries: Average Usual Weekly (Hours), 2016



Note: For total dependent employment. Gap is Women minus Men
Source: OECD and Citi Research

Women account for roughly 50% of working age population...

At the global level as well as for the advanced economies, women account for roughly 50% (or slightly more) of working-age populations, while employment ratios (as a percentage of the labor force) are not systematically lower for women than for men in the advanced economies. The lower GDP contribution of women is therefore driven by lower female labor force participation, lower average labor productivity for women in employment, and lower average hours worked.

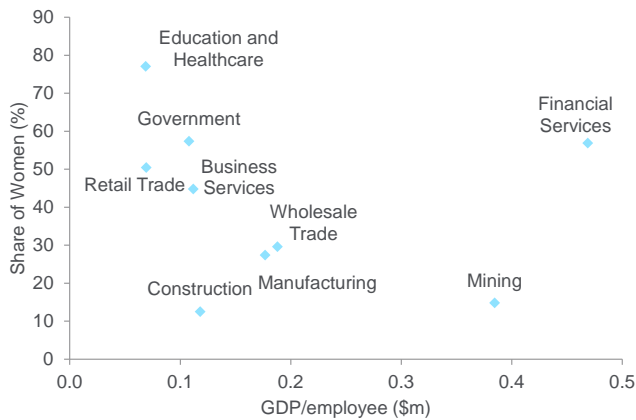
...but labor force participation rates are consistently below that for males

Female labor force participation (LFP) rates are consistently and often significantly below male participation rates even in advanced economies, let alone many emerging markets. The share of women working or actively looking for work among the 15 to 64-year old population (the standard definition of the labor force) stood at a mere 64% in the OECD average in 2016, 16 percentage points below the share for men (see Figure 2). The gap between female and male participation rates was particularly large in Italy (women: 55%, men: 75%) and Japan (women: 68%, men: 85%). But there is still a more than 10 percentage point gap in the U.S. (women: 67%, men: 79%), and the U.K. (women: 73%, men: 83%) and it is only slightly lower in France and Germany.

And when women are in the labor force, they tend to work significantly fewer hours on average

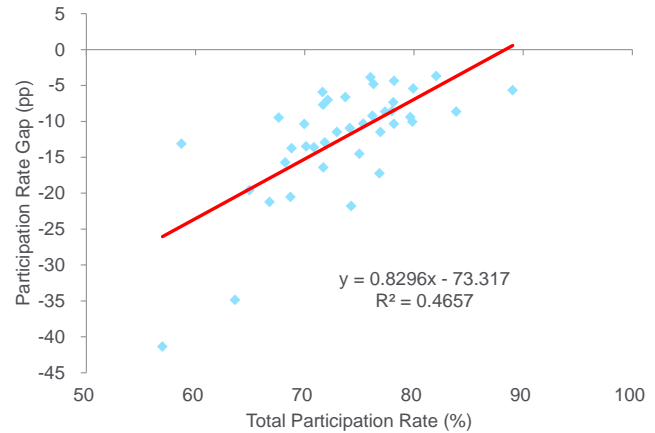
Among those that are formally employed, women tend to work significantly fewer hours on average, in part because women are much more likely to work part-time than men and because average working hours among full-time employees are still higher for men than for women. In the U.S., the Bureau of Labor Statistics estimates that the average work day for men was 8.1 hours in 2016, while it was 7.3 hours for women. In Europe, the differences in average weekly hours between men and women differ widely across countries, but are often around 20% or more (see Figure 3 for average weekly hours). It is worth noting that differences in average hours worked between men and women can be high in countries with low gender LFP gaps, such as in the Netherlands, where flexible and part-time work may be relatively common.

Figure 4. U.S.: Female Share of Workforce and Labor Productivity by Sector, 2016



Note: Productivity estimated as value added of each sector divided by number of employees. The share of women is the female employees as a % of employment. Source: Bureau of Economic Analysis, Bureau of Labor Statistics and Citi Research

Figure 5. Selected Countries: Labor Force Participation Rate and Female/Male Gap, 2016



Source: OECD and Citi Research

Output per hour for women also tends to lag that of men across advanced economies

The average measured labor productivity (say output per hour) of women in formal employment tends to lag those of men across most advanced economies, too. A major factor seems to be that women disproportionately work in lower-productivity sectors, such as healthcare, education, or retail trade, and are usually significantly underrepresented in higher-productivity sectors, such as many manufacturing industries, business services, or mining (see Figure 5). The above-mentioned McKinsey study estimated that sectoral differences in employment account for 13 percent of differences in productivity between female and male employed persons.

Raising female LFP hours worked and productivity to same levels of men across AEs could raise OECD GDP by around 20%

The Potential of Women's Economic Empowerment⁴

The above differences are large. Raising average labor force participation, average hours worked, and average labor productivity for women to the levels for men across advanced economies would, other things being equal, raise OECD GDP by around 20% and OECD GDP driven by women by almost 50%.

There is no silver bullet to achieve gender equality in the economy

The growing volume of literature on the causes and determinants of such gender gaps suggests that these gaps are increasingly well understood within the policy world and, somewhat encouragingly, that much could be done to reduce the gender gaps.⁴ This is not to say that there is a 'silver bullet' that would achieve gender equality in the economy (let alone society) instantaneously. The types of measures needed are often numerous and the specific measures required to advance gender equality tend to differ from country to country. Political will and capacity are crucial to deliver pro-women economic empowerment policies.

But there are common threads that can help close the gap

However there are a number of common threads, some of which we discuss in the case studies below. In advanced economies, a number of factors imply that the effective marginal tax rates for second-income earners are often very high and therefore discourage female LFP. These include actual fiscal incentives (e.g., so-called marriage penalties), or the high cost of childcare and elder care. Cultural norms about women in leadership positions or in many traditionally male-dominated industries also remain significant impediments to gender equality.

⁴ See e.g., IMF (2013): Women, Work, and the Economy: Macroeconomic Gains from Gender Equity

These norms also tend to reinforce the current pattern where women do most of the care and domestic work as well other usually unpaid work in households and are often paid less when they do work in the formal labor force, with some exceptions such as in Scandinavia.

Many policies that boost gender equality also help labor outcomes more generally

It is worth stressing that many policies that tend to boost gender equality are also conducive to better labor market outcomes more generally (e.g., countries with high female LFP rates tend to have relatively high male LFP rates too, see Figure 5). Meanwhile, several studies highlight that female LFP rates are significantly related to female education levels. However, it is worth noting that for most advanced economies, with a few but notable exceptions, gaps in educational attainment between male and female school-leavers have mostly disappeared (indeed, in a growing number of countries, average educational attainment is higher for women than for men).

Eradicating gender gaps is a long term goal – short term benefits to GDP are somewhat smaller but still significant

Yet even if appropriate action is taken swiftly, completely eradicating those gender gaps remains probably a long-term goal. In the short- and medium-term, say over the next decade or two, the potential macroeconomic gains are probably somewhat smaller, but still likely to be very significant. A more conservative assessment of the potential impact of policies (such as changing fiscal incentives for second earners, childcare, and elderly care) and other changes would probably reflect the following factors:

- **Labor demand:** The above calculations are entirely based on the supply side and do not take into account demand-side factors, i.e., they assume that there would be demand for the additional activity women would supply. It is worth noting that even though female labor force participation rates have risen significantly over time (e.g., from 53% in 1980 to 64% in 2016 in the OECD average), and male LFP rates have declined somewhat (from 84% in 1980 to 80% in 2016 in the OECD average), the increase in female LFP rates across countries and the decline in male LFP rates is essentially uncorrelated. That is, the countries that saw the largest rise in female LFP rates were not the ones that saw the largest declines in male LFP rates (in fact, the correlation went slightly the other way).

The increase in female LFP rates across OECD countries is uncorrelated to the decline in male LFP rates

And even though the average hours worked across OECD countries have declined during this period, the decline across countries also does not appear to be significantly related to the increase in female LFP rates.

- **Transition:** Even though we stress that many policies could be put in place quite quickly, changes in the economy are likely to bear fruit over time. Initially, lack of experience or qualifications may limit the productivity boost due to changes in the sectoral distribution of female employment.

Changes to care and work patterns may also imply that some female entrants to the labor force may start by working part-time or fewer hours on average

- Gradual changes to care and other work patterns may also imply that some female entrants to the labor force may start by working part-time or fewer hours on average. And it may be unrealistic to encourage a large share of older women to enter the formal labor market if they have never done so. To estimate the potential boost to GDP over, say, the next ten or twenty years (or the ten years following significant policy changes), we should therefore apply some discounts to the potential pointed out above.

If we therefore, somewhat arbitrarily, and conservatively, assume that: (1) the increases in average hours worked and average productivity for women already in the workforce amount to half of the potential overall improvement; (2) increases in female LFP rates amount to closing half of the gap between men and women in the OECD average; and (3) that the women that would newly enter the labor force would work the current average female working hours and have 60% of the average productivity of all workers, the potential increase in GDP would amount to roughly 8% on average for the AEs, which would boost 'female GDP' by almost 20%.

Women carry out most of 'household production', i.e. unpaid work not accounted in GDP calculations

■ **Household Production:** As noted above, women currently carry out most of 'household production', i.e., unpaid work not accounted in GDP calculations, including routine housework, shopping, and unpaid care for household members. In the U.S., [a study by the Bureau of Economic Analysis](#) estimated that even when employed, working women carried out approximately 60% of such work and that household production would amount to 23% of GDP, if it was properly accounted for in national income accounts. Above we assumed that roughly one fifth of the women that are not currently in the labor force would enter the formal labor market. If we assumed, again conservatively, that all household production was carried out by women outside the formal labor force and that half of the household production previously carried out by those now in the formal labor market would be made up by productivity gains, accounting for household production would reduce the overall increase in the potential economic pie from gender equality by 1-2 percentage points of GDP.

Our discussion and calculations indicate that pursuing gender equality could lift GDP by perhaps around 6% over the next one to two decades

Overall, our discussion and calculations above therefore indicate that pursuing gender equality even within advanced economies could lift GDP by perhaps around 6% over the next one to two decades. These estimates are roughly in line with those of other studies that estimated the gains from boosting gender equality in the economy.⁵

Such potential boosts to economic potential are very significant. To put them into context, one should note that the OECD estimates that total potential growth for OECD countries, i.e., total sustainable growth, would be 1.5% per year in 2016-18. Put differently, even a relatively conservative (but admittedly simplistic) calculation of the potential gains from gender equality suggests that they could add the equivalent of four years of potential GDP growth in the OECD average. For countries, such as Italy or Japan, where estimates of potential growth are often around zero but gender gaps are large, the potential significance of pursuing gender equality on economic grounds alone is even more compelling.

Comparing gains for female economic empowerment with other structural reforms

The potential gains are also large in the context of other potential structural reforms. For instance, [the European Commission](#) estimated that if all manner of structural reforms (including tax reforms, unemployment benefit reforms, product market reforms, other labor market reforms, human capital investments, R&D investments) were jointly implemented, they could lift European Union GDP by roughly 6% over ten years.

⁵ McKinsey estimated that fully eradicating gender gaps could add up to 26% to global GDP relative to a 'business-as-usual scenario', while a 'best-in-region' scenario in terms of gender-related progress would add 11%. The OECD estimated that closing LFP gaps between men and women could add 12% to OECD GDP by 2030, while closing half the gap would add 6%. A Strategy& study estimated that boosting gender equality could add 6% to GDP on average for a range of AEs and EMs.

The International Monetary Fund (IMF), in a similar study estimated potential long-run gains of GDP from jointly implementing many types of structural reforms at 12% for the euro area, while an OECD study in 2011 found gains that ranged from very little in flexible economies such as New Zealand to more than 15% in Belgium or Greece. The potential gains we suggest are also significantly larger than any increases in potential growth delivered by increased [infrastructure spending](#). However, it should be noted that those studies mentioned here usually include some gender-related reforms, such as raising female LFP rates (and tend to arrive at smaller estimates of the potential gains in GDP from these reforms, e.g., 0.5% for the euro area in the case of the IMF study).

Finally, the potential economic payoff from reducing gender inequalities is also likely much larger and much more sustainable than the potential boost from cyclical stimulus policies, be they monetary or fiscal. For instance, Citi's U.S. Economics team estimates that the much-anticipated 'Trump fiscal stimulus' would perhaps boost U.S. GDP by 1.0-1.5 percentage points over 2018-21.

The economic potential of pursuing gender equality is therefore quite large across a wide range of even advanced economies. Indeed, for many countries, much of this potential could be realized simply by emulating practices and policies already in place elsewhere, sometimes in a neighboring economy. We investigate some of these policies and differences in gender gaps between selected economies in a few case studies below.

Unpaid Care Work

There is a large gender gap when it comes to unpaid care work (in the home and outside). The unequal distribution of unpaid work is a major constraint on women's options in the formal labor market. Women across the globe take on a majority of unpaid work related to caring for children, the sick, and the elderly⁶ and according to State of the World's Fathers "there is no country in the world where men and boys share the unpaid domestic and care work equally with women and girls,"⁷ as illustrated in Figure 5.

Any person has only 24 hours in the day and will so make a (possibly constrained) choice between spending this time on paid work, unpaid work, or leisure. On average in OECD countries women spend 271 minutes per day doing unpaid work compared to only 138 minutes for men, nearly double. Women in Japan on average spend 1.5 hours longer per day on unpaid work than men (that is four times as much time as men in 2011).⁸ That is time taken away from either paid work or leisure (an earlier study from 2006 showed a difference of 3.2 hours per day).⁹ However, it differs greatly across countries to what extent the higher burden of unpaid work for women means cutting down on leisure or paid work for women. For paid work the sum of the grey, blue and red color in Figure 7 shows the share of families where women work part-time or are inactive while the men work full-time. Where this share is high the unequal distribution of unpaid work may be holding women back from taking full-time employment. In a few countries (Switzerland, Germany, Netherlands) more than 60% of families (with at least one child) use this distribution of work, while it is used by less than 20% in Norway, Denmark, Sweden, and Slovenia.

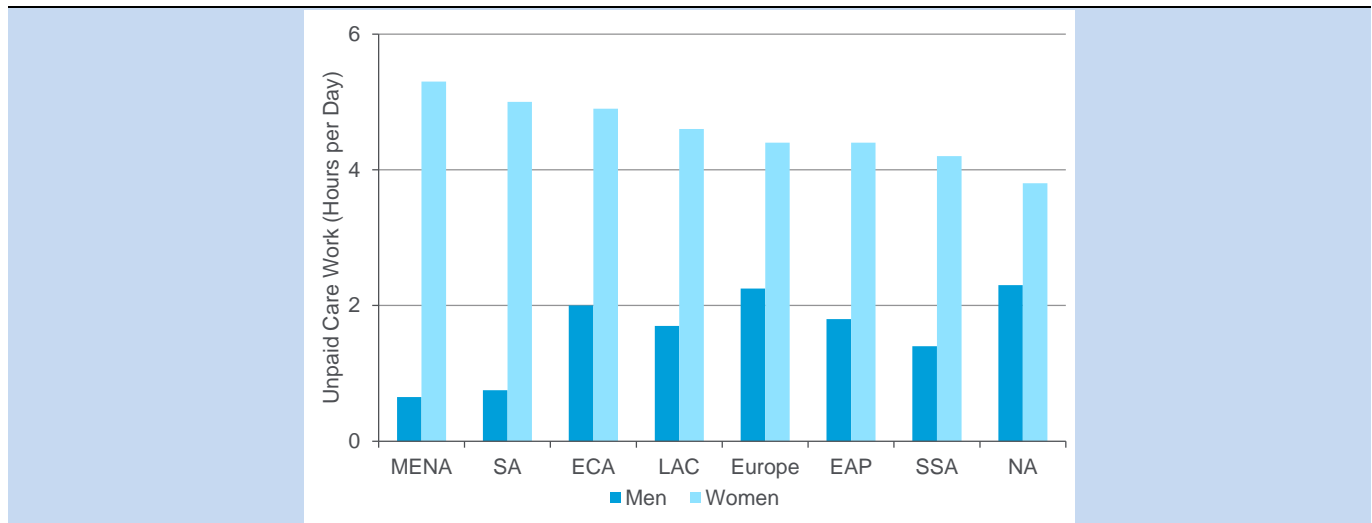
⁶ ILO (2016): Women at Work: Trends 2016. ILO, Geneva and UN Secretary-General's High-Level Panel on Women's Economic Empowerment. 2016. "Leave No One Behind, A Call to Action for Gender Equality and Women's' Economic Empowerment.

⁷ State of the World's Fathers 2015 <http://sowf.men-care.org>.

⁸ OECD based on data from National Time Use Surveys.

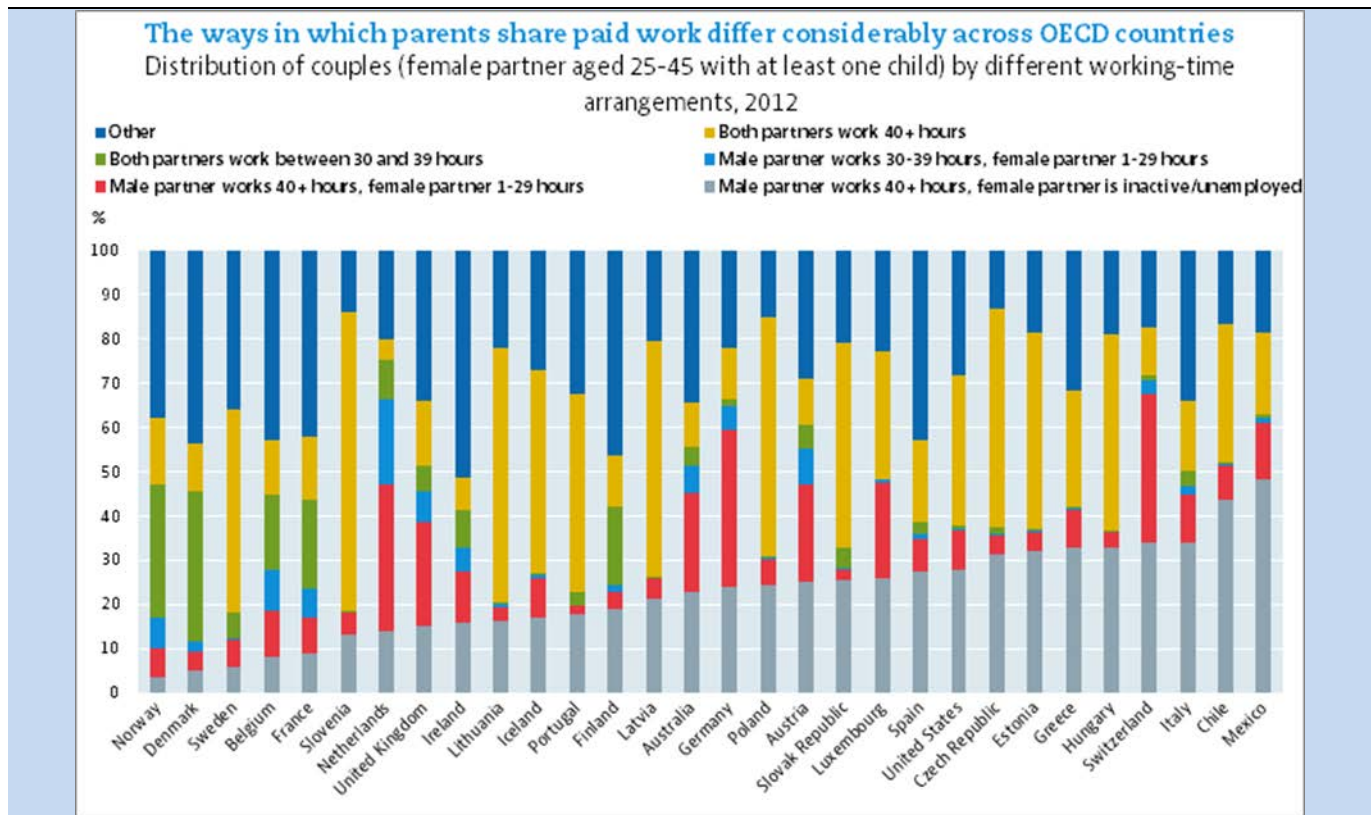
⁹ The Levy Economics Institute (2008): The Unpaid Care Work Paid Work Connection.

Figure 6. Time Spent on Unpaid Care Work Varies By Gender and Region, 2014



Note: This chart represents the average hours per day spent on unpaid care work by women and men in regions of the world: Middle East and North Africa (MENA), South Asia (SA), Eastern Europe and Central Asia (ECA), Latin America and the Caribbean (LAC), East Asia and Pacific (EAP), Sub-Saharan Africa (SSA), and North America (NA). Source: OECD

Figure 7. The Ways in Which Parents Share Paid Work Differ Considerably Across OECD Countries- Distribution of Couples (female partner aged 24-45 with at least one child) by Different Working Time Arrangements, 2012



Note: Calculations based on the Household, Income and Labour Dynamics in Australia (HILDA Survey 2014 for Australia, the Encuesta de Caracterización Socioeconómica Nacional (CASEN) 2013 for Chile, the European Union Statistics on Income and Living Conditions (EU SILC) 2012 for European countries, the Encuesta Nacional de Ingresos y Gastos de los Hogares (ENIGH) 2014 for Mexico, the Current Population Survey (2014) for the United States. Source: OECD

Driving Women’s Economic Empowerment Through Economic Policy

Canada vs. the United States

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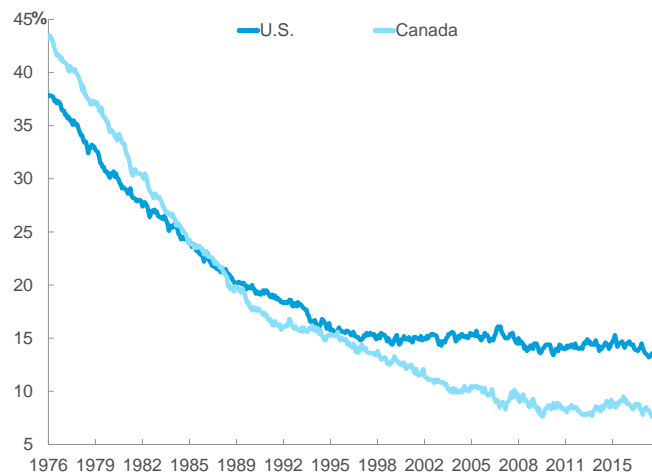
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Canada and the U.S. have similar cultures and economies, but differ dramatically in their respective evolution of gender equality in the work place. Canadian women have significantly narrowed the labor force participation gap with men, while the differential in the U.S. remains wide. Both nations trail other advanced economies on the earnings equity front, but Canada is outpacing the U.S. on policy. What accounts for this difference and what would have to change for the U.S. to begin to realize some of the economic gainers from reducing gender inequality?

An important factor is the extent to which government intervention and corporate initiatives help to enhance female labor force participation and thereby reduce gender inequality. While Canada began adjusting public policies and business incentives over three decades ago, the U.S. is just recently considering solutions, and these initiatives seem far from implementation.

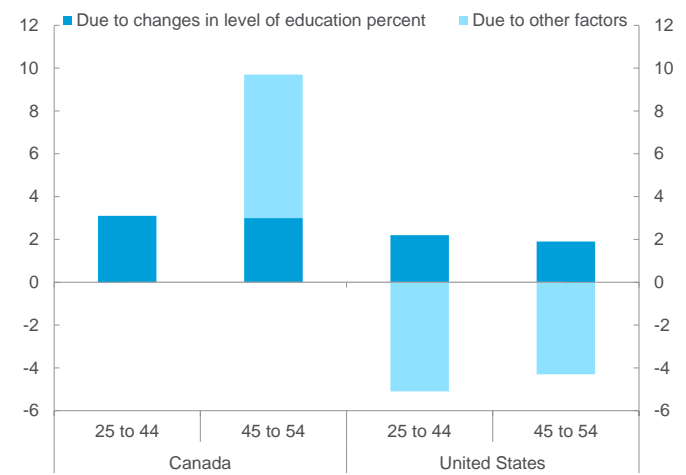
Still, the relatively low rankings for gender equality — labor market, empowerment, and reproductive health — for the U.S. (45th) and Canada (18th) among “very high human development” countries suggest that more work can be done in both nations to boost labor force participation, and realize increased growth potential.¹⁰

Figure 8. Percent Difference Between Male and Female LFP in the U.S. versus Canada



Source: Bureau of Labor Statistics, Statistics Canada, and Citi Research

Figure 9. Impact of Rising Levels of Educational Attainment and Other Factors on Changes in Female LFP by Age (Percent)



Source: Statistics Canada, Bureau of Labor Statistics, and Citi Research

¹⁰ United Nations Human Development Reports, Table 5. Gender Inequality Index.

Labor shortages caused by war bolstered female LFP in the past

The gender gap in LFP narrowed in both Canada and the U.S. from 1950 through to the 1990s

Past Drivers of Female LFP in the U.S. and Canada are Similar

In the early part of the 20th century, labor shortages during WWI and WWII temporarily bolstered labor force participation among Canadian and U.S. women. Following both wars, upon the return of men to the domestic workforce, women were strongly encouraged to exit and/or were regulated out of the paid labor force. Women who remained employed were often relegated to traditional “female” jobs in the service sectors (e.g., teaching, sales, clerical, nursing, and health care).¹¹

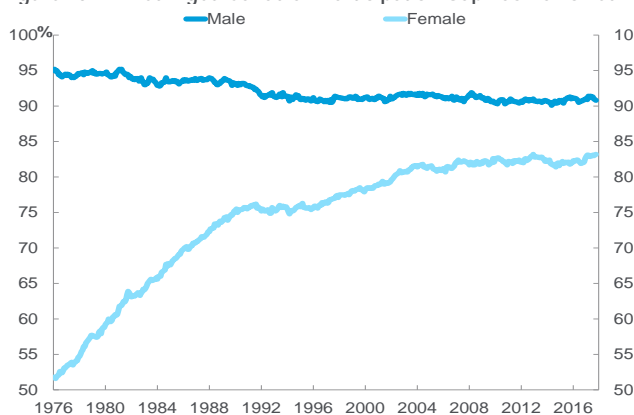
The narrowing of Canadian and U.S. male-female labor force participation rate gaps began in earnest in the 1950s and continued at a rapid pace through the 1990s.¹² Multiple factors influenced the surge in participation, including economic expansions and contractions that increased the need for two-income earner homes; women’s social/political movements; technological advancements and changing consumer preferences that altered the nature of work — paid and unpaid — allowing women to gain greater access to education and less labor intensive services employment;¹³ shifts in cultural norms about what constituted “women’s work”; and evolving family dynamics, including fewer children and more single-parent households.¹⁴

Understanding Recent Divergence in U.S. and Canadian Trends

Since 1990, Canadian female LFP has continued to gradually rise, while female LFP has stalled in the U.S. The difference is largely due to greater participation in paid work among Canadian women, as opposed to a dramatic reduction in labor participation among men.

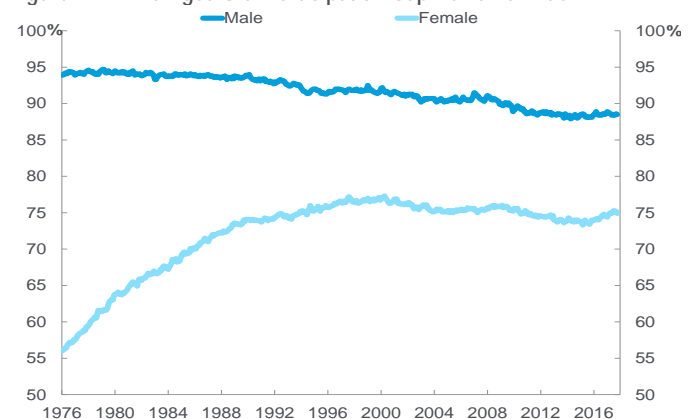
The most recent labor market metrics are generally better in Canada than in the U.S. Not only is the gender LFP gap smaller in Canada, more women are working overall and more are among the highly educated. There are also fewer discouraged job seekers in Canada relative to the U.S. Women in Canada work more hours per day than their U.S. compatriots, even though Canadian women are more likely to work part-time. Secondary education attainment in Canada lags that of the U.S. for both men and women, but a slightly higher share of Canadian women are STEM graduates: 12 percent in Canada versus 9 percent in the U.S.

Figure 10. Prime-Aged Canadian Participation Gap has Narrowed



Source: Statistics Canada, *Labor Force Survey* and Citi Research

Figure 11. Prime-Aged U.S. Participation Gap Remains Wide



Source: Bureau of Labor Statistics, *Household Survey* and Citi Research

¹¹ “Women in the Labour Force,” The Canadian Encyclopedia 2016, Historica Canada.

¹² “Canadian Megatrends: The surge of women in the workforce,” Statistics Canada.

¹³ “Engines of Liberation,” by Greenwood, Jeremy; Seshadri, Ananth; and Yorukoglu, Mehmet *Review of Economic Studies*, January 2005, Vol. 72, pp. 109-33.

¹⁴ “Social Changes Lead Married Women into Labor Force”, by Kristie M. Engemann and Michael T. Owyang, US Federal Reserve Bank of St. Louis.

How Has Canada Continued to Narrow the Gender Gap?

Numerous factors in addition to greater educational attainment have further bolstered Canadian female LFP. Primarily, greater availability of (usually higher paying) full-time, private sector jobs helped increase LFP among Canadian women relative to U.S. women. Other important factors that enhanced Canadian female LFP, particularly over the last 35 years, include the intervention of governments and employer initiatives.

■ **Government Intervention:** Three important types of public policies helped improve female LFP in Canada:

- **Tax Reforms:** Canadian federal government tax reforms in the late 1980s replaced deductions (including on income earned by secondary earners) with tax credits, broadened the tax base, and lowered the marginal tax rate structure. This encouraged more secondary earners (usually women) to participate in the labor force. In the 1990s, the Canadian federal government implemented tax cuts and benefits for families with children, which also improved work incentives for secondary earners. In 2015, the federal government provided tax credits for caregivers, and more tangentially, tax credits for teachers and early childhood educator school supplies. In the U.S., the Trump Administration and members of the Republican party are focused on implementing similar tax reforms (e.g., lower rates, base-broadening, meatier credits for families with children and dependent adults) that may ultimately benefit more women and encourage enhanced female LFP.

Figure 12. Canadian Female Labor Force Metrics Generally Outperform U.S. Stats

	Canada		US		Gap	
	Female	Male	Female	Male	Canada	US
Labor Force Participation						
Labor Force Participation Rate (%)	74	82	66.2	77.4	-7	-11
Estimated earned income (\$, Ratio)	35,391	52,796	45,287	69,901	0.67	0.65
Unemployment rate (%) (<i>Age 25 yrs and over</i>)	5.1	5.8	3.3	3.3	-0.7	0.0
Discouraged job seekers (%)	44	56	38	62	-12	-25
LFPR highly educated (%)	74	80	70	78	-6	-8
Workers employed part time (%)	39	23	23	13	16	10
Own-Account Self employed workers (%)	9	12	5	7	-3	-2
Quality of Work Life						
Work, minutes per day	251	501	484	471	-250	13
Proportion of unpaid work per day (%)	49	32	50	32	17	19
Education						
Professional and technical workers (%)	58	42	57	43	15	14
Secondary Education attainment (%)	49	51	92	89	-3	3
STEM graduates (%)	12	36	9	26	-24	-17
Healthy life expectancy (Years)	73	71	70	68	2	2.7

Source: World Bank, OECD, IMF, United Nations, Statistics Canada, Bureau of Labor Statistics

- **Family Support:** Federal and provincial government policies have included initiatives that support parenting and early childhood development. Canada lengthened maternity and parental leaves from 27 to 52 weeks in 2001, and established a national system of early learning and child care supported by government spending on childhood development. More recently, the federal government has issued direct transfers to parents to benefit their children. In 2016, those benefits were increased and rendered tax-free. Relatedly, the five-year budget outlook allows for spending on social infrastructure projects (e.g. schools, affordable child-care facilities) that will support labor participation, and incentives for older women to retire later and/or receive benefits sooner. Paid family leave was a feature of the platforms of the main U.S. 2016 presidential election candidates. President Trump may focus upon this initiative later in his tenure.

- **Wage and Income Equalization:** Through the Canada Labor Code and associated pay equity legislation, Canadians working in federally regulated sectors are assured equal pay. The current Liberal federal government has advocated new pay-equity legislation that would compel employers in federally regulated industries to ensure equal pay for equal work by the end of 2018.¹⁵ Canada has also expanded Employment Insurance (EI) benefits to new mothers, parents caring for newborn or adopted children, poor families with children, and persons caring for gravely ill dependents.

Figure 13. Canada is Ahead of the U.S. Regarding Gender Equity Policies

Policies That Promote Gender Equity	Canada	US
Law mandates non-discrimination in hiring women	No	Yes
Law mandates equal pay	Yes	No
Days of Parental Leave (all)	245	0
Days of Maternity Leave for Women	105	
Wages paid during maternity/paternity leave	Yes	
Provider of parental leave benefits	Gov	
Provider of maternity/paternity leave benefits	Gov	
Gov supports or provides childcare	Yes	Yes
Gov provides child allowance to parents	Yes	Yes
EI/UI to Mothers on Leave	Yes	No
Tax Credit to caregivers of handicapped dependent adults or elderly persons	Yes	No
Direct Transfers to Middle and Low-Income Parents for Children	Yes	Low-Income Yes
Federal Support of Apprentices Programs	Yes	No
Wage equality for similar work (WEF survey: Lower Score Means Greater Equality)	0.65	0.73

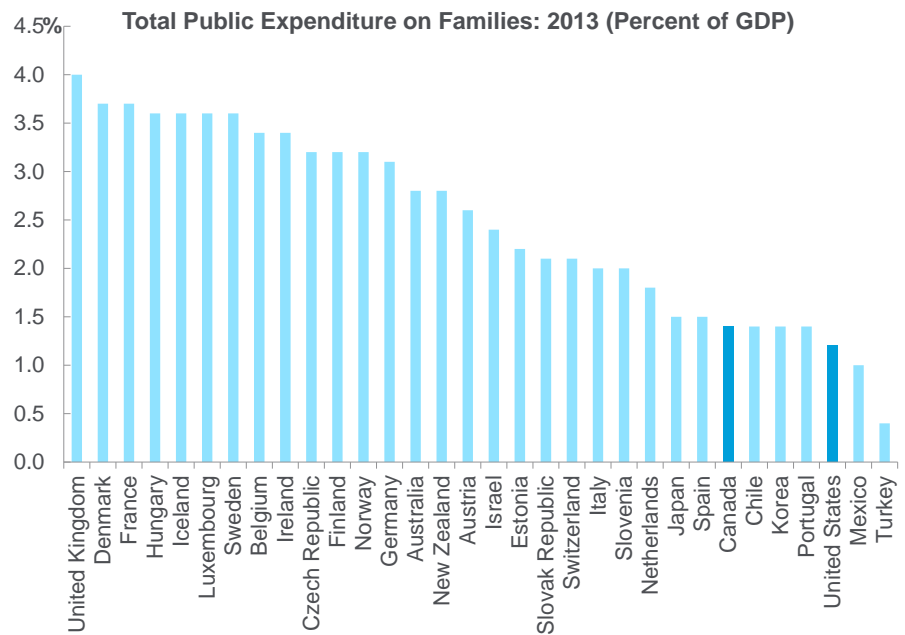
Source: World Bank, OECD, IMF, United Nations, Finance Canada, and Citi Research

- **Employer Initiatives:** Consistent with trends among other advanced economies, Canadian private and public sector employers have increased emphasis on narrowing the gender LFP gap.

- Private firms and institutions have begun to collect metrics to identify, track, and eliminate/reduce wage discrepancies between men and women. Select entities have made these data public for employees, and have designed modes of appeal and redress. Some firms press managers to explain differences in wages between men and women for the same work and to make adjustments.
- Universities in Canada are becoming more focused on “back-to-work” programs for professional women. These programs instruct women returning to the labor force after a multiple-year absence on things such as the hiring processes, networking, leadership skills, and social media.
- Public sector employers have made gender diversity a strategic objective. Notably, Canada’s Liberal Party Prime Minister Justin Trudeau appointed a gender-balanced cabinet after his election victory in 2015.

¹⁵ “Liberals promise ‘proactive’ pay equity legislation to close wage gaps,” by Kathryn May, Ottawa Citizen, 5 October 2016. “Factsheet Evolution of Pay Equity”, Government of Canada.

Figure 14. U.S. and Canada Governments Spent Comparatively Little on Programs for Families in 2013. But Following the 2014-16 Oil Price Shock, Canada Ramped-up Spending on Women and Children



Source: OECD and Citi Research

In stark contrast to Canada, U.S. public policies have been either insufficient or counterproductive to female LFP.

- There are few U.S. federal mandates that support equal pay between men and women; there are no laws that guarantee paid family leave; public investment in training and infrastructure (e.g., day care facilities) that support female LFP lags the OECD average; and tax laws continue to penalize married couples.
- The 1996 Welfare Reform Act helped increase LFP of single mothers, but public benefits were rendered more temporary and conditional.¹⁶ The Earned Income Tax Credit (EITC) rewards work by refunding low-income families large shares of their wages, but policymakers argue that it should be expanded.

¹⁶ “Changes in Labor Force Participation in the US,” Chinhui Juhn and Simon Potter, JEP, Vol 20, No3.

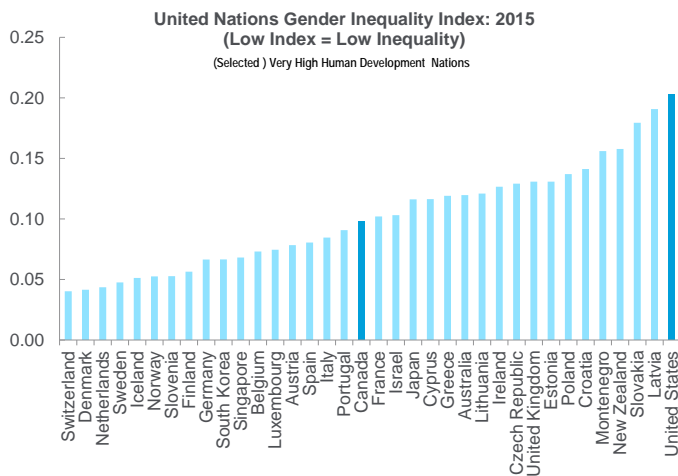
Why are Canada and the U.S. Still Missing the Gender Equity Mark?

The significant differential in wages — and consequently incomes — between men and women is a major reason for the relatively low UN gender equity rankings for both Canada and the U.S. Both nations have gender wage gaps that exceed the OECD average.

Women usually consider four critical factors in determining whether to work: (1) the market wage rate; (2) non-wage income; (3) dependents; and (4) child care costs.¹⁷ Empirical evidence reveals that wages are a significant factor in determining female LFP and number of hours worked. Additional challenges for both nations to wage equity, and subsequently greater female LFP, are myriad and complex:

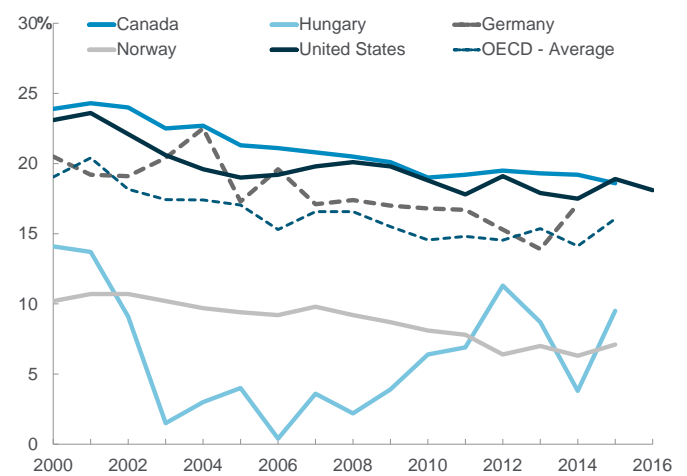
- **Labor Market Segmentation and Segregation:** In both the U.S. and Canada, women are overrepresented in part-time and non-standard work. These jobs tend to have fewer hours and benefits, and result in lower earnings and annual incomes. These women are also more likely to earn the minimum wage. Women in the U.S. and Canada are underrepresented in higher-paid fields like the STEMS and in traditionally male dominated jobs (e.g. oil rig workers.) Self-selection plays a role as young people still buy into stereotypes about male/female occupations.
- **Underdeveloped Negotiating Skills:** Women have nearly reached equal levels of educational attainment as men in the U.S. and Canada, but some suggest that the wage and seniority gap may stem from perceived weaker negotiating skills. Young women are likely to start at a lower level than men, are offered fewer career-accelerating work experiences, and are considered for fewer international postings.¹⁸ The so-called “motherhood penalty” may also play a role in slowing women’s advancement in the formal labor force.

Figure 15. Canada, and the U.S. Rank Poorly Among Similarly Highly Developed Nations for Gender Equality



Note: The UN Gender Inequality Index (GII) is a composite measure reflecting inequality in achievement between women and men in three dimensions: reproductive health, empowerment, and the labor market.
Source: United National Human Development Reports and Citi Research

Figure 16. Gender Wage Gaps in Canada and the U.S. are Larger than the OECD Average (%)



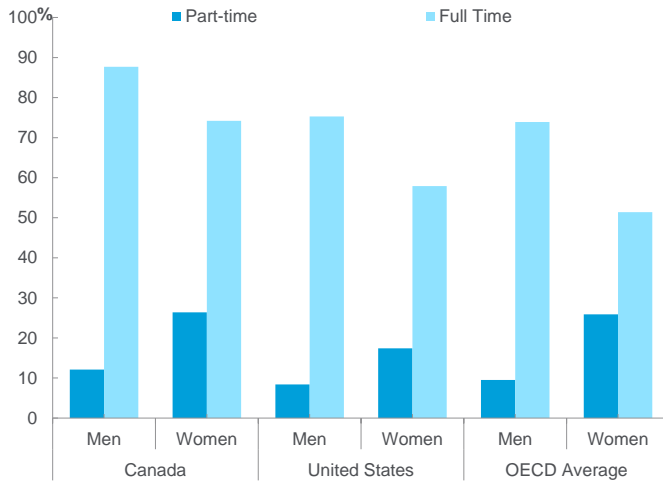
Note: The Gender Wage gap is the ratio of aggregate female to male wages
Source: OECD and Citi Research

¹⁷ “Women and the Labour Market: Recent Trends and Policy Issues,” by Richard P. Chaykowski and Lisa M. Powell, Queens University, Kingston Ontario.

¹⁸ “Status of Women Canada Ministerial Transition Book: Gender Wage Gap,” Government of Canada.

- **The Motherhood Penalty:** Absences from the labor market due to maternity or other care responsibilities result in an earnings penalty for mothers and female caretakers, and consequently lower lifetime incomes. By one estimate, Canadian mothers make 12 percent less than women who do not have dependents.
- **Low/Declining Female Union Enrollment:** Union membership, which can help guarantee equal wages, has been lower for women compared to men. This may persist as union employment is declining in the advanced economies.¹⁹
- **Work-Life Balance Requirements:** Erratic schedules and insecure work are challenges for many women, especially for female single parents.²⁰ Employers may need to value output over the number of hours worked, and consider a wider range of performance metrics.
- **Poor Representation:** Few U.S. and Canadian women hold senior executive (C-suite) positions in private industry and are underrepresented on corporate boards, compared to other OECD nations. Women are also underrepresented in positions of political leadership in Canada and the U.S. — where policy changes can improve the plight of all people.
- **Conscious and Unconscious Bias:** Gender stereotypes in many workplace organizational practices still tend to value and reward men’s patterns of employment in both countries. Bias (conscious and unconscious) and discrimination against women in the workplace can relegate women into lower paying jobs.

Figure 17. Women are More Likely to Work Part-Time (%)



Source: Statistics Canada, Bureau of Labor Statistics, OECD and Citi Research

Figure 18. Policy Strategies for Eliminating Gender Wage Gaps

Method	Description
Social assistance	Direct transfers to parents and caregivers
Child care policies	Cheaper, high quality, and more flexible to accommodate work schedules
Child benefits	Tax breaks and credits
Employment insurance	For persons on parental/caregiver leave; easier qualifications for part-time and temporary workers
Non-wage benefits	Pensions, health/dental benefits, training, for part-time workers and stay-at-home mothers; Pro-rated benefits, or person-related versus job-related benefits
Employment and opportunity equity	Removal of bias in hiring, wages and advancement; apprentices; steering young women into higher paying professions
More flexible work schedules	Flex-time, Family Leave

Source: Citi Research

¹⁹ "Women and the Labour Market: Recent Trends and Policy Issues," by Richard P. Chaykowski and Lisa M. Powell, Queens University, Kingston Ontario.

²⁰ : "Canada's stalled progress on gender pay gap: Women have 'hit a brick wall'", by Tavia Grant, The Global and Mail, 9 October 2015

Closing the gender gap is something that both the public and private sector can help accelerate

How Can Canada and the U.S. Increase Female LFP?

Public and private sectors can both play significant roles in closing the gap between male and female labor force participation. Significant empirical evidence has shown that higher female LFP results in better business outcomes and faster GDP growth.

- **Public Sector:** Federal, provincial / state, and local governments can increase public spending on early education and child care. Governments can extend childcare subsidies for working parents with expired parental leave allowances. Governments can implement legislation that encourages individual LFP and rewards firms who promote equity in wages and non-pecuniary job benefits.
- **Private Sector:** Firms can work more diligently at changing corporate cultures and shifting social norms around the role of men and women in the workplace.
 - **Talent Management:** Corporations can support talent pipelines to steer young women and younger generations towards professional careers and higher paying jobs.
 - **Flexibility:** For existing workers, the parental and family leave systems can be altered to allow greater flexibility for both women and men.
 - **Visibility:** Corporations can promote more women to senior management positions and encourage female representation on corporate boards.
 - **Transparency:** Businesses can be more transparent about wages paid for identical work and skillsets, and actively work to eliminate unexplainable gaps.
- **Public-Private Partnerships:** Governments and corporations can ensure that public and private pension systems do not penalize maternity leave or promote early retirement among women. Public-private partnerships and initiatives can bolster apprenticeship participation of younger workers and foster entrepreneurship among women to reduce labor market segmentation.

For further information please see U.S. Economics View: Maximizing the 50 Percent: Part I – When Government's "Interfere".

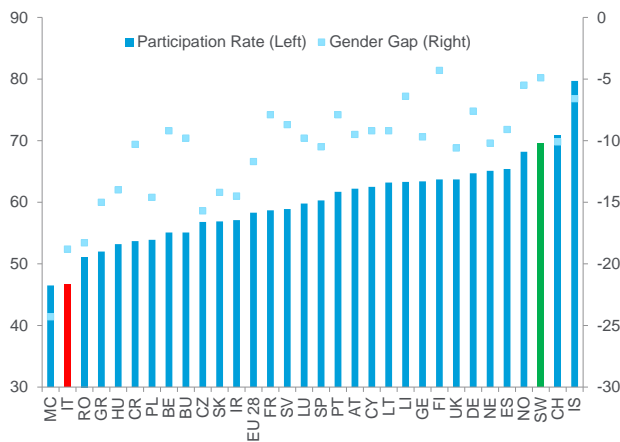
Italy vs. Sweden

Giada Giani
European Economics, Citi

Kim D. Jensen, CFA
European Economics, Citi

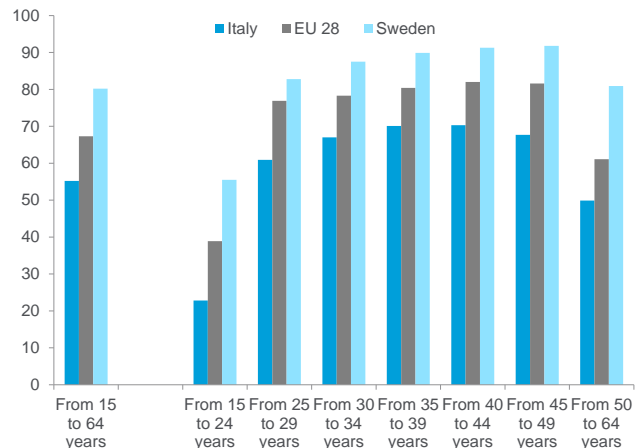
Sweden and Italy lie at opposite ends of the European spectrum in indicators on the scale of female labor input in the economy. Italy's female labor force participation rate (or LFP), at 55.2% in 2016 among 15-64 year olds, is the second lowest in Europe after Malta; in Sweden, female LFP at 80.2% is the third highest after Iceland and Switzerland (see Figure 19). Despite a recent pick-up in Italian female LFP, the total increase over the past two decades (up 12.8 percentage points since 1995) has also been significantly slower than in other countries (i.e. Spain, Greece, and Ireland), which started off from similar levels in the mid-nineties. The Italian male LFP rate is also lower than Sweden or the EU average, but the gaps are much smaller compared to women (9.1 percentage points against Sweden and 3.8 percentage points against EU 28). The gender gap between female and male participation rates is as little as 3.7 percentage points in Sweden and as large as 20 percentage points in Italy, again second only to Malta. Sweden appears especially good (and Italy especially bad) at getting women into the workforce early on in their careers — the LFP rate among 15- to 24-year-old Swedish women is 2.6 times higher than in Italy and 1.5 times higher than for the EU 28 — and also better at retaining women over 50 years of age in the labor force (see Figure 20).

Figure 19. EU 28: Female Labor Force Participation Rates (15-64 year old) and Gender Gaps (%), 2015



Source: Eurostat and Citi Research

Figure 20. Italy vs. Sweden: Female Labor Force Participation Rate by Age Group

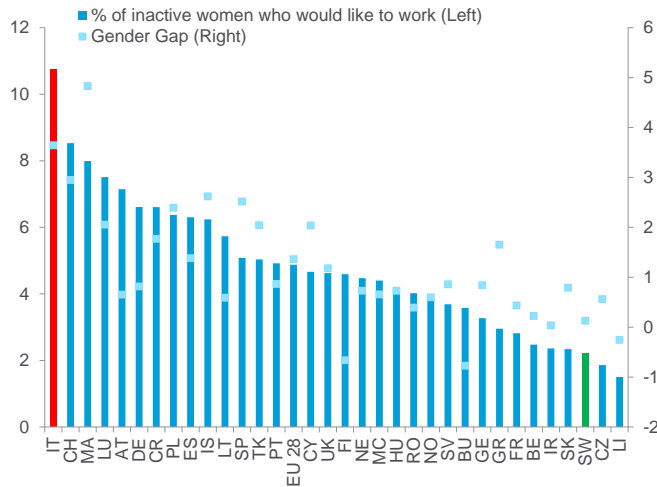


Source: Eurostat and Citi Research

Participation rates and education levels

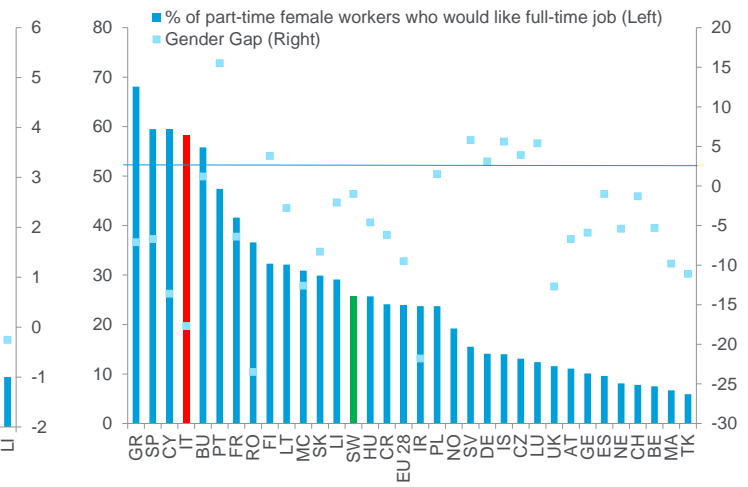
The Italy-Sweden gap in the female LFP rate narrows significantly at higher education levels — from 26 percentage points for all education levels to 12.3 percentage points for tertiary-educated women. However, Italy's underperformance relative to Sweden and the EU remains noticeable even for tertiary-educated women in the first two age groups (i.e., 15- to 24- and 26- to 29-years old). This seems only to a small extent due to students spending more time in tertiary education in Italy than elsewhere — enrollment rates in tertiary education are some 7 percentage points higher in Italy than in Sweden until the 23-year old cohort, but broadly in line with Sweden afterwards. This finding is consistent with data showing the share of Italian younger demographic cohorts not working and not in education or training (NEET) being very high in both sexes (11.2% for men, 12.8% for women) and third highest in the EU (but the third lowest in Sweden at 3.1% and 3.9%, respectively). This suggests structural weaknesses of the Italian labor market — for example, a poor school-to-work transition — may be playing an important role in explaining low participation rates for the younger generations.

Figure 21. EU 28: Women Who Would Like to Work but Not Seeking (% of 15-74 Year-Old Working-Age Population)



Source: Eurostat and Citi Research

Figure 22. EU 28: Women Underemployment (% of all Part-Time Jobs), 2015



Source: Eurostat and Citi Research

Why do Italian women apparently want to work less than Swedish women?

In Italy, inactivity seems the result to a large degree of external constraints and disincentives rather than personal preferences. Of the total working-age women population in 2016, 10.8% declare that they are inactive but would like to work, by far the highest share in Europe, compared with only 5% in the EU and 2.2% in Sweden (see Figure 21). Moreover, among the main reasons for inactivity, 20% of Italian inactive women report family commitments as the main constraint, not much different from the EU average (18%), but significantly higher than in Sweden (4.4%). This may indicate that better availability of childcare in Sweden could be an important factor behind the higher female LFP for 25-45 year-old cohorts.

About 10% of Italian inactive women are not looking for a job mainly because they think no job is available, against only 1.5% in Sweden (with similar shares observed for men). This share of discouraged Italian female workers has increased in recent years due to the recession, but even before the crisis, it was still much higher than in Sweden (7.5% vs 1.6%).

Even when they participate in the labor market, Italian women are relatively more under-employed than those in Sweden

While the share of female part-time jobs is roughly similar in the two countries (37.5% in Sweden, 32.5% in Italy), nearly 60% of Italian women who were working part time in 2016 did so because they could not find a full-time job, against only 25.8% in Sweden (and 23.9% in the EU) (see Figure 22). On the other hand, a similar share of part-time women in Italy (25.2%) and Sweden (32.1%) report they work part time because of family commitments. In another possible sign of labor underutilization, the average number of actual weekly hours worked by Italian full-time women employees is 36.1 (2015 data), 3 hours less than Italian men — such a gender gap is the second largest in Europe and compares with only 1.2 hours in Sweden.

Institutional Settings or Personal Preferences?

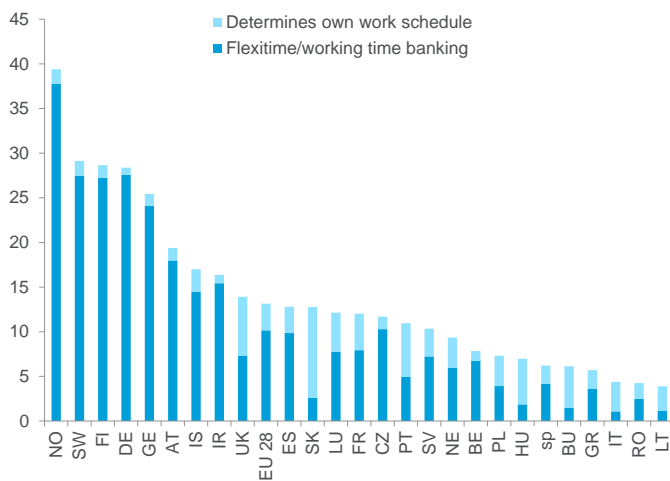
To help explain the significant gap in female LFP between Italy and Sweden, we look at five broad institutional setting/ policies categories:

- Work Flexibility:** Italy and Sweden lie at the opposite ends of the spectrum in work flexibility indicators. Nearly 30% of Swedish female employees in 2010 had some form of flex-time or were able to determine their own work schedule, against only 4.4% in Italy (according to the 2010 European Working Condition Survey) (see Figure 23). Over 25% of women employees had worked from home in the previous three months in Sweden, vs. only 3.9% in Italy.
- Tax Policy:** Taxes on second income earners in households, usually working women, are higher in Italy than in Sweden. The average labor tax wedge on second earners at 67% of average wage in a family with 2 children in 2014 was 47.4% in Italy and 40.5% in Sweden (OECD data), although both countries lie around the middle of the European distribution on these metrics.

A recent [IMF study](#) shows that while the Italian system of individual taxation should not be particularly penalizing for second earners, “the system of tax credits and benefits increases the fiscal burden of low income households and the marginal tax rate of women married to low income or unemployed men”. The study finds that moving to an Anglo-Saxon type of ‘working tax credit’ system could raise the employment rate of married women by 1.5 percentage points.

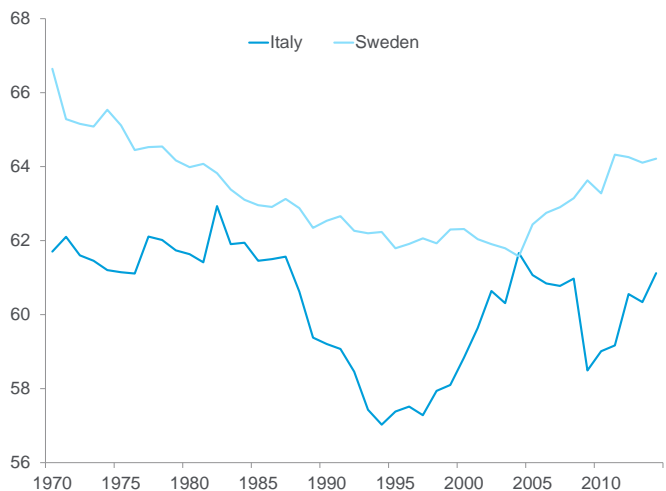
[A CEPR study](#) finds that the participation rate of married women in Italy is positively correlated to their husbands’ income and concludes that the tax system generates disincentives to work for second earners, especially in low-income households. Measures introduced in 2014/15 in Italy have noticeably reduced the labor tax wedge on low income earners (by 2.2 percentage points between 2010 and 2015, for second earners at 67% of the average wage, according to the OECD). We reckon a lower tax wedge could be one reason behind the pick-up in female LFP over the past two years.

Figure 23. Working Flexibility (% of Employees), 2010



Source: Eurostat and Citi Research

Figure 24. Women Effective Retirement Age (Years), 1970-2014



Source: OECD and Citi Research

- **Retirement Age:** Differences in effective retirement ages explain the gap for the older cohorts in the two countries. Recent pension reforms in Italy have significantly increased the statutory retirement age for women (from 62.3 in 2013 to 66.8 by 2020, broadly in line with Sweden's 67, according to OECD data). However, the effective retirement age of Italian women remains lower than in Sweden (61.1 years vs. 64.2 years in 2014, according to the OECD) (see Figure 24). The 2011 pension reform tightened the retirement criteria for women more relative to men and this likely explains part of the significant increase (by more than 4 percentage points) in the 15- to 64-year old Italian female LFP rate since 2011.
- **Public Childcare Support:** Public spending on family benefits and childcare tends to be positively associated with higher female LFP across Europe (and globally). Sweden spends 3.6% of GDP in family benefits (fifth highest in EU), against 2.0% in Italy, and 2.8% in the EU 28, according to 2013 OECD data. An additional 1.6% of GDP is spent in Sweden on childcare and pre-primary education services (third highest in EU according to 2011 OECD data), against 0.6% of GDP in Italy and versus a 0.8% OECD average.

Limited availability of affordable childcare probably explains the relatively lower enrollment rates in formal childcare among the 0- to 2-year old population – nearly half in Italy compared to Sweden (24.2% vs. 46.9%, 2014 data). However, the share of children in informal childcare is much higher in Italy (36% vs. 0.3%). As mentioned above, family commitments are the main reason for inactivity for 1 in 5 Italian women, while for only 4.4% Swedish women, Eurostat data show, suggesting bigger difficulties in finding/paying for childcare in Italy. Indeed, the [IMF](#) finds a strong correlation between the gender gap in participation rates and the availability of childcare services across Italian provinces (using 2007 data). Also, a [Bank of Italy study](#) demonstrates that an increase in the provision of low-cost childcare leads to higher participation rates by Italian mothers due to the associated decline in their reservation wage.

- **Education Levels:** As data show, higher education levels tend to be associated with higher labor force participation rates. Italy reports the second-lowest percentage of working-age women (15- to 64-year olds) with tertiary education in Europe at 17.6%, less than half of Sweden at 40.1% and well below the EU average of 27.7%. Raising education attainments may well contribute to higher female LFP as well as higher overall productivity growth.

All these factors seem to be playing a role in explaining the large Italy-Sweden gap in female LFP although personal/cultural preferences are also probably important. Several studies, for example, suggest that women whose mothers have been in the labor force are more likely to be participating themselves in the labor market.

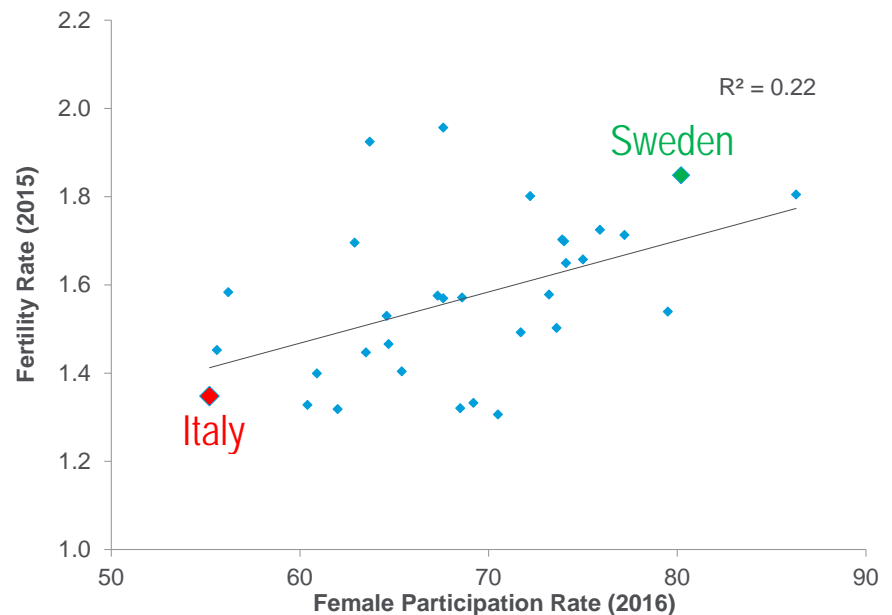
A simple bivariate cross-country correlation analysis across the 28 EU countries indicates that the effective retirement age for women is the indicator most closely correlated with female LFP rate (66%), together with the availability of flexible working time arrangements (61%) and public expenditure on childcare and pre-primary education (52%). As to be expected, the average labor tax wedge on second earners is found to be negatively correlated with LFP rate, albeit not strongly (-30%), while the correlation between women tertiary education levels and LFP rate is positive, but equally not strong (24%).

Given the large gap between Italy's LFP and the rest of the EU and Italy's poor growth prospects, increasing LFP should be an important goal

Impact on Potential GDP Growth

The evidence presented in this report suggests a substantial role for policies, such as removing fiscal disincentives and enhancing the supply of childcare services, to support women's decisions to enter the labor market and to lift Italy's future female LFP rate. Given the still-large gap between Italy's female LFP compared to the rest of EU and Italy's poor growth prospects, raising Italian women's involvement in the labor market should be an important policy goal to significantly help mitigate negative demographic trends and lift potential output.

Figure 25. EU 289: Fertility Rate and Female Participation Rate (%), 2014-15



Source: Eurostat and Citi Research

[An IMF study](#) estimates that closing the gender gap in LFP would increase Italy's labor supply by 12 percentage points, or 20 percentage points if the gap in hours worked was also eliminated. These gains are obviously far smaller for Sweden (around 2.5 percentage points and 8 percentage points). These gains may translate into similar gains in potential GDP, depending on assumptions on female productivity levels. Similar [OECD calculations](#) found that closing the gender LFP gap in Italy could raise Italian GDP by 12 percentage points over the next 15 years and pro-capita GDP growth by 1 percentage point per year. [Empirical evidence](#) also suggests that improving the availability of childcare and work flexibility is positive not only for lifting the female LFP, but also for the probability of women having a child, further reducing the negative demographic effects on potential output. Indeed, somewhat counterintuitively, the relationship between fertility rates and female LFP is positive across European countries and Italy, once again, has the largest potential gains (Figure 25).

Finally, while rising female LFP may initially reduce overall productivity levels, as women at least initially are more likely to be employed in low-productivity jobs, [evidence exists](#) pointing to a strong positive association between a firm's financial performance and gender diversity in senior positions in Italy. To the extent that better profitability at the corporate level is associated with higher productivity growth, this should also contribute to lift potential output in the medium term.

Japan: Womenomics and Abenomics

Katsuhiko Aiba

Japanese Economics, Citi

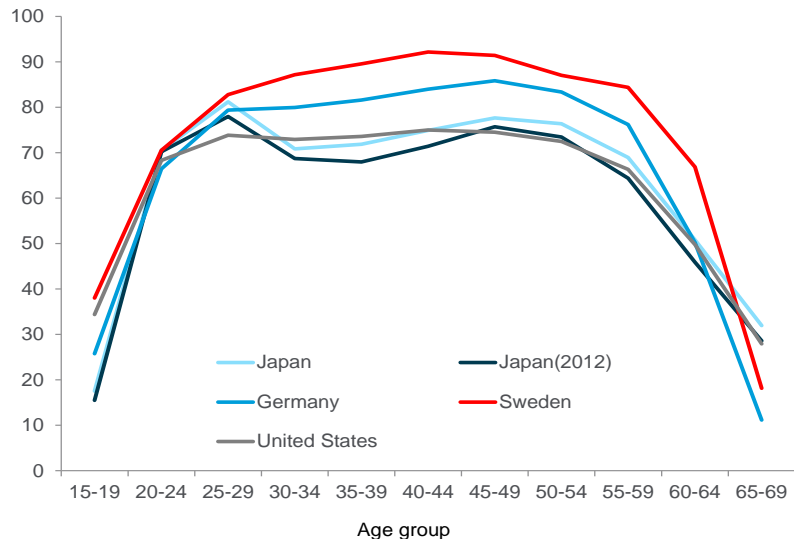
Kiichi Murashima

Japanese Economics, Citi

The Japanese population is aging and shrinking rapidly. According to the UN, the Japanese working-age population is expected to shrink by 15% between 2015 and 2035, which is one reason why Japan's potential GDP growth is so low (+0.9% according to our potential growth estimate). As Japanese society ages, and significant resistance to allowing more immigration remains, harnessing the potential of Japanese women in the economy is vital to safeguard even modest growth prospects in Japan.

Japan tends to score poorly on measures of gender equality in the economy. For instance, even though Japan ranked 20th out of 188 countries on the 2014 Human Development Index (HDI), it was 111th out of 144 countries on the 2016 Gender Gap Index, significantly behind many developing countries. According to OECD data in 2015, the female LFP rate in Japan was 18 percentage points lower than for men, compared to 12 percentage points in the U.S., 9 percentage points in Germany and 4 percentage points in Sweden.

Figure 26. Selected Countries: Female Labor Participation Rate by Age (%), 2015



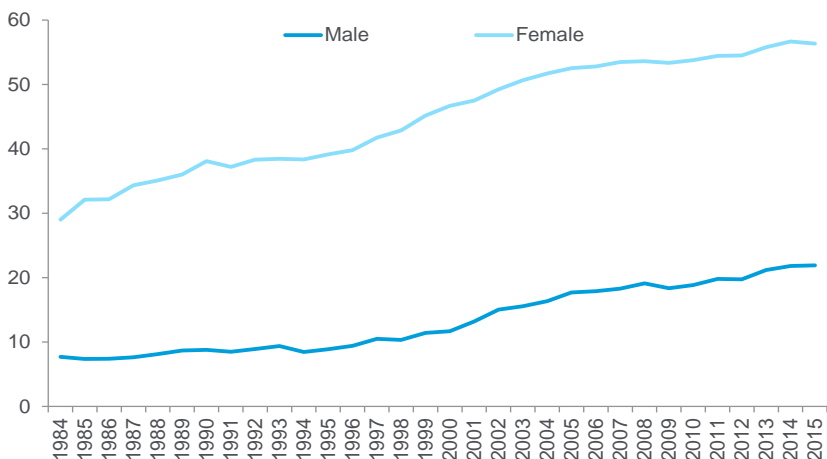
Source: Labor Force Survey, OECD and Citi Research

Harnessing the potential of women in the economy is vital to safeguard even modest growth prospects in Japan

A key observation is that female LFP exhibits the shape of a so-called 'M curve' (see Figure 26). At a relatively young age, female LFP rates in Japan are quite similar to those in other advanced economies. However, many Japanese women exit the labor market during their 30s and 40s, usually after childbirth.

In addition to the wide gap in LFP rates between men and women in Japan, Japanese women are relatively poorly paid, tend to be hired as non-regular (i.e. temporary or part-time) workers, and are rarely found in leadership positions or in high-productivity sectors. Hiring more non-regular workers (at lower wages) was one of the ways Japanese firms have tried to address the threat of competing with countries with lower labor costs. While the ratio of non-regular workers for males rose from about 8% in 1984 to about 22% in 2015, the ratio for females rose from about 29% to about 56% during the same period (see Figure 27).

Figure 27. Japan- The ratio of non-regular workers (%)

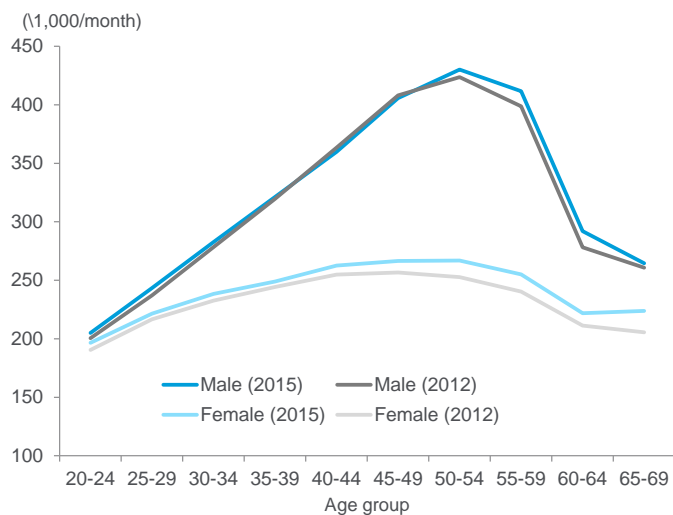


Source: Ministry of Internal Affairs and Communication, Citi Research

What Drives the Large Gender Gaps in Japan?

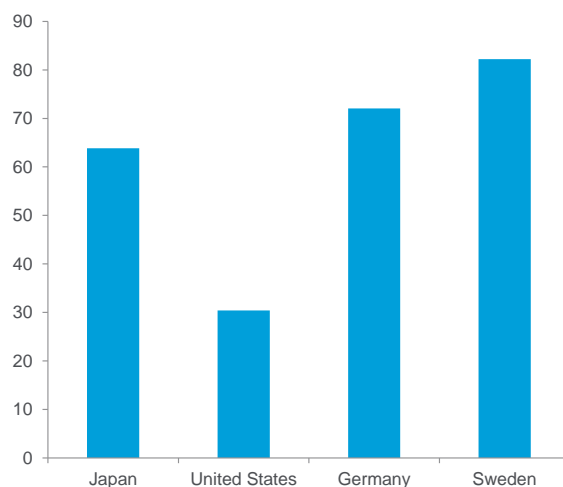
There are several reasons for the high degree of gender inequality in the Japanese economy, including relatively high child care costs, little flexibility in work schedules, and demanding working hours (in particular for leadership positions, both in the private and public sector), high marginal income tax rates for second-income earners and cultural attitudes that discourage women from pursuing ambitious careers.

Figure 28. Japan: Wage Curves in 2012 and 2015



Source: Ministry of Health, Labor, and Welfare, Citi Research

Figure 29. Selected Countries: Earnings Gap Between Full-Time and Part-Time Workers (Full Time Worker's Earnings = 100)



Note: Data in Japan and the U.S. are as of 2015 while those in Germany and Sweden are as of 2014
 Source: Ministry of Health, Labor, and Welfare, Bureau of Labor Statistics, Eurostat, Citi Research

Japanese workplace practices and their impact on female labor force participation

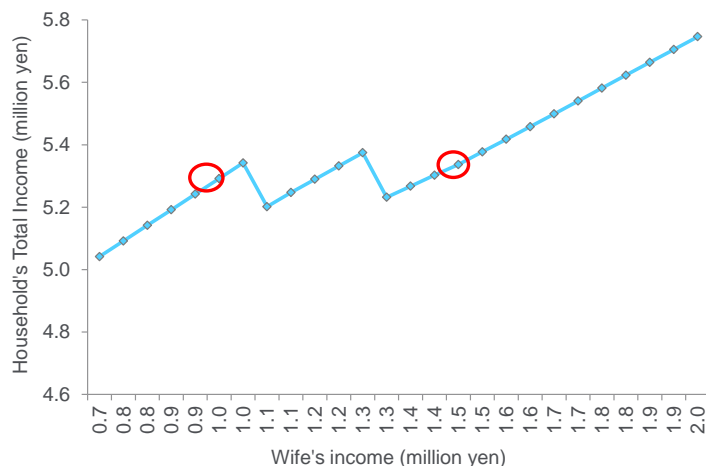
A major reason for the large gender disparities in Japan appear to be what is sometimes referred to as 'membership-type employment'. According to this work style, employees are generally expected to work faithfully under the company's instructions, often with poorly defined job descriptions, frequent relocations, and potentially long hours and overtime. This work-style remains quite common for regular workers in large Japanese corporations, where such regular workers are often expected to behave (and see themselves as) similar to "members" of the company (see [Japan Economics Weekly: True "work-style reforms"](#)).

This work style constitutes a major hurdle for women in the workforce. In Japan, women are often responsible for most household work, including child-rearing. Since the membership-type employment requires more or less full devotion to the company, women often quit their jobs when they get married. After such a break, the path back to becoming regular workers is usually difficult, and ongoing responsibilities for child-rearing and other household work would often be incompatible with these work schedules. As a result, even when women return to the workforce, they often do so in part-time or temporary capacities.

Even though some women may well prefer to work in temporary and part-time roles, the above arrangements imply that the path for women to fully contribute to the economy is often blocked for those that are able and want to work in more demanding jobs. The segmentation of women into non-regular jobs is also a major reason for the large wage gaps between men and women in Japan (see Figure 28). Currently part-timers are paid only about 64% of the full time worker's earnings in Japan, while they on average are paid 72% of the full-time wage in Germany and 82% in Sweden (Figure 29). There is room to increase non-regular workers' (thus most female workers') wages to the levels of European countries.

Meanwhile, fiscal incentives in Japan also restrain female LFP (see [Japan Economics Weekly: Tax reform drive stalls](#)). Among these are the spousal tax deductions and spouse pension premium exemptions. Households with a spouse (mostly housewives) benefit from a deduction if the spouse's income is below a certain threshold. Spouses are also exempt from paying pension premiums if his/her income is below another, different threshold.

Figure 30. Japan: Household's Income (incl. Spousal Allowance) After Tax and Social Security Payment, 2016



Note: We calculate the household's net income assuming that a nuclear family with a husband whose income is ¥5 million, with a wife and a single child, and that they receive ¥0.24 million annual spousal allowance, providing the wife works part-time.

Source: Citi Research

Both of these provisions create discontinuities in household income after tax and social security payments (see Figure 30). According to our calculations, and assuming that the woman is the secondary earner in the typical nuclear family, for the household's overall income to exceed the level when she earns ¥1.0 million (~\$8,800), it is required that she earn at least ¥1.5 million (~\$13,000) (see Figure 30). Earnings of ¥1.5 million annually roughly equates to working around 28 hours per week, while earning ¥1.0 million annually equates to working about 19 hours. These calculations suggest that the exemptions and deductions significantly discourage women from increasing their labor supply beyond 20 hours/week in many cases.

The Gender Element of Abenomics

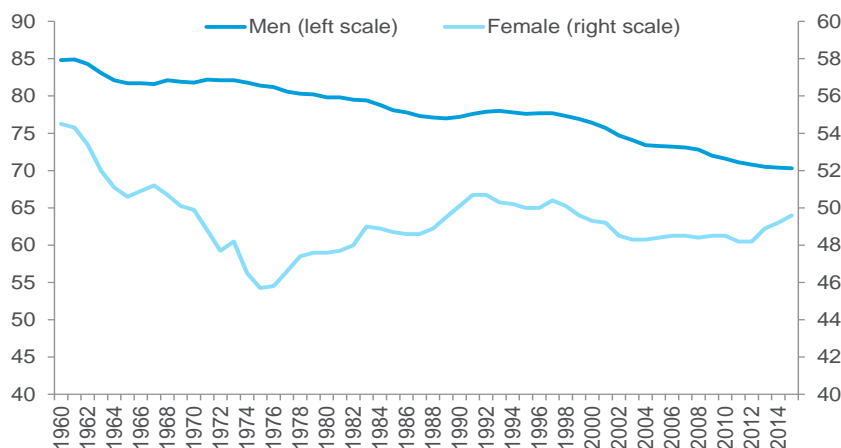
Japanese Prime Minister Abe has made increasing female participation in the economy a central element of his growth agenda

Japanese Prime Minister Abe has made increasing female participation in the Japanese economy a central element of his growth agenda ('Abenomics'), focusing on a variety of issues and measures. For instance, Prime Minister Abe has set a goal of raising the female LFP rate for the 25-44 age cohort to 77% by 2020 (versus 71.6% in 2015) and has set a goal of increasing the ratio of women in leadership positions in the public and private sectors to 30% and 25%, respectively, by 2020 (versus 22.2% (government officials) and 16.2%, respectively, in 2015).

In order to achieve these goals, the Abe administration has taken measures to expand the number of daycare centers and to encourage the practice of providing maternity (and paternity) leave benefits (under the current system, employees are guaranteed to be paid about two-thirds of their wages during their leave and child care leave can last for up to a year). Prime Minister Abe has set work-style reforms as a main pillar of his structural reform plan. The reform plan includes the encouragement of "equal pay for an equal job" regardless of sex, age, and the type of employment; and the administration encourages firms to increase the pay of non-regular workers (mostly female workers) relative to full-timers up to the levels observed in European countries and for firms to expand the number of regular workers. The administration also announced the desire to increase the number of women in senior positions in the government as well as in the private sector. A number of initiatives by various ministries aim to showcase companies that have taken effective measures to promote women in leadership positions.

Finally, Prime Minister Abe sought a complete abolition of the spousal deduction by introducing a "couple deduction" applied to all married couples, but this plan was shelved due to political opposition. Only a compromise that shifts the location of the discontinuity to the right (i.e., only discourages female labor supply at a higher level of income than previously) has been made for fiscal 2017 tax revision.

Figure 31. Japan: Labor Participation Rate (%)



Source: Ministry of Internal Affairs and Communications, Citi Research

Evidence from Japan so far: some early signs that policies may be beginning to have a positive impact

The Performance of Womenomics in Japan So Far

There is some early evidence that Prime Minister Abe's policies may be beginning to have a positive impact. Female LFP rates have been rising in recent years, not only among 30-40-year-olds but among 50-60-year-olds (see Figure 26). Specifically, comparing 2012 (before the Abe administration) and 2015, the increases in female LFP rates range from 2.0% (for the ages of 45-49 years) to 4.9% (60-64 years) and the total female LFP rate rose from 48.2% to 49.6% (see Figure 31). However, much of the increase in the female LFP rate in Japan recently was more among non-regular workers (see Figure 27). It is therefore not surprising that the female-male wage gap has not been shrinking noticeably during the Abe administration (see Figure 28) and the qualification should be made that the recent rise in female LFP is not only due to the administration's measure but labor shortages and social security concerns (see [Japan Economics Weekly - Behind the scenes of the rise in labor force participation](#)).

The content of the work-style reforms do not look likely to lead to fundamental changes in the above-discussed Japanese employment system soon. Many conventions and traditions — both for the work-style but also the distribution of household work — appear to be deep-seated and may therefore be difficult to change in the near term. Many of the government's suggestions and encouragements (such as raising wages of part-timer employees) also appear rather difficult to enforce.

As for changes to fiscal incentives, the proposal to completely abolish the spousal deduction was abandoned and a more limited replacement may be presented instead. But the difficulty to push through the original plan highlights how significant the hurdles are to truly level the playing field for women in the Japanese economy.

Women's Economic Empowerment on the Global Agenda: UN 2030 SDGs

Leave No One Behind

Excerpts from Two UN High-Level Panel Reports on Women's Economic Empowerment

The following consists of excerpts from the two reports presented by the UN High-Level Panel (HLP) on Women's Economic Empowerment. The full reports, toolkits, and more information on the HLP can be accessed at <http://hlp-wee.unwomen.org/en>.

The UN Secretary-General's High-Level Panel on Women's Economic Empowerment, established in January 2016, was tasked with developing an action-oriented agenda in support of women's economic empowerment in the context of achieving the SDGs of the 2030 Agenda for Sustainable Development. With powerful and influential membership representing governments, the private sector, civil society and the global multi-lateral institutions, the HLP has combined energy, commitment and action to further the economic empowerment of women across the world. The HLP has produced two reports, identifying seven drivers of change and presenting recommendations for transformative actions necessary to advance women's economic empowerment.

Women's economic empowerment is both a human right and human development concern, as well as a contributor to equitable growth and sustainable development. As women's economic empowerment is pertinent to almost all of the 17 Sustainable Development Goals (SDGs), the Panel has purposefully guided the acceleration of progress on multiple targets in the framework, such as equal access to economic resources and basic services; ownership and control over land and other property, inheritance, natural resources, appropriate new technology, and financial services; redistribution of unpaid work; more and better jobs; and protection and promotion of labor rights, amongst others. The significance and timeliness of the HLP and its reports are evident from the fact that currently, only 50 percent of women of working age are in the labor force compared to 77 percent of men. The global gender wage gap is at 24%, and women continue to bear the disproportionate burden of unpaid work and informal work.

However, recent research shows that if women participate equally in the economy, global GDP could increase by 26% (or 12 trillion USD) by 2025. There is no doubt, therefore, that gender equality is a matter of basic human rights, and can also generate huge gains for human development, economic growth and business. Moreover, the reports and the process of the HLP, established that progress requires local and global action by all parts of society often working in partnerships to achieve scalable and sustainable impact.

In this chapter, we present select extracts from the two reports of the HLP. The full reports, toolkits, and more information on the HLP can be accessed here: <http://hlp-wee.unwomen.org/en>.

“ The empowerment of the world's women is a global imperative. Yet despite important progress in promoting gender equality, there remains an urgent need to address structural barriers to women's economic empowerment and full inclusion in economic activity.

– BAN KI-MOON, FORMER SECRETARY-GENERAL, UNITED NATIONS

”

Citi and the UN High-Level Panel: Working Together to Boost Awareness

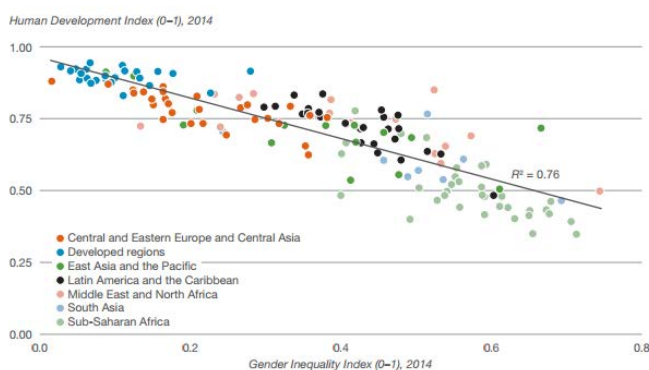
The UN Secretary-General established the High-Level Panel (UN HLP) on Women’s Economic Empowerment in January 2016 as part of his efforts to ensure that the 2030 Agenda moves from the pages of UN documents into the lives of women – and works towards stronger, more inclusive economies. With powerful and influential membership, the Panel seeks to corral energy, commitment, and action to accelerate the economic empowerment of women across the world.

The Panel, comprised of 20 senior representatives drawn from business, government, and civil society, included Citi’s Chief Global Political Analyst Tina Fordham, who co-chaired the Panel’s working group on Changing Workplace Culture and Practice alongside U.K. Secretary of State for Education and Minister for Equalities, Justine Greening.

As a representative of the private sector on the panel, Citi committed to implement specific and concrete actions to empower women within our own organization and in our reach scope. These included:

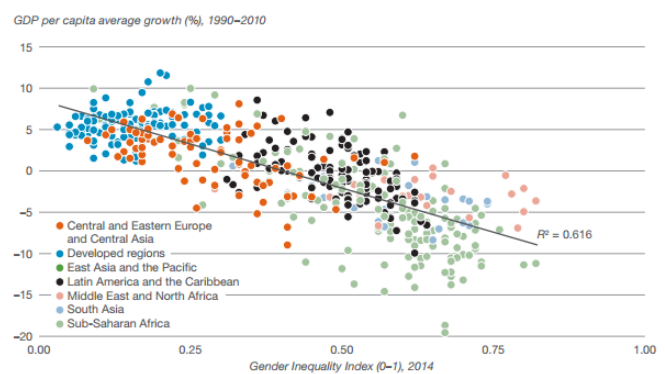
- Hold a reception for Citi clients to boost awareness of the Women’s Economic Empowerment agenda and the UN’s Women’s Empowerment Principles (WEPs) with a senior private sector audience.
- Convene a consultation with key members of the private sector Zurich, Switzerland with HLP members and Swiss companies, to share best practices on how to drive the adoption of the 2030 Sustainable Development Goals as they relate to gender equality.
- Participate in a private sector/government consultation in the U.K. to create a U.K. innovation business-led action group which would be engaged in the Women’s Economic Empowerment agenda and support the approach.
- In support of Citi’s Mission and Value Proposition to enable growth and progress for all, Citi established a new partnership with UN Women as a key strategic partner in 2016. The core focus for 2016 was Citi’s collaboration to support UN Women’s work encouraging increased procurement of goods and services from women-owned businesses. This collaboration resulted in a gender-responsive procurement guide, *Corporate Guide to Gender-Responsive Procurement*, published in March 2017, which is publicly available as a resource.

Figure 32. Gender Equality is Associated with Boosting Human Development



Source: United Nations Development Programme 2015 Human Development Report

Figure 33. Gender Equality is Associated with Faster Economic Growth



Note: GDP per capita growth was regressed on initial income to control for convergence. Years range from 1990 to 2010.
 Source: Development Indicators 2015, IMF staff estimates, and United Nations Development Programme 2015 Human Development Report

Constraints on women's economic empowerment are rooted in unaddressed gender inequalities in society

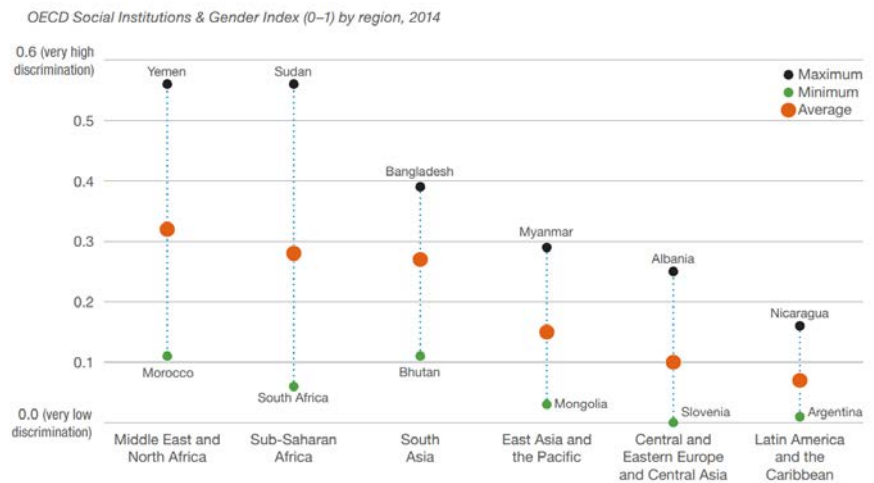
Layers of disadvantage remain powerful obstacles to equal rights and opportunities

Limited Progress, Persistent Gaps

The pace of improvement in expanding women's economic empowerment and closing gender gaps has been far too slow. And gender inequalities in other critical areas, including political representation and protection against violence, are persistent and pervasive. The challenges are interrelated: constraints on women's economic empowerment are rooted in unaddressed gender inequalities in society.

All too often, discriminatory social norms constrain women's ability to find decent jobs on an equal footing with men. Layers of disadvantage — including those related to poverty, ethnicity, disability, age, geography, and migratory status — remain powerful obstacles to equal rights and opportunities for hundreds of millions of women.

Figure 34. Discriminatory Norms Vary Widely Across Regions and Countries



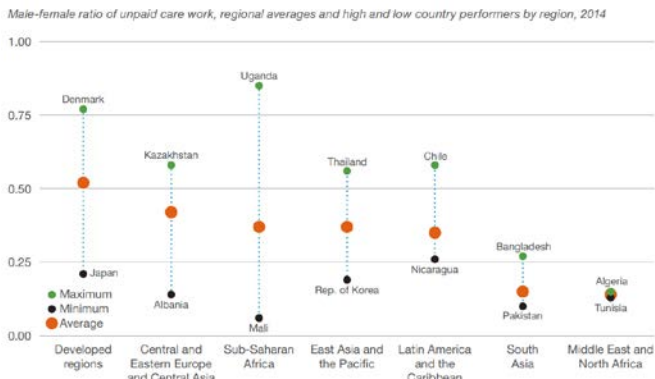
Note: Unweighted regional average. 104 countries are included. Developed regions (Belgium, France, Italy and Spain) are not included due to too few observations. SIGI is coded between 0 (no or very low discrimination) and 1 (very high discrimination).

Source: OECD Gender, Institutions and Development Database, 2014.

The gender differences in unpaid work and in all types of paid work are large and persistent

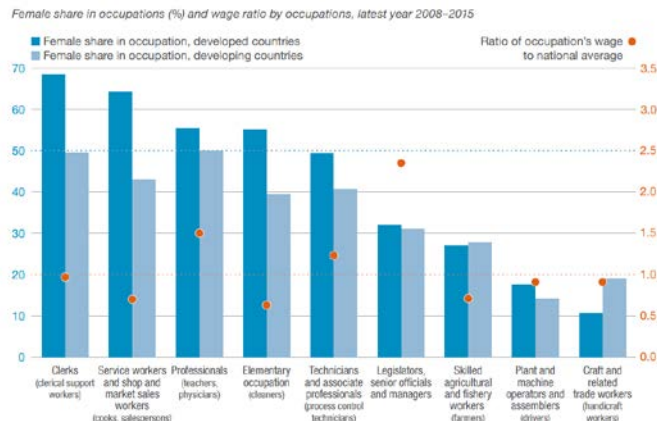
Most women perform unpaid household and care work. Many also work for pay or profit in a raft of ways and contexts in the formal and informal economies — as waged or salaried workers, as employers and own-account workers, and as contributing family workers. The gender differences both in unpaid work and in all types of paid work are large and persistent, reflecting constraints on women's economic opportunities and outcomes.

Figure 35. Across Regions, Men do One-half to Less Than One-fifth of the Unpaid Care Work That Women Do



Note: Unweighted regional average. 69 countries are included.
Source: OECD Gender, institutions and Development Database 2014

Figure 36. Women Tend to be Overrepresented in Low-Paying Occupations



Note: Data available for 43 countries. Data for occupational share is most recent available (2008-2014) and data on average wage is most recent available (2010-2015). Figures are not weighted for population. Only data based on ISCO-08 and ISCO-88 classifications are included.
Source: International Labour Organization ILOSTAT database, International Labour Organization Key Indicators of the Labour Market database and EUROSTAT, Structure of Earning Survey 2010.

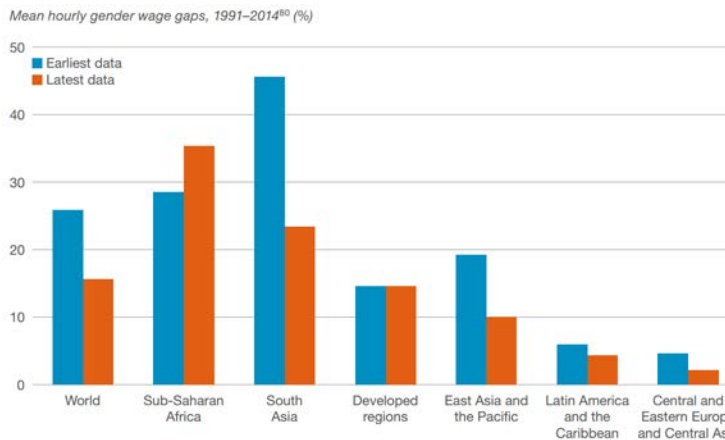
About 700 million fewer women than men of working age are in paid employment...

...and women tend to work in jobs characterized by low earnings, poor working conditions and limited career-advancement opportunities

Globally, only one in two women aged 15 and over participate in employment for pay or profit, compared with about three in four men. Indeed, about 700 million fewer women than men of working age were in paid employment in 2016 — 1.27 billion women against 2 billion men. At the same time, women undertake about three times more unpaid work than men.

Many women are in part-time paid work and in jobs, sectors, and occupations reflecting gender stereotypes and characterized by relatively low earnings, poor working conditions, and limited career advancement opportunities. In many jobs and sectors, women have restricted scope for collective voice and action. Even when women do the same or similar jobs as men or perform work of equal value, they are paid less on average than men. The size of these gender gaps varies considerably around the world, with results in some countries much better than others.

Figure 37. Gender Wage Gaps are Closing in Most Regions



Note: Data from 60 countries, employed population 15+ used to calculate weighted averages. No data from the MENA region. Earliest data for Thailand were in 1977 and for India were in 1983.
Source: Hallward-Driemeier and Posadas forthcoming (years vary by country).

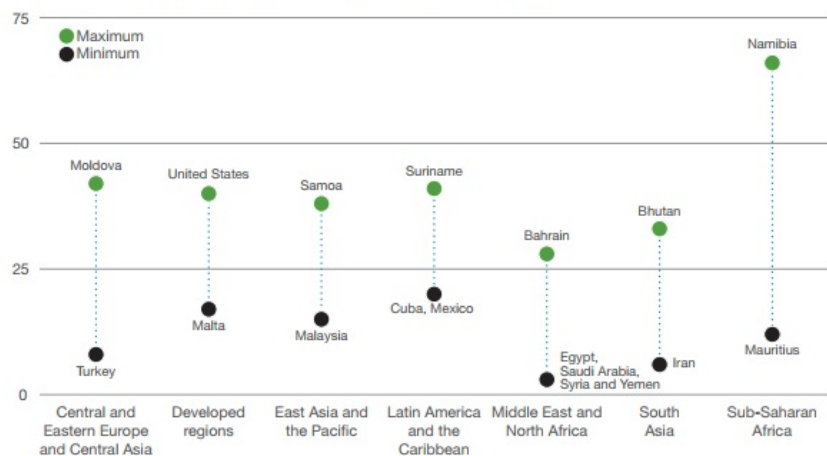
Expanding opportunities for women in informal work are key to realizing the SDGs

Many of the roughly 1 billion people living in extreme poverty around the world are working informally. In developing countries, informal workers of both sexes typically suffer from deficits on several fronts: access to basic infrastructure; to childcare; to education and skills training; to financial services; to health services, including occupational health and safety; and to transport. Most of these deficits are more severe for women, and women living and working in these conditions face particular challenges – including sexual harassment, violence, and restrictions on their reproductive rights.

In 134 countries, women are a minority of employers, ranging from lows and of close to zero of Qatar and Saudi Arabia, to highs of 66 percent in Namibia. Firms that women own are likely to be micro or small in size and informal in nature.

Figure 38. Fewer than Half of Employers are Women, in most Countries Ranging Between 2 and 66 Percent

Share of women among employers, by region, most recent year 2010–2015 (%)



Note: 119 countries are included.

Source: International Labour Office, ILOSTAT

Barriers to Gender Equality and Women's Economic Empowerment

Four overarching systemic constraints to women's economic empowerment undermine women's economic opportunity in all aspects of work

Why, despite advances in education and rising incomes in much of the world, do gender gaps in work persist? The evidence points to four overarching systemic constraints to the economic empowerment of women: adverse social norms; discriminatory laws and lack of legal protection; the failure to recognize, reduce, and redistribute unpaid household work and care; and a lack of access to financial, digital, and property assets. These constraints undermine women's economic opportunity in all aspects of work. To accelerate progress, transformations are needed to break through all of these constraints.

Actors to lead and drive change include the public sector, the business sector, multilateral organizations and collective voice

This report highlights four sets of actors to lead and drive change. The public sector can lead by implementing policies to promote inclusive growth and women's economic empowerment, and by improving public sector practices in employment and procurement. The business sector can lead by changing business culture and practice, building on the accumulating experience of companies already promoting gender equality. The United Nations and multilateral organizations can play a critical role in supporting reform and investments. And collective voice is critical — especially women's groups, worker and employer organizations, and other civil society organizations — to advocate, represent, and hold decision-makers accountable.

Breaking the Constraints on Women's Economic Empowerment – Seven Drivers of Change

From the wealth and diversity of experience around the world, the UN High-Level Panel identified seven primary drivers of transformation (see Figure 39). For each of these seven drivers of change, the report also highlights concrete actions and interventions that are proven, in the sense that they have demonstrated impact in reducing gender gaps — or promising, in the sense that experience and analysis to date suggest valuable potential. To be acknowledged at the outset, however, is that important gaps in data and evidence constrain knowledge and understanding of what works. Addressing these data gaps could be a priority for those committed to driving change and achieving results.

Moreover, not every proven or promising action is appropriate to every situation. Priorities are context-specific, and what is effective differs across countries based on their specific development, institutional, and cultural conditions. But large differences in country performance within regions, and at the same development levels, indicate that there is room for significant progress everywhere.

Figure 39. Seven Primary Drivers of Women's Economic Empowerment



Source: UN High-Level Panel on Women's Economic Empowerment

There is no magic solution for achieving women's full and equal economic participation. Action is needed across the seven drivers in all countries. But creating a more supportive enabling environment can accelerate all efforts for women's economic empowerment and is essential for lasting change.

An enabling environment is characterized by the implementation of policies and legal reforms that remove structural barriers, challenge discriminatory norms, ensure adequate social protection, expand access to crucial infrastructure and facilitate the organization and collective voice and representation of women to set the terms of their economic engagement.

Macroeconomic policies are crucial enablers of gender equality because they shape the overall economic environment for advancing women's economic empowerment. Policy choices influence the level and pattern of employment creation, the level of unpaid care, and the resources available for governments to promote gender equality.²¹ How macroeconomic policies are designed and implemented will thus be significant determinants for accelerating women's economic empowerment.

²¹ UN Women, 2015. *Progress of the World's Women 2015-2016: Transforming Economies, Realizing Rights*. New York: UN Women.

Driver 1: Norms and Women's Economic Empowerment

Norms are the rules of conduct that are considered acceptable by a dominant group or society. They are gendered in that they shape the values and structures of individuals, families, communities, institutions and societies. Transforming norms, though challenging, is possible, and doing so must be an integral part of a comprehensive approach to women's economic empowerment and to achieve the Sustainable Development Goals 5 on gender equality and empowerment of all women and girls. The recommendations here respond to three key gaps identified in the first report: (1) the renewed focus should not be just on gendered social norms, but also on economic norms affecting women's empowerment; (2) if action on women's economic empowerment is to be bold, the push for change should be on the norms that regulate institutions, structures, and policies and not so much on individual behavior; and (3) not all women are affected in the same ways.

Recommendations

- 1. Eliminate all forms of violence against women and girls.** Take action to prevent and respond to violence against women and girls in their homes, in their communities, in the world of work, and in public places. Enforcing legal and regulatory frameworks, protocols and disciplinary measures are critical measures. So are awareness-raising and violence prevention campaigns in collaboration with women workers, business, trade unions, employer organizations, and women's organizations.
- 2. End discrimination and stereotypes that gender roles and abilities.** Take action to change discrimination and stereotypes that ascribe gender to abilities and roles, including care work, and they should remove discrimination in the workplace, through education with school-age children, advertising, media, business, and civil society groups.
- 3. Eradicate the stigmatization of informal workers.** Governments, intergovernmental organizations and civil society should take action to support and recognize informal workers' organizations such as unions, cooperatives, and voluntary organizations.

Driver 2: Ensuring Legal Protections and Reforming Discriminatory Laws and Regulations

Laws that provide equal rights for women and men in inheritance, land tenure, and access to employment, for example, create a level playing field affording equal economic opportunities. Data show²² a correlation between discriminatory legal frameworks and economic outcomes,²³ as gender inequality in the law is linked with a decrease in women's workforce participation and entrepreneurship and is associated with wider gender pay gaps.²⁴ But most countries²⁵ still have at least one law undermining women's economic opportunities,²⁶ and most legally exclude informal workers (the majority of women workers in developing countries) from enjoying the rights and protections enjoyed by other economic actors.

²² World Bank. 2015. *Women, Business and the Law 2016: Getting to Equal*. Washington DC: World Bank.

²³ The costs of gender equality are well documented, and at the current pace it will take another 170 years to close the gender gap worldwide. See World Economic Forum. 2016. *The Global Gender Gap Report 2016* (Geneva: World Economic Forum), p. 24.

²⁴ Ibid.

²⁵ World Bank (2015).

²⁶ Ibid.

Recommendations

1. **Reform laws discriminating against women and enact legislation enabling gender quality** across labor, employment, property, family, inheritance, and nationality provisions; and on preventing, addressing, and redressing all forms of violence and harassment against women.
2. **Expand social protection coverage for all**, according to principles of equity, efficiency, and sustainability, based on national circumstances.
3. **Create an enabling legal environment for informal (and agricultural) workers**, extending workers' rights and entitlements and recognizing the rights to secure housing and land tenure and access to public space, raw materials, natural resources, transport, and basic infrastructure and services.
4. **Increase women's access to justice** through increasing legal awareness, providing legal aid and legal advance and creating simplified or special procedures and specialized courts and dispute resolution bodies.

Driver 3: Investing in Care: Recognizing, Reducing and Redistributing Unpaid Work and Care

Women's unpaid work, at a conservative estimate, contributes \$10 trillion a year globally, or 13 percent of global GDP. Women retain a disproportionate role in caring for the young, sick, and elderly, imposing a double burden of paid and unpaid work.²⁷ This double burden, and women's disproportionate concentration in unpaid care work, subsidizes the monetized economy,²⁸ contributes to their greater time burdens²⁹ and substantially limits their participation and empowerment in political, social, and economic spheres. Acknowledging and resolving care deficits for unpaid carers and workers is essential. Also recognized is the imperative to formalize and promote quality paid care — childcare, elder care, health care, education, and domestic work are critical sectors of the economy that contribute to human development and gender quality.

Recommendations

1. **Recognize, redistribute and reduce care work.** Care is a universal right and an essential building block for economic growth and women's economic empowerment. Governments should therefore ensure that core economic policies include commitments to invest in affordable, quality and accessible care services (childcare, elder care, disability care) for all, including the most marginalized groups. They should include care as part of commitments to universal social protection, incorporate measures of paid and unpaid care work in national statistics, and invest in basic infrastructure (water, electricity, health, education, and safe transport).

²⁷ ILO. *Women at Work Trends 2016*.

²⁸ Hirway, I. 2015. "Unpaid Work and the Economy." Levy Institute Working Paper No. 282. May. New York: Levy Economics Institute. Antonopoulos, R. 2009. "The Unpaid Care Work – Paid Work Connection." ILO Working Paper No. 86. Geneva: ILO.

²⁹ Sepulvade, M. 2013. "Report of the Special Rapporteur on Extreme Poverty and Human Rights." A/HRC/26/36. March 11.

2. **Ensure decent work for paid care workers, including migrant workers.**
Paid work in the care sector must be decent work, with adequate wages, equal pay for work of equal value, decent working conditions, formalization, social security coverage, occupational safety and health regulations, self-care, professional training and professionalization, and freedom of association.
3. **Foster social norms change to redistribute care from women to men and ensure that care is their equal right and responsibility.** This can be promoted by including and mainstreaming equal responsibility for care between men and women throughout the education system, with the goal of changing social norms around care and promoting positive masculinities. It can also be promoted by redistributing care between women and men, through advertising campaigns, community-based behavior-change, and support for flexible employment policies to balance work and family commitments.

Driver 4: Building Assets: Digital, Financial and Property

New digital technology innovations and applications have the potential to accelerate women's economic empowerment. The challenges include large gender gaps in digital and financial inclusion and asset ownership and use. But if addressed, these gaps can be removed. Multiple barriers prevent women from accessing digital financial services: self-bias, prices and product and service design. But providing women with mobile phones (or access to mobile phones) or enabling women to open bank accounts can speed up the adoption of digital financial services. Women must continue to contribute to and benefit from the growth of these sectors as operators, providers, policymakers, program designers, implementers and evaluators.

Recommendations

1. **Ensure women's equal access to digital financial services and equal access to and control over productive resources including land, labor, and capital.**
2. **Encourage stakeholders of a country to assess how women are progressing along with digital inclusion continuum.**
3. **Enable women's voices to shape digital, financial, and property products, services, and policies.**

Driver 5: Changing Business Culture and Practice

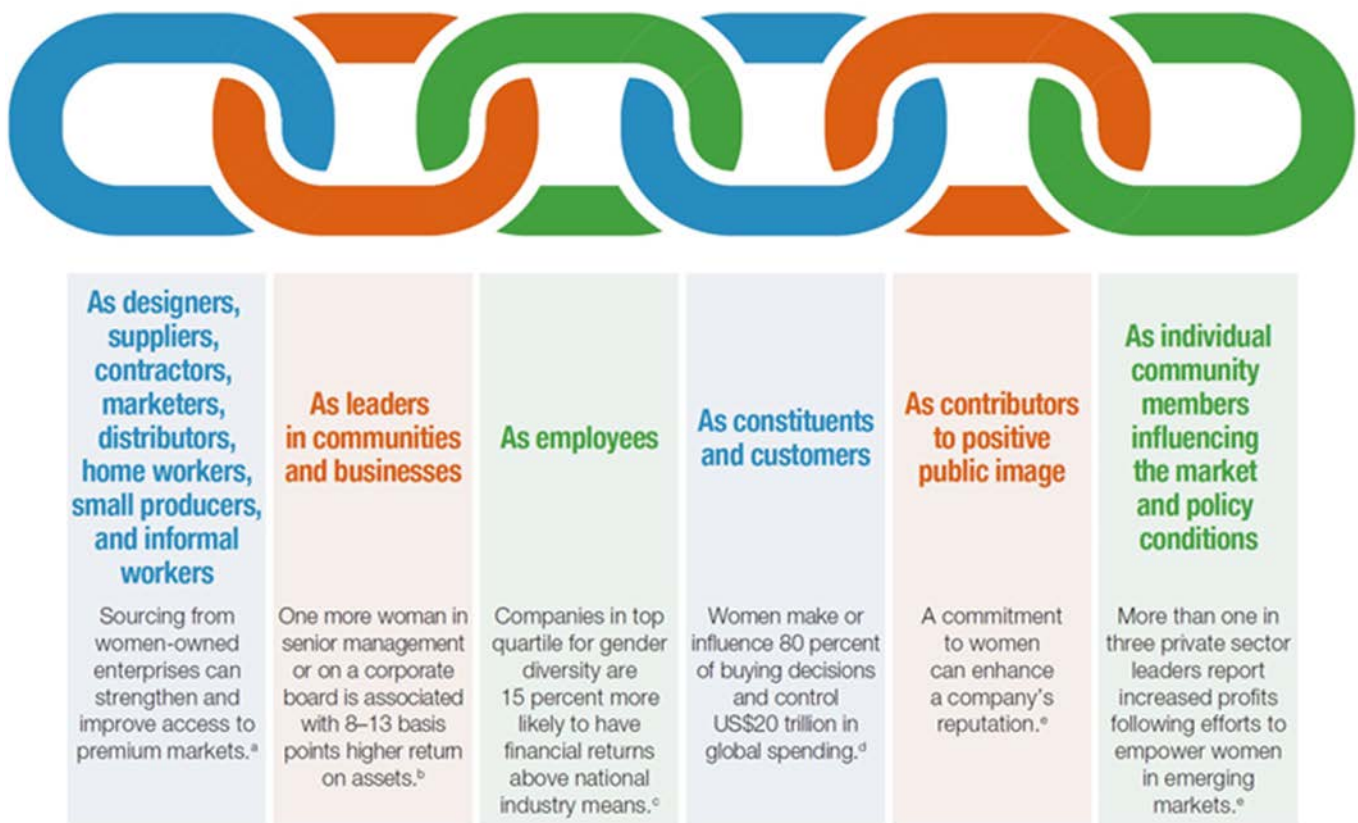
Despite the high potential for positive outcomes, private sector progress on gender diversity and inclusion within their supply chains has been slow, even where companies have made considerable efforts. The goal is to galvanize action and engage new business partners in effective, timely, and broadly applicable practical actions to expand women's opportunities for positive economic engagement across all four dimensions of work, in line with the 2030 Sustainable Development Agenda Goals.

Recommendations

1. **Conduct an internal self-audit.**
2. **Provide incentives to frontline management** and hold managers accountable in their performance reviews and compensation for company-wide clear and measureable targets for gender diversity and advancement.

3. **Consider setting procurement targets for sourcing from women-owned enterprises.** Inclusive procurement targets can be a smart, straightforward way for companies to increase their supplier options, while also creating new economic opportunities for businesses owned and controlled by women that might have been overlooked in traditional sourcing processes.³⁰
4. **Map value chains to ensure ethical sourcing and workers' rights.** Homeworkers often are invisible to the companies that hire them through prime contractors. Corporations should map their value chains and work with their supplier forms to encourage policy commitments for protecting homeworkers and to support their partners in undertaking a due diligence process to prevent and remedy adverse conditions for homeworkers.

Figure 40. A Value Chain Approach to the Business Case



Source: UN Women

³⁰ WEConnect International. 2017. *The Business Case of Global Supplier Diversity and Inclusion: The Critical Contributions of Women and Other Underutilized Suppliers to Corporate Value Chains*. Washington DC: WEConnect International.

Driver 6: Improving Public Sector Practices in Employment and Procurement

Governments are uniquely situated to advance gender equality and empower women economically through their procurement and employment policies and practices.³¹ Indeed, public procurement accounts for 10 to 15 percent of the GDP in developed countries and averages more than 30 percent in developing countries.³² But women-owned enterprises still receive only an estimated 1 percent of the total annual spend. The primary challenges for women-owned enterprises include lack of access to finance, social, and human capital, and resistance from sociocultural norms and expectations. Although public procurement is generally directed to formal firms, the practice holds enormous potential for creating gains for women in agriculture and in the informal economy.

Recommendations

1. **Promote gender equality in public sector employment by establishing gender targets or quotas for hiring and top-level positions within the public sector, and measure progress towards those targets or quotas.**
2. **Promote women-owned enterprises and women's collectives by considering establishing and tracking government-wide targets for their participation in procurements and encourage suppliers to do the same.**
3. **Provide support for informal and agricultural workers by reforming procurement laws and regulations to allow collective enterprises to bid on public procurements.**

Driver 7: Strengthening Visibility, Collective Voice, and Representation

Women's economic empowerment will not happen without their equal and full participation in economic, social, political, and cultural life at all levels, including in decision-making and leadership. This requires regulations and mechanisms to create space and support for women to build their own collective action and power in strong organizations, collectives, and movements. Women's economic empowerment is inextricably linked to decent work. Governments can play a critical role in guaranteeing human rights and ensuring marginalized workers — both women and men, including informal, agricultural, domestic, migrant, and indigenous workers — are included in legal framework.

Recommendations

1. **Ratify and implement ILO Freedom of Association and Protection of the Right to Organize Convention and Right to Organize and Collective Bargaining Convention, 1948 (No. 87).** Governments should guarantee and protect the human rights to freedom of expression and assembly and support international labor standards on violence and harassment against women and men in the world of work.

³¹ McCrudden, C. 2004. "Using Public Procurement to Achieve Social Outcomes," *Natural Resources Forum* 28(4); 257-67

³² International Trade Centre. 2014. *Empowering Women through Public Procurement*. Geneva: International Trade Centre.

2. Reform legal frameworks to protect informal workers and promote the formalization of their work in line with the ILO recommendation No. 204.

Governments should provide legal identity and recognition of workers in the informal economy, especially women, and include informal worker representatives in rule-setting and policymaking.

A Call to Action

The barriers to women's economic empowerment are deeply ingrained and universal. They require a multipronged approach by all four sets of actors (government, business, civil society, and U.K. and multilateral organizations) working simultaneously and in partnership. Many efforts are already under way and delivering results in various countries.

Building on these efforts and taking action on all the recommendations here will lead to a step change in women's economic empowerment and give us the world we want to see by 2030: a world where women's rights are recognized and women are empowered to be free and equal participants in a robust, sustainable, and inclusive global economy.

Box 1: Seven Principles for a Transformative Agenda on Women's Economic Empowerment

- **No women left behind:** The focus must be on women at the base of the economic pyramid, regardless of their characteristics or circumstances. Leaving no one behind – including the roughly 1 billion people still living in extreme poverty – is a key principle of the 2030 agenda.
- **Nothing done for women without women:** Women's voice and participation must be central to all actions.
- **Equal focus on rights and gains:** Enabling women's economic empowerment is not only the "right" thing to do to honor the states' commitment to international human rights. It is also the "smart" thing to do for human development, inclusive growth and business.
- **Tackle root causes:** Addressing adverse social norms and all forms of discrimination is critical. Gender inequality in the economy reinforces gender inequality in society.
- **State parties must respect international human rights and labor standards:** Actions by states must be consistent with agreed upon international standards – as laid out in the Convention for the Elimination of All Forms of Discrimination Against Women (CEDAW) and in ILO conventions and recommendations.
- **Partnerships are critical:** Progress requires action from the local to the global level and by all parts of society – individuals, businesses, governments, employer and worker organizations and civil society – often working in partnerships to achieve scalable and sustainable impact.
- **Deliver globally:** This is a global agenda. While the challenges and solutions vary, action is needed in every country.

Source: UN Women

Key Driver: Financial Inclusion

Expanding Financial Access for Women

Robert Annibale

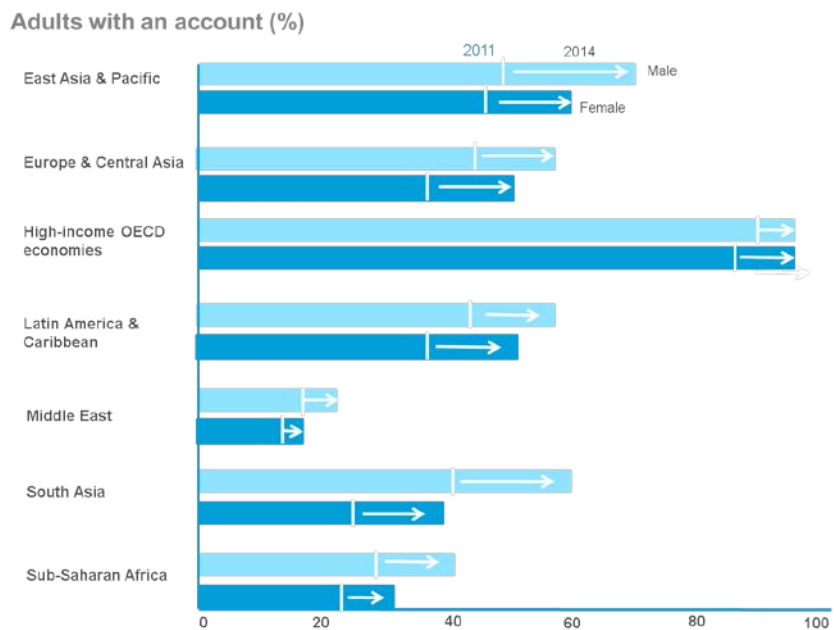
Global Director, Citi Inclusive Finance and Community Development

Despite a global rise in financial inclusion, women continue to be more likely than men to be excluded from mainstream financial services

Across the globe, financial inclusion is on the rise. The World Bank estimates that more than 60 percent of the world's population now use some form of mainstream financial service or product, an 11 percent rise since 2011. Yet despite this welcome progress, women continue to be more likely than men to be excluded from mainstream financial services.

For example, in 2011, 54 percent of men had an account that could be used to save money or make transactions, while only 47 percent of women did. By 2014, that number had risen to 65 percent of men, but only 58 percent for women. In some regions, the difference is even more pronounced. In South Asia for instance, the gender gap is 18 percent.³³

Figure 41. Account Penetration by Gender, 2011 and 2014



Source: Global Findex database

While great strides have been made to open up access to unbanked clients and communities, far less progress has been made in closing the financial access gap between genders. This persistent disparity comes at a significant economic cost.

When women lag, families fall behind as well. In many countries and cultures, women have traditionally been the household money managers, saving for educational and health needs, while managing day-to-day requirements for their families. The global non-profit organization, [Women's World Banking \(WWB\)](#), reports that even when incomes are low and unpredictable, women save on average 10 to 15 percent of their income. Yet without access to financial services — and the skills and knowledge to make the most effective use of them — women are less able to safely save for emergencies, less empowered to start and grow businesses, and, in general, less economically mobile and productive.

³³ <http://documents.worldbank.org/curated/en/187761468179367706/pdf/WPS7255.pdf>

Reasons behind the exclusion of women from financial services

Through their decades of leadership and research in this space, WWB has concluded that there are several persistent factors that thwart progress:

- **Access:** Many women, especially those living on low incomes or in rural locations, have little to no access to physical bank branches or mobile technology. Research by GSMA, the global trade association representing mobile operators, estimates that more than 1.7 billion women in low- and moderate-income countries do not own a mobile phone, and are unable to attain the benefits of mobile payments or other advances in financial technology (FinTech).
- **Capability:** Even if safe and appropriate financial products are available, they only have value if a potential client perceives their benefits. According to WWB, women are six percent more likely to be financially illiterate. This contributes to a lack of awareness and knowledge of the value of financial services, and in many cases, a lack of trust in financial institutions.
- **Culture:** Women also face varying cultural or legal limitations that prevent them from owning or managing certain kinds of assets, and are even blocked from obtaining formal accounts. In these instances, women are then forced to rely on cash and other informal means of saving and borrowing, which are riskier and hinder their ability to build wealth sustainably.

Successfully addressing these challenges will require the intentional alignment of public policy, regulation, and investment to significantly expand financial access to women. For decades, ever since The Citi Foundation made its first loan to a micro-finance institution in 1982, Citi has played a leading role in contributing to these cross-sector efforts.

Now, primarily through two of the bank's corporate units — Citi Inclusive Finance and Citi Community Development — Citi works in collaboration with clients, government, multinational agencies and non-profit organizations to support the development of innovative partnerships, products and programs, that often align with policy priorities aimed at expanding financial access, affordability and resiliency for women in the U.S. and internationally. In their book, *The Impact Investor: Lessons in Leadership and Strategy for Collaborative Capitalism*, authors Cathy Clark, Jed Emerson and Ben Thornley underscore Citi's unique strategy: "From the perspective of Collaborative Capitalism, Citi is in fact experimenting with new forms of constituent alignment and stakeholder-oriented governance."

Rather than be managed as a separate portfolio under the umbrella of corporate social responsibility, one central feature in Citi's strategy is that investments that make positive economic and social impact are embedded into our core businesses, policies and partnerships. By adopting this approach along with our clients and partners, we have been able to greatly expand financial access to many more women than would otherwise have been possible.

Supporting Women Entrepreneurs through Public-Private Partnerships

Public, private and nongovernmental organizations have the most knowledge about their economies, both national and local. They also often serve as trusted intermediaries with the potential to reach financially underserved communities. By partnering with these agencies, we are able to design investments that are deployed effectively and at scale.

Overseas Private Investment Corporation (OPIC)

In an assessment of 140 countries, research by the [International Finance Corporation](#) found that the annual credit gap for female business owners is roughly \$287 billion, which constitutes 30 percent of the total credit gap for small- and medium-sized enterprises (SMEs) globally.

Figure 42. Total SME Credit Gap for Men- and Women-owned SMEs by Region, 2003-2010

Region	East Asia & Pacific	Europe & Central Asia	Latin America & Caribbean	Middle East & North Africa	South Asia	Sub Saharan Africa	Global
Men-owned Enterprises	100,017	104,061	149,654	24,232	13,318	63,961	675,244
Women-owned Enterprises	67,506	65,999	85,638	49,916	1,567	16,124	286,750
Total SMEs	167,523	170,062	235,292	294,148	14,884	80,085	961,994

Source: IFC Enterprise Finance Gap Assessment Database (2011)

Citi's multi-year partnership between Citi Inclusive Finance and the U.S. Government's Overseas Private Investment Corporation (OPIC) is an example of how these significant challenges can be tackled in both commercially responsible and scalable ways.

Building on Citi and OPIC's long-lasting partnership, a [Risk Sharing Program](#) was structured to provide local currency funding to microfinance institutions around the world. Through this effort, loans originated and extended by Citi's local offices in developing markets are supported by OPIC through a comprehensive partial guarantee. To date, Citi and OPIC have invested more than \$400 million in microfinance lending to more than 1.2 million entrepreneurs — more than a million of which are women — through 44 microfinance institutions. The partnership delivers much needed access to safe, affordable capital in local currency for entrepreneurs operating in emerging markets across 25 countries.

In India, for example, Citi has a \$10 million loan facility, partially guaranteed by OPIC with Ujjivan Financial Services, a microfinance institution that provides microloans to India's female urban micro-entrepreneurs. This facility enables female entrepreneurs to get access to loans to grow their businesses, hire employees and promote economic progress for themselves, their families and communities.

Grameen America

In Grameen Bank in Bangladesh, Nobel Laureate Professor Muhammad Yunus proved that lending small amounts of money to unbanked women could unlock economic growth responsibly and at scale. In 2007, when Professor Yunus had a vision to bring his much-documented micro-lending model to the United States, he turned to Citi.

Gender disparities do not just occur in developing countries. Research conducted by the U.S. Federal Deposit Insurance Corporation (FDIC) found that in the U.S., there are over 13.1 million female-headed family or individual households that are unbanked or underbanked. The same research found that 45.3 percent of unmarried female-headed family households are either unbanked or underbanked, including 16.2 percent who have no banking relationship at all – twice the national average.

With Citi's support, Grameen America opened its first branch in Jackson Heights, Queens, NY in 2008. As in Bangladesh, Grameen America works to alleviate poverty for low-income women by providing them with small-dollar loans to support the creation of micro-enterprises. Since opening in 2008, Grameen America has invested over \$640 million in more than 90,000 low-income female entrepreneurs. More than 90% of Grameen's members are self-employed women of color living in low-income neighborhoods, many of whom did not previously have a bank account.

Figure 43. Small Businesses Transform Communities by Creating Jobs and Generating Income



Source: Grameen America

Citi then worked with Grameen to help the model scale, supporting Grameen America's expansion to Oakland, CA in 2011. In addition to providing loans, several of its branches offer business owners Citibank savings accounts — for which the fees are waived — to enable them to save and plan for the growth of their enterprises. To date, 11,500 of Grameen America's female clients have active Citi savings accounts with total balances of more than \$2.6 million.

Announced in early 2017, Citi helped Grameen introduce financial technology solutions that will significantly enhance the organization's ability to promote digital financial access and inclusion for its members. Chief among the new upgrades is the deployment of a cloud-based management information system infrastructure designed to significantly increase Grameen America's operational capacity. These upgrades will allow Grameen America to standardize and streamline its back-office processes, enabling the organization to achieve greater efficiency, more easily scale its services across the country and roll out new services or features to the tens of thousands of women it serves.

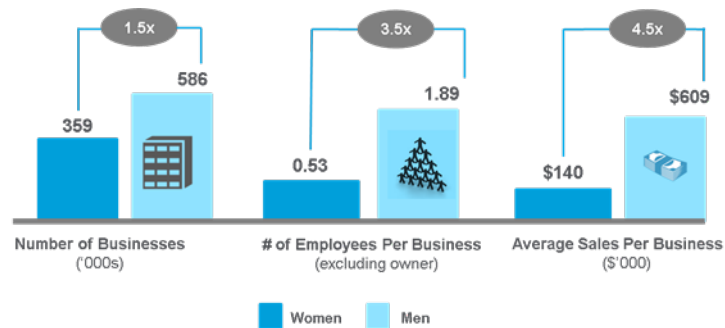
The new system will also allow national field staff to enter real-time data remotely about member female entrepreneurs, enhancing their ability to capture and analyze the impact of Grameen America's services.

Partnering with New York City on Policies Empowering Women

In the U.S., municipal governments are increasingly crafting policy focused on empowering women as a key driver of economic growth. The City of New York is a proven leader in this area; in 2014, New York City Deputy Mayor Alicia Glen tapped the expertise and support of a diverse set of public, private and nonprofit partners, including Citi, to explore how to expand the economic potential of women entrepreneurs and address the entrepreneurship gender gap. This led to the creation of [Women Entrepreneurs NYC \(WE NYC\)](#) – an initiative championed by NYC's First Lady Chirlane McCray, NYC Deputy Mayor Alicia Glen and Citi to expand female entrepreneurship in New York City, with a special focus on underserved women and communities.

Working in collaboration with Citi Community Development, the New York City Department of Small Business Services (SBS) first conducted a comprehensive research study entitled [Unlocking the Power of Women Entrepreneurs in New York City](#) to analyze the unmet needs and critical gaps for the City's female entrepreneurs and provide recommendations for action. The study's findings uncovered significant untapped potential: during the period of the study, New York City's female entrepreneurs employed more than 190,000 New Yorkers generating \$50 billion in sales annually; however, 44 percent reported that their businesses were not profitable, compared to 32 percent of male entrepreneurs. In addition, more than 90 percent of female entrepreneurs operated their businesses without additional employees, and averaged an annual income of \$32,000 – 34% below the City's average individual income. And only 10 percent of female entrepreneurs rely on banks for capital, a rate half that of their male counterparts.

Figure 44. The Entrepreneurship Gender Gap – New York City, 2014



Source: U.S. Census Bureau Survey of Business Owners 2002, 2007 data. A.T. Kearney analysis

Further compounding these challenges, only about 10% of business programs surveyed are targeted to women, limiting their access to funding, skill-based supportive services, and networks.

Over its first three years, WE NYC will connect 5,000 women to free training and business services to help them start and grow their businesses through the City's Department of Small Business Services and via public-private partnerships. Services are designed to address the gaps identified in the research. The training programs, known as "WE Master Courses", are designed to develop vital business management skills such as credit building, funding and leadership. One such course, WE Master Money: Credit, developed by SBS, Grameen America, Ariva, and the Department of Consumer Affairs' Office of Financial Empowerment, with support from Citi, provides free credit-building workshops and one-on-one financial counseling for underserved women in multiple languages. It establishes the concept of credit / credit scores as a key asset, and helps participants understand the links between personal credit history and securing business credit. Nearly 450 women have completed the educational component of the WE Master Money: Credit program since September 2016. Follow-up research to measure the impact of this intervention on individual participants began in March of 2017.

In addition to program funding support, Citi leadership contributes their expertise, skills, and time on WE NYC's [advisory board](#), which comprise a diverse set of public, private, non-profit and philanthropic partners working to enhance the initiative's services.

Conclusion

Progress often comes slowly — too slowly — but Citi is committed to being the institution that enables progress for all underserved populations, including women. We recognize that safe, appropriate products and services are only one dimension of the complex network of factors required to achieve a more inclusive financial landscape for women. We understand that for all underserved communities to achieve true financial capability, access to those products and services must be paired with the knowledge, resources and behaviors that can enable them to build a more secure financial future.

There is a clear business case for inclusion. When more people can give their all in our economy, our economy can achieve it all. We strive to enable this kind of progress through collaboration and partnership, working alongside the nonprofit and public sectors, leveraging our unique strengths to develop solutions that expand financial capability and economic opportunity for vulnerable individuals, households and communities.

This matters for our clients and employees, our children and partners, but it also matters for society writ large.

How Can Governments and the Private Sector Accelerate the Reduction of Gender Inequality?

Perspectives from Simona Scarpaleggia, IKEA Switzerland and President Luis Guillermo Solís of Costa Rica

An Interview With: Simona Scarpaleggia, UN HLP Co-Chair and CEO, IKEA Switzerland

Simona Scarpaleggia, CEO IKEA Switzerland



Simona Scarpaleggia has been CEO of IKEA Switzerland since May 2010. She is a passionate campaigner for all issues surrounding women's empowerment. In 2009, she co-founded "Valore D" in Italy and later "Advance – Women in Swiss Business" in Switzerland. Both organizations have a mission to boost gender diversity and to increase the share of mixed-gender management teams for the benefit of our economies. In fact, IKEA Switzerland is the first company in the world to attain the highest level of Gender Equality according to EDGE.

Since January 2016, Scarpaleggia is also co-chairing the UN High-Level Panel on Women's Economic Empowerment. She holds a degree in political science and an MBA from SDA Bocconi School of Management. Simona Scarpaleggia is an Italian citizen, is married and has three children.

Citi's Chief Global Political Analyst, Tina Fordham, a colleague of Ms. Scarpaleggia on the UN High-Level Panel, sat down with her to discuss how IKEA is addressing women's economic empowerment.

Simona, you must be very proud that IKEA Switzerland is the first company worldwide to reach the highest level of Gender Equality Certification from EDGE.³⁴ Why did IKEA take on this challenge to commit to gender equality amongst its 3,000 employees? What would you say are the key takeaways from this journey?

First and foremost we see gender equality as a basic human right. This is the reason why equality is strongly embedded in our company culture and supported through our set of values. Taking it from a purely entrepreneurial view, it is an obvious thing to do. Mixed gender teams perform better. Gender balanced companies live a more constructive corporate culture. Moreover, the numbers show that these companies have a healthier bottom line. No other proof is needed to trust the benefits of empowering and including women.

When starting the journey it is certainly not enough to just hire women. It is important to address explicit and implicit bias to recruitment and promotions. The EDGE Certification gave us the opportunity to verify whether our ambition to treat men and women equally at IKEA Switzerland is a living reality.

Having gone through this exercise, what would you highlight as the keys to its success? And what do you regard as the dividends for your workforce, management and shareholders?

The foundation for all this lies in our strong set of values. Togetherness, enthusiasm, and the constant desire for renewal guides us. We offer flexible working conditions and part-time working in leadership positions. This includes working from remote and family-friendly policies. We introduced parental leave for fathers to support their partners in child-care. In addition, we secure equal pay for work of equal value and equal opportunities. All this creates a culture of gender equality. In other countries, IKEA Group is also well underway with similar initiatives. Globally we have set the target of reaching the 50/50 goal throughout by 2020.

³⁴ The EDGE assessment criteria spans equal pay for equivalent work, recruitment and promotion, leadership development training, flexible working and company culture.

At IKEA Switzerland, our management team consists of a 50/50 balance of men and women. This 50/50 ratio runs through the entire workforce. In 2016, we surpassed our financial targets and reached CHF1 billion turnover (~\$1 billion), all under difficult market conditions.

You co-chaired the first ever UN High-Level Panel on Women's Economic Empowerment. Is it realistic to think that the panel's recommendations to address and eliminate gender gaps across economic, political, cultural, and social spheres globally can really happen? And how can the various stakeholders in government, the private sector, and civil society help take on the "Seven Drivers of Change" that the HLP's first report identified?

In our work with the panel we recognized that there is no silver bullet or "one size fits all" approach. It will require great diligence by multilateral bodies, the business world, and civil society alike to make the necessary changes. Ensuring economic empowerment and financial inclusion will require strong commitment on the part of governments, organizations, and companies throughout the world. They will achieve this with nothing less than the power of regulation, policies, opportunities, partnerships, and investments. To support this, the second High-Level Panel report provides tool kits, which show a clear roadmap for the actions that need to be taken. Many organizations will be able to work with them immediately to drive much-needed change. Others will require grassroots initiatives to break down prejudice and long-held misconceptions first. If we consider that globally 130 million girls still do not have access to education and that around 500 million women across the globe are illiterate, there is much work to be done. The good news is that all panel members are committed to making sure that our recommendations are not just promises, but that they will lead to concrete action on the ground in all parts of the globe.

Why do you think the Women's Economic Empowerment Agenda is important? Is the timing right for progress, after decades where the needle has barely moved?

There is huge potential that could be unlocked by valuing and empowering women. The energy, the power, and the creativity of women are badly needed — not only to make this world a better place, but to enable it to survive in the years to come. The past has also shown us only too well that the cost of inaction is much higher than the cost and the benefit of taking action. The first High-Level Panel report highlighted that the advancement of women's economic empowerment globally will depend "on closing the gender gap in unpaid work and investing in quality care services and decent care jobs." This is based on research data which shows that women's unpaid work "contributes \$10 trillion a year globally, or 13 percent of global domestic product" If it could be more widely recognized that women take a disproportionately high share of the responsibility of caring for our society's young, sick and elderly people — and that this care work is largely unpaid — it would be clear that women subsidize the economy and thus bear a double burden: They have a lack of time on the one hand and limited opportunity on the other. In this regard, women living in poverty or in rural areas face particular challenges, as they often have no access to childcare services, while at the same time being burdened by cumbersome domestic work.

How important are men to moving forward with women's economic empowerment? Is it in their interests to do so?

The world is still governed by patriarchal rules. This is the biggest challenge not only women but society faces today. These existing rules dominate the way things run, both in the world of politics and business which results in unequal opportunities, unattractive, or even unsuitable working conditions for women. Biases, which define the decision-making, are at the core of this dilemma. The good news is we can overcome this. We need a paradigm shift in the mindset of leaders and decision-makers alike. What the world needs now is women and men working together. We must encourage organizations to change their approach. We can begin to get closer to gender parity and a world in which we leave no man or woman behind.

Some companies are burying their heads in the sand on addressing gender inequality, while others fear legal and other risks. What would you tell the CEOs and boards of those companies?

For what reason should they, as responsible business leaders, ignore or undermine half of the potential workforce? This is a good question to start with. And taking it from a customer-centric perspective: Wouldn't you want to mirror society in your workforce and with that better understand the needs of your customers? Once you start looking at gender equality and inclusion as a competitive advantage, it becomes a potential, not a burden.

What have you found most valuable personally from the experience of working on the Women's Economic Empowerment Agenda?

The many rewarding encounters with committed and passionate men and women from various organizations and backgrounds. Whether they just started their own business or have a long career behind them, there is nothing more rewarding than working with these change seekers for a more inclusive and gender-equal world. They are the ones confirming my belief every day that change is possible.

An Interview With: President Luis Guillermo Solís

President Luis Guillermo Solís Rivera



In June 2013, Luis Solís was elected party candidate of the Citizen Action Party (PCA), and became Costa Rica's forty-seventh President of the Republic on April 6, 2014. Mr. Solís started his career in 1981 at the University of Costa Rica as a professor of History and Political Science. He was a Fulbright Visiting Professor at the University of Michigan at Flint (1983) and a Research Associate at the Latin American and Caribbean Centre of Florida International University (2000). He became Deputy Director of the School of Political Science (1992-1994); Associate Dean of the School of Social Sciences (2001-2002), and Director of the Central American Graduate Programme in Political Science (2003-2004) at the University of Costa Rica. From 2004 to 2008 he was Regional Research Coordinator of the Latin American Faculty of Social Sciences (FLACSO). Professor Solís also served as Chief of Staff (1986-1990), Ambassador at Large for Central American Affairs (1994-1996), and Director General for Policy (1996-1998) at the Costa Rican Ministry for Foreign Affairs. He was Secretary-General of the National Liberation Party (Social Democrat) in 2002 and 2003. From October 2008 to December 2010, President Solís served as Regional Representative of the IberoAmerican General Secretariat for Central America and Haiti, based in Panama. In 2014, Mr. Solís received three honorary degrees from Duquesne University, the Tropical Agricultural Research and Higher Education Centre (CATIE), and Renmin University of China, respectively. He currently resides in San José, Costa Rica with his wife.

Citi's Chief Global Political Analyst, Tina Fordham, a colleague of President Solís on the UN High-Level Panel, sat down with him to discuss how government and the private sector can advance the UN principles around women's economic empowerment.

President Solís, the UN HLP was guided in its work by the principles of “No One Left Behind” and “Nothing for Women without Women”, and had as its goals the economic empowerment of one billion women by 2030, as part of the UN Sustainable Development Goals, part of a broader vision where women have their rights recognized and are empowered to be free and equal participants in a robust, inclusive and sustainable global economy. These are ambitious objectives. How attainable are they?

The principles of “Leaving No One Behind” and “Nothing for Women without Women” are integral to the 2030 Agenda for Sustainable Development, a set of goals to which a great majority of UN Member States are committed. Within the current political, economic, and social circumstances, all efforts aimed at achieving development with sustainability, and in a framework of rights, justice, and opportunities, should take into consideration decreasing inequality and supporting the most marginalized and discriminated populations.

One category that has historically been discriminated by its gender is women. That is why public policies that promote and ensure gender equality should include the voices of women with different realities and contexts. Thus, it is important that the solutions that we, as decision-makers and political representatives, propose are closely related to the demands and needs of women.

Fighting against women's inequality and poverty as well as striving for their economic empowerment and autonomy is not an easy task since it means strategically leading the efforts of our governments to remove longstanding biases, stereotypes, and cultural and social norms that transverse our societies and even generations; therefore it requires comprehensive and multidimensional solutions.

However, as depicted in the political representation of our nations, the private sector, multilateral and financial institutions, and academics, there is increasing awareness in our society since it is recognized on the one hand that development or economic growth is not enough if it does not go along with an effective recognition of the access and full enjoyment of Human Rights for all, as prescribed in The Charter of the United Nations, and on the other hand, that within the slowdown of our economies, today more than ever we need the participation of all people in order to increase production and enhance the development of our countries.

As we stated in the Panel, women's economic empowerment is the "right thing to do" and "the smart thing to do". Inclusion should become the distinctive mark of the social and economic policies of nations, in strategic alliances with civil society actors, starting with the private sector. Fortunately, more people are convinced that this should be the path and in this way, I think it is possible to reach the objectives we are committed to.

What are some of the specific ways that governments can help develop policy initiatives to support women's economic empowerment? What are the particular challenges for countries with lower levels of economic development, and how can they be overcome?

The UN Secretary-General High-Level Panel on Women's Economic Empowerment has made a Call to Action for governments to remove all obstacles that impede women to achieve their economic empowerment. Specifically,

- Remove discriminatory legislation and provide a positive policy and legal environment that supports women's economic empowerment, including:
 - Establishing nondiscrimination, adequate minimum wages, equal pay for work of equal value, maternity protection and paid parental leave.
 - Setting and enforcing effective laws to protect women from violence and exploitation at work.
 - Creating an enabling environment for decent work for all.
- Adopt macroeconomic policies to boost short term and long-term inclusive economic growth.
- Deliver gender-smart employment and procurement practices.
- Recognize women worker organizations and create structures where they can be represented.
- Ratify the ILO Domestic Workers Convention, 2011 (No. 189) setting labor standards for domestic workers.
- Provide adequate support to enable women to work productively, including by investing in quality public care services and decent care jobs, social protection for all, and infrastructure that supports women's safe access to economic opportunities.

- Invest in norm change campaigns and support community-level norm change programs, including through education.
- Spearhead national processes for data collection and identification of national and local priorities.

Latin America as a region has relatively high levels of female workforce participation, but at the same time, women tend to be employed in the informal sector. Women working in the informal sector and as agricultural workers were a particular focus of the HLP, but creating better paid, more secure jobs for women is a daunting task. What are some of the things that can be done?

The High-Level Panel report identified four key areas of work, which are useful for in the formulation of policies to start understanding the different ways in which women get involved economically, in order to identify and tackle the systematic barriers that women face in all their economic activities. These four areas are:

- The formal economy (wage-earning and autonomous women whose work is regulated by labor law and covered by social security)
- Women-owned enterprises (enterprises where they hold most of the shares (51%+) and are controlled by women).
- Agricultural work (farmers, farmers, and agricultural workers cooperatives).
- The informal economy (workers and enterprises not regulated or protected by the State).

For the informal economy, the High-Level Panel with its second driver for women's economic empowerment — Ensuring legal protection and reforming discriminatory law and regulations — recommended the creation of a positive law environment for informal workers, enforcement of the rights of working people, and recognition of housing rights and access to public space, raw materials, natural resources, transportation, and infrastructure and basic services.

In regards to informal work, the HLP indicated the following action items for governments and employers:

- Extend legal recognition and identity to informal workers, especially women: for example, provide legal identification cards that indicate their occupation.
- Reform legal frameworks to protect informal workers and their livelihoods as a key pathway to formalization by following the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) adopted by the ILO.
- Extend minimum wage requirements, health and safety regulations, social security benefits and other labor rights to informal workers, including contractors employed through brokers/intermediaries and casual, on-call and temporary workers.
- Extend legal protection in the form of enforceable contracts and property rights.
- Include organizations of informal workers, such as trade unions, local associations and cooperatives, in rule setting, policymaking, and collective bargaining.

- Support legal society advocacy and strategic public interest litigation—by organizations of informal workers and their supporters—aimed at protecting informal workers’ rights.
- Encourage law enforcement, civil society and local government agencies to work with female informal workers and their organizations to increase their safety in unsafe work environments.
- Favorably regulate the use of public spaces as workplaces by vendors and other informal workers— and the use of natural resources by forest gatherers, fisher folk and other informal workers.
- Support efforts aimed at providing training or information that can empower informal workers, including “know your rights” campaigns.
- Invest in childcare for the children of informal workers, and improve the working conditions of paid childcare providers who are informally employed.
- For domestic workers, ratify and fully apply the Domestic Workers Convention, 2011 (No. 189).
- For home-based workers, ratify the Home Work Convention, 1996 (No. 177).
- Promote access to social security for migrant domestic workers through bilateral social security agreements.

Now within the Costa Rican context, actions related to the informality in women-owned enterprises have been taken. The National Policy on Entrepreneurship currently in force (2014- 2018) suggests a series of transversal axis, such as the support to women and young entrepreneurs, social inclusion, and support towards associativity.

The support given to women entrepreneurs aims to “improve conditions for the successful development of women-owned enterprises and build a favorable scenario that guarantees access to productive and non-productive assets, enjoyment of equal access to actual credit, technical advice, and services to develop commercialization and consequently, improve and increase family income. This will contribute to the promotion of women's economic autonomy”. Within these actions formalization is a central axis because otherwise, the lack of women-owned enterprises would be favored.

In January 2015, the “Incentive to Entrepreneurship for Women’s Social and Economic Empowerment”(Decreto No.38733-MEIC-MCM-MAG-MTSS-MICIT-MDHIS “Estímulo a la Empresariedad para el Fortalecimiento Social y Económico de las Mujeres”, original name) was signed, stating as its objective “to articulate business and financial technical instruments given by different institutions to enterprises and women-owned businesses in order to support them towards their strengthening”. The National Network for Women’s Social and Economic Empowerment was created as “a mechanism of inter-institutional articulation, integrated by those public institutions and private organizations that develop or may develop actions, programs, and projects prone to improve women’s economic autonomy”.

The country has also made progress through joint initiatives with the Ministry of Economy, the Ministry of Agriculture, and the Women's National Institute by establishing Inter-Institutional Platforms of Financial Services, such as the EMPRENDE project which was developed in the Huetar Caribbean Region, Central Pacific Region, and Chorotega Regions.

This platform (Plataforma) is understood as a joint mechanism that gathers the representatives of different organizations and sectors (including civil society) and is capable not only of promoting joint and coordinated actions — in this case related to the entrepreneurship and economic empowerment of women entrepreneurs — but also, and whenever possible, of offering users information regarding financial and non-financial business services as well as about the different requirements and necessary procedures to create, operate, and formalize their businesses.

For a sustainable management of the platform, there should be strategic articulation with key institutions, i.e., The Ministry of Economy, the Ministry of Agriculture, and The National Institute of Women, The National Learning Institute, National Institute for Rural Development, The Foreign Trade Corporation of Costa Rica, Municipalities, among others, in order to comply with its main role from a perspective of guidance, facilitation, services delivery, and institutional articulation; this is mainly because of the need to improve the coordination and comprehensive articulation among the different entities that support entrepreneurship and entrepreneurs real needs.

The General Objective of this Platform is to “Guarantee effective coordination, guidance, facilitation, and delivery of services that support personal and women entrepreneurs’ development”.

On the other hand, The National Institute of Women (INAMU, in Spanish) was convened, through the participation of its Executive President and Minister for the Status of Women of Costa Rica, at a High-Level Tripartite Meeting (HTM) in order to establish a pathway for the Transition from the Informal to the Formal Economy as recommendation, 2015 (No. 204) adopted by the ILO.

This Commission is headed by the people leading the following ministries and institutions: The Ministry of Labor and Social Security, The Ministry of Economy, Industry and Trade, The Ministry of Finance, The Social Security System, and The National Institute of Women.

It was also created a Technical Secretariat and a Tripartite Technical Committee integrated by representatives of Government institutions, union organizations, and the private sector.

At the HTM, the general guidelines for this task were established, based on the conceptualization of informal work that takes into account the self-employed, the low-waged earners or workers under poor conditions, the unpaid, among other derived variables. Technical inputs of ILO, National Institute of Statistics and Census (INEC, in Spanish), and the State of the Nation were used.

Four technical labor committees were created with the participation of the parties that analyze the national reality using technical inputs and they have made proposals within a four-month period, concluding in July 2017.

These proposals follow on favoring the legislation, procedures, conditions for access to employment and social security coverage, market conditions, among other aspects that would contribute to the formalization of small enterprises and that would create conditions for decent work.

Additionally, INAMU has historically promoted and executed public actions to effectively support and protect the Human Rights of all domestic workers.

For decades, in legal terms, paid domestic work has been in a disadvantaged situation which has contributed to domestic workers working under vulnerable conditions, with no labor contract, long working hours, and low wages. However, thanks to the incidence of civil society and the efforts of State institutions, in 2009 under Law N° 8726, Chapter VII of the Labor Code of Costa Rica was amended, equating the labor rights of this sector with the rights of the rest of the workers in the country, preceded by two legal arguments to challenge the constitutionality brought by domestic workers.

This historic landmark is complemented by the ratification of ILO Convention concerning decent work for domestic workers, Convention No. 189 (Law N° 9169 of December 13, 2013). This Convention states the obligation of the State to take measures to ensure the promotion and effective protection of the Human Rights of all domestic workers and forces to ensure adequate machinery for the investigation of complaints and abuses of domestic workers. These actions contribute to modify deeply rooted cultural patterns, especially those related to restoring the rights of paid domestic work.

Can you give us some examples of how the private sector can work together with government to support measures to promote women's economic empowerment?

Strategic alliances between public and private sectors may benefit women's economic opportunities; these public policies should be formulated based on a permanent dialogue between diverse women and their needs and business, as well as financial and public sectors. One example in the Costa Rican experience involves businesses and organizations working toward reducing gender inequality in the workplace through a Certificate and a Gender Equality Seal. This seal is a policy whose objective is eliminating gender inequalities in the workplace, where the private sector is a fundamental player since it is the country's main source of employment. This practice responds to the new tendencies of international markets and the global economy where companies aim to improve their productivity through innovation, improved work environments, attracting talent, and urging society to be responsible in their consumer choices.

These alliances can enhance work to tackle the gender pay gap, the digital divide, the gender gap in unpaid work, and invest in a social and economic reorganization of care as well as guarantee women access to decent work, making it a way to understand the added value that women talent has in business productivity.

Additionally, it is important that the different actors boost acceleration, market opening, and fruitful business chains with women-owned enterprises, through technical mentoring and financial support in order to promote market opportunities at a local and national level.

Let's talk about women in public office. Your predecessor as president was the first female president of Costa Rica, Laura Chinchilla, and 41% of your cabinet is female. How does this compare to elsewhere in the region, and why have you made an effort to increase the representation of women in your government?

Costa Rica is one of the pioneer countries in the region that included in its law the principle of gender parity, acknowledging the political participation of women and men as a human right within a democratic, representative, participatory, and inclusive society under equality and non-discrimination principles.

Taking into account that 50% of Costa Rica's population is made up of women and given the trends in the most recent elections where female voter participation rates exceeded male voters highlighting their demands and interests, equal participation in the decision-making processes is fundamental in allowing the inclusion of the values, ideas, needs, interests, and knowledge of half of the population of the country.

We in the Costa Rican government are convinced that regulatory changes towards female political representation should go hand in hand with real cultural changes, including having women in top public and political positions that have been historically filled by men, in such a way that women representation is no longer a mere aspiration, but a reality that materializes at a public and institutional level.

Having women in top political positions allows parity to be contextualized within the reality of our democracy through a real participation and representation of women from their diversity.

As the co-chair of the HLP and in your role as President of Costa Rica, you have been a high-profile, passionate advocate of promoting gender equality. What led you to take on this agenda, and why do you think it is important? What is the role of men in promoting gender equality?

Since the beginning of our administration, in the National Development Plan framework, we have posed tackling social inequality as a cornerstone to the development of the country. And this has been the country's position, understanding that the three cornerstones to gender equality and citizenship equality are (1) the capacity to generate one's own incomes and control assets (economic autonomy); (2) the right over one's own body (physical autonomy); and (3) one's participation in decisions that affect their lives and collectivity (decision-making autonomy).

My appointment by the former UN Secretary-General as co-chair of the High-Level Panel on Women's Economic Empowerment is a recognition to the country in terms of our progress in equality and the struggles we have been through in this topic. Additionally, I am personally committed to gender equality as I have expressed many times at national and international forums. We, men, should be allies and partners in the quest for gender equality, take actions and decisions so that it becomes a reality.

Case Studies

IKEA's Social Entrepreneurs Empowering Women

IKEA Group welcomed the publishing of the United Nation's Sustainable Development Goals as a catalyst towards achieving a more sustainable and equal world and set out to use these goals to guide and inspire the development of their own sustainability agenda. The IKEA Way (IWAY) — a supplier code of conduct and a program for working with suppliers across IKEA — is one way in which progress towards the sustainable development goals is achieved. IWAY is a precondition for doing business with IKEA and sets out the firm's minimum requirements on environment, social standards, and working conditions. Within the code of conduct, particular attention is paid to vulnerable groups in the supply chain, such as migrant workers and home-based workers, to ensure that they can access decent employment.



As part of the IWAY program, IKEA is building long-term partnerships with social entrepreneurs around the world, to break the cycle of poverty and give women in rural communities a brighter future. The social entrepreneur initiative enables the forging of long-lasting partnerships with small businesses to create sustainable, positive social change in the communities where they work and supports these businesses to be part of the IKEA supply chain. By developing skills and securing regular incomes, the artisans, immigrants, and refugees working with these organizations are able to gain independence, save money, and plan for their future. These partners provide high quality handcraft collections and services, and must match IKEA's expectations, similar to any of their larger suppliers. It is a prerequisite and selection criteria that they also enable long-lasting positive social change.



One such partnership is Rangсутra in India. Rangсутra is a social enterprise and community-owned craft company that gathers over 3,000 artisans into production co-operatives near their homes in remote regions of Rajasthan and Uttar Pradesh, India.

The aim of Rangсутra is to secure a sustainable livelihood for artisans and farmers as well as to nurture local handicrafts by producing quality handcrafted products, mostly from textiles. The production is based on the principles of fair trade and is rooted in the craft tradition of India. Rangсутra organizes artisans in small producer groups of self-help groups, equipping them with the necessary skills, tools, and machinery to improve their craft and increase their income. Artisans are co-owners and shareholders in the company and 70% of Rangсутra artisan owner-workers are women and the money they earn through this work have given these women more say at home and they now want to send their daughters to school and some have become group leaders in their villages, motivating other women to follow in their footsteps.



When the partnership with IKEA started in 2012, around 100 artisans were engaged in the first collection that was launched in December 2013. The collection was launched in 3 countries and 9 stores, and Rangсутra produced about 5,000 hand embroidered cushion covers. Until 2017, the number of artisans and capacity has increased immensely, with around 1,200 artisans engaged in IKEA production and Rangсутra now produces about 100,000 pieces of hand embroidered textile products per year for IKEA.

Citi-Tsao Foundation Education Program

The Citi-Tsao Foundation Financial Education Program for Mature Women, launched in 2008 addresses one of the gender biases in social trends: while women generally outlive men, financially, they are more vulnerable. With the backing of Citigroup, the program was designed to help women in the lower income bracket become financial independent in their older years. This ground-breaking initiative has been introduced in Indonesia, and was taken up recently by the People's Association to widen its community reach.

The program helps women manage their finances better. It aims to provide practical suggestions for understanding how money works and how women can take charge of their finances to be financially independent in their older years. The program is open to women aged between 40 and 60 years old and with monthly household incomes ranging from S\$1,500 to S\$3,000. Through the series of facilitated learning sessions, participants will be equipped with crucial life skills such as saving and planning for the long term, growing their small surpluses and negotiating for their financial options successfully.

The curriculum covers five modules with 20 weekly sessions. Each session is conducted for three hours and designed to include training, workshops, and support groups. At the end of the 20 sessions, participants prepare and draft a clear financial plan for their own old age. The curriculum focuses on two major areas: (1) personal finance and (2) social empowerment. Personal finance covers topics such as savings, debt, investment, and insurance, among others. Social empowerment aims to build the women's capability to understand their roles and the relationship dynamics within their families; to negotiate for support among their family members; to be equipped with the appropriate knowledge in having transactions with financial institutions, and to be adequately prepared for old age.

Figure 45. Participants Listen as Financial Literacy Concepts are Shared by a Trainer During a Workshop



Source: Citi

Figure 46. A Graduate of the Citi-Tsao Financial Education Program for Mature Women, Shares her Testimony With the Media



Source: Citi

An impact assessment study, conducted by the National University of Singapore's Department of Sociology, consisted of pre- and post-program surveys covering 24 key questions on personal finance that evaluated the change in knowledge, attitudes, and behavior.

Professor Chua Beng Huat of the Asia Research Institute and Department of Sociology, National University of Singapore, said, "The study confirms that the participants have exhibited better understanding of the methods and means of improving their financial well-being. In addition to learning the importance of budgeting and proper planning, they appreciated and understood the need for financial management through the adoption of financial tools and practices such as establishing emergency savings, investment, insurances, and the writing of wills. More financial literacy programs such as the Citi-Tsao Foundation Financial Education Programme for Mature Women are required as our society ages."

Another interesting outcome from the study was that more than fifty percent of the respondents, who did not have a retirement plan prior to attending the programs, now have a clear financial plan that guides their decisions. Importantly, the study confirmed that the program increased the participants' level of assertiveness and empowerment when it comes to managing their money.

End Note: Where Do We Go From Here With A Women's Economic Agenda

A Call to Action and the Next Frontier

Tina Fordham

Citi's Chief Global Political Analyst

The WG3 Effect is the combination of policies that could be implemented that helps unleash the growth generated by deployment of women in the economy

When we published our first Citi GPS report on Women as Global Growth Generators (WG3) in 2015 we intended to make a contribution to the literature on gender economics as well as highlight the growth opportunity that could be realized from increasing women's participation in the labor force, particularly for a corporate and investor audience. Until recently, the majority of the literature on gender has either come from a micro-economic, development perspective, or, in the private sector, focused primarily on the benefits of diversity in executive leadership and workforce in terms of the potential for improved decision-making and financial performance for firms ("thought diversity").

In the past several years, there has been a growing realization that increased female employment has been a major contributing factor to global growth. Over the next decade, the impact of women on the global economy will be at least as significant as that of China and India's respective one-billion plus populations, if not more so. According to E&Y, in the next five years, the global incomes of women will grow from \$13 trillion to \$18 trillion. That incremental \$5 trillion is almost twice the growth in GDP expected from China and India combined. Furthermore, more effectively deploying women in the economy delivers a range of benefits at the level of society at large as well as the competitiveness of countries. We conceptualized the combination of policies that could be implemented to help unleash this growth potential as the "WG3 Effect".

Figure 47. Key Drivers of the "WG3 Effect"

<p>The Basics</p> <ul style="list-style-type: none"> • Education • Health (including reproductive health) • Safety (including in the workplace) • Political stability / security • Infrastructure (especially transportation) 	<p>Policies</p> <ul style="list-style-type: none"> • Affordable Childcare • Provision to support flexible work • Maternity provisions (including paid parental leave for men and women and right to return to work) 	<p>Tax Policy</p> <ul style="list-style-type: none"> • No tax disincentive for second income • Child and working tax credits
<p>Discrimination</p> <ul style="list-style-type: none"> • Policies to prohibit discrimination (in the workplace, in inheritance, in financial matters and in social issues) 	<p>Public Attitudes</p> <ul style="list-style-type: none"> • Towards women working in the formal economy • Towards women in politics, business and executive level positions 	<p>Role Models</p> <ul style="list-style-type: none"> • Female role models in all sectors

Source: Citi Research

To date, Citi has convened more than 20 global events to discuss the WG3 findings

Following the publication of our initial paper, the scale of interest in the topic of Women's Economic Empowerment remains significant. To date, Citi has convened more than 20 events globally to discuss the WG3 findings, from the U.S. to Sweden, Switzerland and the U.K. to the United Arab Emirates and Japan, where Prime Minister Abe put getting more women into work at the center of his policy agenda (the "third arrow" of Abenomics).

We have also sponsored and participated in dialogues to discuss the challenges of implementing the women's economic empowerment agenda

We have also sponsored and participated in numerous business leader roundtable events. These events were conceived as dialogues with corporate leaders, government officials, academics and NGOs to discuss the challenges of implementing the women's economic empowerment agenda. Taken together, they amount to a body of primary focus group research and have informed our further work on this topic, with Citi committed to continuing our coverage of gender economics as a mainstream research topic.

Adding Growth to the Diversity Discussion Increases the Prospects of Realizing a “Diversity Dividend”

Women's economic empowerment represents a clear opportunity for business leaders to address the issues of diversity in bottom-line, growth-driven language

Among the key takeaways from these dialogues was the sense that the diversity agenda, though much-discussed in the corporate environment, is at risk of being reduced to an internal box-ticking exercise. As one male CEO expressed during one of our panel discussions, “Thank you for providing me with an economic, growth-oriented argument for this topic, which I believe in passionately. Frankly, the term ‘diversity’ makes me squeamish.” How many other business leaders feel uncomfortable with the diversity agenda is something we may never know, but what has been evident is the extent to which a broader concept of women's economic empowerment which includes, but goes beyond, internal diversity considerations represents a clear opportunity for business leaders to address these issues in a bottom-line, growth-driven language.

This new report provides a concrete roadmap that companies can adopt to boost prospects for female employees internally and around the world

Our intention with our second WG3 report is ambitious — to provide a concrete roadmap that companies can adopt so that in their activities they not only boost the prospects for their female employees internally, but for women around the world, consistent with the 2030 United Nations Sustainable Development Goals on reducing gender inequality. To do this we draw upon the content produced by the United Nations High-Level Panel on Women's Economic Empowerment, particularly the value chain-based approach pioneered by the HLP's Working Group on Changing Business Culture and Practice, which I co-chaired. Our [report](#) emphasized how this process is a journey that companies embark on, potentially taking years. The path must be shaped by the businesses themselves and will take time to complete, though the benefits are significant.

Political Risks of Inaction

There are significant economic gains from removing barriers to entry for women in the labor force and maintaining legacy policies could be costly for governments

At the time we published our first report, the global economic recovery had not yet taken hold. We emphasized the significant economic gains that countries could realize by removing barriers to entry for women in the labor force and, even greater, by investing in improvements in infrastructure and the social safety net, specifically family support policies. Maintaining these legacy policies (such as the second-earner tax penalty) is actually expensive for governments, translating to reduced tax revenues and living standards for all. As my colleague on the UN HLP, IMF Managing Director Christine Lagarde has memorably stated, employing more women is, “not only the right thing to do, it is the smart thing to do”.³⁵

Missing out on growth opportunities is something few leaders can afford...

Here in our second WG3 GPS report, we have revisited the macroeconomic case for boosting to GDP growth realized by more women in the workforce, and it remains compelling. Given the current highly-fragmented political landscape, missing out on growth opportunities is something few leaders can afford, not least given the growing evidence that weak and poorly-distributed economic growth can be associated with political instability and upheaval as well as a backlash to globalization.

³⁵ <https://www.thecable.ng/lagarde-labour-market-needs-women-because-they-drive-gdp-growth>

Why, then, have so few countries embraced the gender economics agenda from a policy perspective? We are now in the midst of a modest and slow in coming economic recovery — positive news to be sure, but not sufficient to mean that government leaders can afford to take continued economic expansion for granted. As an example, U.S. President Trump vowed to reach 3% GDP growth; implementing policies aimed at making child care more affordable and addressing the gender pay gap would be an effective way to reach this growth target.

Elsewhere in Citi's Political Analysis research, we have highlighted increased political risks — and limited capacity for reform — in a majority of electoral democracies, especially in slower-growth advanced economies. Could the current state of political fragmentation and lack of political capital partly explain the failure to move forward on the gender economic agenda? Or is it a demand issue — constituents are not asking for these policies, suggesting limited political upside from securing support from voters on the basis of reducing gender inequality? After all, a majority of women in advanced economies have reliably voted for center-left parties since the late 1960's. Or is there another explanation altogether? A political science perspective would suggest that “elite theory”, which posits that the members of the ruling elite are both highly concentrated and historically reluctant to relinquish power voluntarily, may play a role. In the absence of targets and quotas, greater representation of women in senior positions remains stagnant.

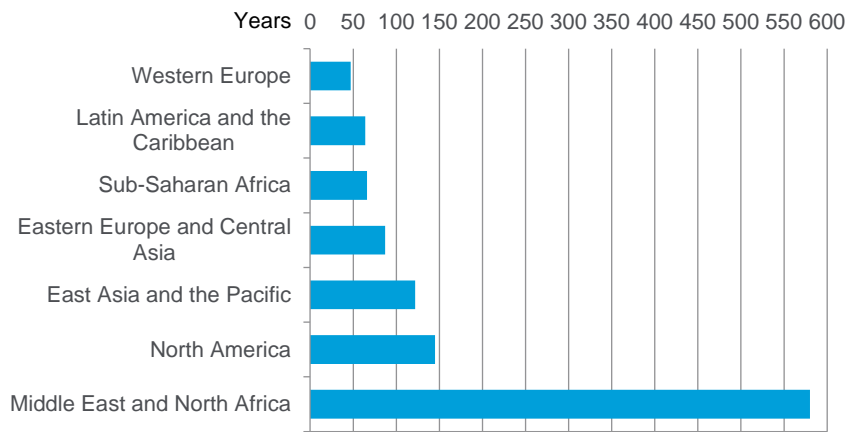
Given the ample evidence of the benefits, it is discouraging to note that in many cases, rates of female labor force participation have actually gone into reverse. Francine Blau and Lawrence Kahn at Cornell University found that while the U.S. had the sixth-highest rate of female labor force participation globally in 1990, the U.S. had dropped 11 places to 17th place by 2010. This fall can partly be explained by the fact that during this period other advanced economies had expanded policies such as flexible work, paid family leave and affordable child care. (The United States remains the only OECD country without a paid family leave policy.) This reversal is particularly striking given the extent to which women's education levels have increased during this period.

Why is the Gender Gap Widening?

Despite the compelling economic case for reducing gender inequality, the global gender gap has widened in 2017

Despite the compelling economic case for reducing gender inequality, the 2017 World Economic Forum Gender Gap report observed that the global gender gap will take 100 years to close at the current rate of change — an increase compared to an estimate of 83 years last year. The WEF's analysis highlighted increasing inequality in the workplace and in political representation, and found that the size of the gender gap has increased for the first time since they began collecting the data 11 years ago. Unsurprisingly, the three top-performing countries are Nordic, but notably the U.S. level of political empowerment is at its lowest level since 2007. An exception is the rise of policies mandating compulsory gender pay gap reporting. A bright spot in the trend of a widening gender gap appears to be that conducting the self-audit on gender pay seems among the policies more likely to be adopted at the state level though we suspect it will be years before these reporting requirements are widely mandated. However, President Trump recently reversed a rule requiring U.S. businesses to report pay by gender.

Figure 48. When are the Regions Likely to Close the Economic Gender Gap?



Source: Global Gender Gap Report 2017, World Economic Forum

Can the Private Sector Lead the Way on the Gender Agenda?

The private sector can lead the way in the drive to reduce gender inequality

In the absence of momentum on the policy front, the private sector, working in conjunction with international institutions, may be able to help accelerate the drive to reduce gender inequality and realize the growth potential of the WG3 effect. The benefits to the private sector are clear, ranging from attracting and retaining top talent to significantly increasing returns on inclusive procurement spending, sustaining value chains, and generating positive reputational value that encourages increased consumer spending.

The UN HLP's working group on Changing Business Culture and Practice provides a blueprint for companies to commit to women's economic empowerment

The toolkit produced by the HLP's working group on Changing Business Culture and Practice begins with an invitation for companies to start by taking a self-audit to assess internal practices, including gender pay and representation of women at all levels of the organization, from leadership to suppliers. The self-audit continues with an assessment of how much is spent procuring goods and services from companies majority-owned by women, and goes on to incorporate the extent that companies fund programs for women as part of their corporate social responsibility (CSR) activities and apply a "gender lens" to all activities.

The first step is for companies to conduct a brief internal self-audit, asking the following 6 questions.³⁶

³⁶ The emphasis in this report is on opportunities for accelerating women's economic empowerment through mainstream corporate activities across the value chain. CSR efforts can further bolster these initiatives through programs that support female entrepreneurs, promote digital and financial inclusion, and provide skills training to women that will better equip them to engage in the value chain.

Figure 49. How Corporates Can Take Action on Women's Economic Empowerment



Source: UN HLP on Women's Economic Empowerment

Within the private sector, the corporate sphere has made the most progress on adopting elements of the Women's Economic Empowerment agenda, particularly those sectors where female consumers are a key target audience. A review of the companies that have signed up to the [Women's Empowerment Principles](#) which were developed and sponsored by UN Women, supports this conclusion.

The capital markets industry has seen less progress on the gender agenda, likely in some part attributable to a lack of demand from clients, and perceived limited clarity on the business case. With the rise of social impact investing, this may be about to change, as asset owners such as pension funds, insurers and sovereign wealth funds are beginning to demand more focus on the diversity and women economic empowerment themes. In May of 2015, the New York City pension system announced that it was to begin formally incorporating diversity within its criteria for manager selection. Still, according to research published by the financial services industry think tank New Financial, while 74% of asset owners mention diversity, in places such as in their annual reports, just 13% use diversity as a theme for portfolio allocation.³⁷

Could the ESG Investing Agenda Offer an Opportunity for a Wider Embrace of the Women's Economic Empowerment Agenda?

Global assets that are managed according to environmental, social and governance (ESG) criteria now exceed \$20 trillion. The UN's 2030 Sustainable Development Goals (SDGs), a set of 17 targets set by the United Nations to achieve a more sustainable planet by 2030, were adopted by the UN General Assembly in 2015. The SDGs are increasingly being endorsed by institutional investors as a roadmap to help drive progress on ESG issues, which range from climate change to water quality and availability, gender equality and sustainable cities, and generally promote sustainable finance.

Social impact investing increase the focus on diversity in corporates

The UN SDGs are increasingly being endorsed by institutional investors

³⁷ Seddon-Daines, O. and Chinwala, Y., (2017), Diversity from an Investor's Perspective New Financial.

The climate change and environmental aspect of the ESG agenda have unquestionably been the most successful, and highlight the best practices for the women's economic empowerment and diversity. Investing in women economic empowerment initiatives is also hampered by the small (although expanding) suite of investment products based upon gender equality criteria.

Figure 50. UN Sustainable Development Goals



Source: Citi Research

UNCTAD estimates that meeting the UN SDGs will require \$5-\$7 trillion in investment annually between 2015 and 2030

So how do institutional investors regard the SDGs? According to a 2015 survey, 84% of institutional investors indicated they would allocate capital to investments supporting the SDGs, while 89% would support regulatory reforms promoting these. 65% said that supporting the SDGs aligns with their fiduciary responsibility, with 75% indicating they are already acting. UN Conference on Trade and Development (UNCTAD) has estimated that meeting these targets will require \$5-\$7 trillion in investment annually between 2015 and 2030; \$6 trillion is the estimated contribution needed each year from private capital. For its part, Citi has publicly committed to contributing to specific SDGs and catalyzing innovation (see Citi's report [Banking on 2030: Citi & the Sustainable Development Goals](#)). Recognizing also the increasing importance of sustainability to our clients, Citi Research has tackled many of the issues presented by the UN SDG's within the [Citi GPS series](#) or reports, with previous reports tackling issues ranging from education, clean water and sanitation, affordable and clean energy, climate action, industry, innovation and infrastructure, reduced inequality and of course, gender inequality. Indeed, our sector analysts are actively incentivized to write on sustainability issues and to integrate E, S, and G factors into their investment research, working closely with our dedicated Global Sustainable & Responsible investment team.

Of the 17 SDGs, Goal 5 is dedicated to Gender Equality, while Goal 8: Decent Work and Economic Growth is dedicated to promoting sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all, also encompasses reducing gender inequality.

Diversity considerations are fast-becoming a part of ethical investing

Diversity considerations are fast-becoming a part of ethical investing, though more tools and better data, including risk-return profiles, are needed to help investors screen for this. U.S. public pension funds are leading the pack, with European countries including France, the U.K., the Netherlands, and Denmark also gaining speed. But the indications are that most efforts to attempt to incorporate diversity criteria are still nascent. In addition, the New Financial research found a “widely and deeply-entrenched belief that improving diversity compromises returns.”³⁸

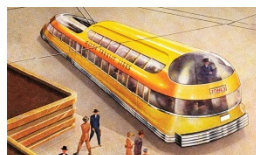
By utilizing the UN HLP Toolkits and case studies, companies can link their diversity efforts with the wider women’s economic empowerment agenda, in turn accelerating progress toward realizing the UN 2030 Sustainable Development Goals and embracing the opportunities gained from engaging in sustainable finance. We hope that by bringing together these resources, best practices, expert insights and case studies we can help arm companies and investors with best-in-class analysis, tools and content to help further these objectives.

³⁸ Seddon-Daines, O. and Chinwala, Y., (2017), Diversity from an Investor’s Perspective New Financial.

Citi Global Perspectives & Solutions (Citi GPS) is designed to help our clients navigate the global economy's most demanding challenges, identify future themes and trends, and help our clients profit in a fast-changing and interconnected world. Citi GPS accesses the best elements of our global conversation and harvests the thought leadership of a wide range of senior professionals across the firm.



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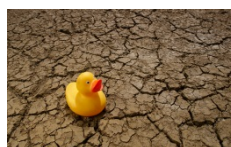
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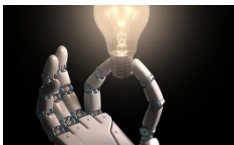
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NOW / NEXT

Key Insights regarding the future of Women in the Economy



LABOR MARKET

Female labor force participation (LFP) rates are consistently and often significantly below male participation rates even in advanced economies, let alone many emerging markets. / Many policies that boost gender equality are also conducive to better labor market outcomes more generally, i.e. countries with high female LFP tend to also have high male LFP.



POLICY

The types of measures needed to promote gender equality in the economy and society are often numerous and differ from country to country. / In advanced economies, a number of common threads, including fiscal incentives, reducing the high cost of childcare and elder care and removing cultural impediments about women in leadership positions, could unlock women's economic empowerment.



SUSTAINABILITY

The climate change and environmental aspect of the ESG agenda have unquestionably been the most successful. / With global assets that are managed according to ESG criteria now exceeding \$20 trillion a focus on women's economic empowerment and diversity through the UN Sustainable Development Goals is becoming more important to investors.



