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The Gender Employment Gap: Costs and Policy Responses

Despite significant progress in reducing gender inequalities in the labour market over the last several decades, gender gaps in employment rates still persist, and women continue to be consistently overrepresented in low-paid sectors as well as in part-time and temporary jobs. And while a long-term convergence in employment opportunities seems to be underway – setting aside for now considerations on employment quality and conditions – it is worth noting that recent improvements were mainly driven by a relative worsening of the male employment rate due to considerable job losses in male-dominated sectors during the economic crisis. Recent data shows that the gender employment gap, defined here as the difference between the employment rates of men and women aged 15–64, stood at 10.4 percentage points in 2015 – while men had an employment rate of 70.8%, the figure for women was just 60.4%. To put it bluntly, this differential corresponds to 17 million women, which is roughly the entire population of the Netherlands. Yet average figures mask a great heterogeneity among EU countries: Italy, Greece and Malta are amongst the worst-performing member states, while Scandinavian and Baltic countries provide more gender-balanced employment opportunities (see Figure 1). This picture not only presents differences in the structure of the labour market and composition of the labour force, but also reflects the diversity in terms of national institutional set-ups, policy regimes and cultural values, which are known to have significant effects on women's participation in the labour market. This paper will firstly investigate the economic and the social costs associated with the observed gender employment gap. It will then discuss key aspects of the needed policy responses to foster and promote labour market participation among women.

Economic and social costs

Equal participation in society and equality of opportunity are fundamental common values that we share in Europe. It follows that all members of society should have the same chances to improve their lives and make pro-

gress in their careers regardless of gender. Moreover, more equal employment opportunities and better access to the labour market for women have been identified as key dimensions for achieving inclusive growth and a sustainable social system in Europe, especially in light of the continent's ageing population.¹ Numerous international studies agree that a decrease in gender inequality in the labour market can lead to substantial macroeconomic gains.² In this regard, recent and timely evidence from Eurofound shows that the economic loss due to the existence of a gender employment gap in Europe amounted to more than €370 billion in 2013, corresponding to 2.8% of EU GDP.³ Around €324 billion of this amount represents the earnings losses and missing welfare contributions to the economy due to women's exclusion from employment, while the remaining €46 billion corresponds to the public finance transfers and welfare state benefits received by non-working women. Great heterogeneity among EU countries is clearly visible (see Figure 2): Malta pays the highest bill, with a loss equal to 8.2% of GDP, followed by Italy (5.7%) and Greece (5.0%); Sweden and Lithuania are at the other extreme, with losses of less than 1.5% of GDP.

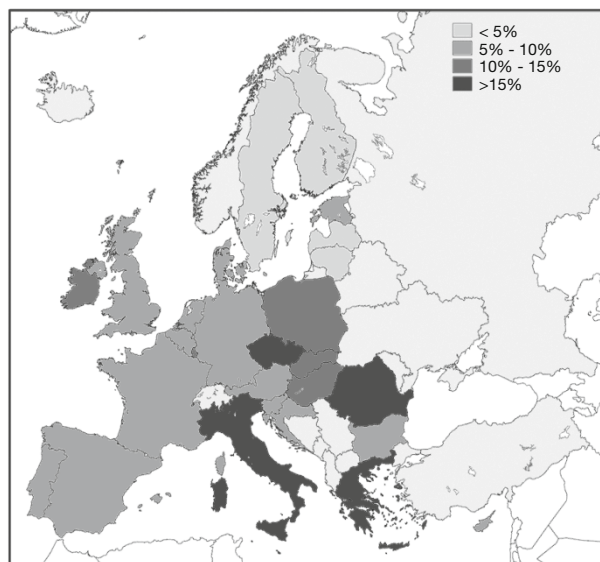
Yet, since closing the gender employment gap entirely is only a theoretical assumption, it would be remiss to consider an increase in women's participation in employment without taking into account their willingness to work. Because women have the freedom to choose whether to seek employment or not, more conservative estimates of the total cost to the economy are provided in the Eurofound study by considering the labour market participation of only those women who are currently inactive in the labour market but who are willing to work. According to these estimates, the economic burden of the gender

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- 1 European Commission: Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014–2020, COM(2013) 83, Brussels 2013.
- 2 K. Daly: Gender Inequality, Growth and Global Ageing, Global Economics Paper 154, Goldman Sachs, 2007; Å. Löfström: Gender equality, economic growth and employment, Swedish Ministry of Integration and Gender Equality, 2009; D. Aguirre, L. Hoteit, C. Rupp, K. Sabbagh: Empowering the Third Billion. Women and the World of Work in 2012, Booz & Company, 2012; OECD: Gender and Sustainable Development: Maximising the Economic, Social and Environmental Role of Women, Paris 2008, OECD Publishing; OECD: Looking to 2060: A Global Vision of Long-Term Growth, OECD Economics Department Policy Note No. 15, 2012.
- 3 Eurofound: The gender employment gap: Challenges and solutions, Luxembourg 2016, Publications Office of the European Union.

Figure 1
EU gender employment gap: difference between male and female employment rates, 2015



Source: Eurostat.

employment gap that European economies had to bear in 2013 was about €169 billion.⁴

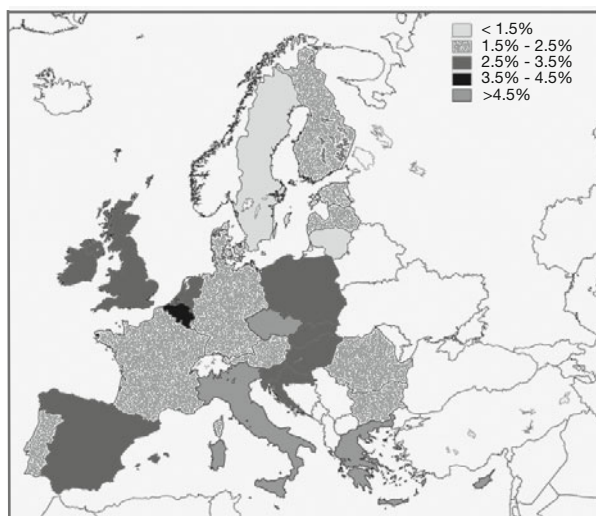
Furthermore, a greater gender balance in employment opportunities not only leads to potential economic gains; it also has significant broader effects on the well-being of women and the quality of our society. In contemporary societies, paid employment represents “the entrance ticket” to the consumption of goods and services, and at the same time influences an individual’s skills, abilities, social standing and well-being. In this regard, existing literature shows that employment affects well-being not only in relation to income or financial rewards, but also through its psychosocial benefits,⁵ providing, for instance, a sense of belonging, an identity, a social status, a source of self-esteem, autonomy and satisfaction, as well as networks of social contacts and support.⁶ An analysis of Eurofound’s European Quality of Life Survey confirms that in addition to the importance of work in providing income to prevent poverty and deprivation, work also contributes

4 Ibid.

5 L. Tay, E. Diener: Needs and subjective well-being around the world, in: *Journal of Personality and Social Psychology*, Vol. 101, No. 2, 2011, pp. 354-365.

6 J. Alber: Employment patterns in the enlarged EU, in: J. Alber, T. Fahey, C. Saraceno (eds.): *Handbook of quality of life in the enlarged European Union*, London and New York 2008, Routledge, pp. 129-161.

Figure 2
Cost of the gender employment gap as percentage of GDP, EU member states, 2013



Source: Eurostat.

significantly to a more positive perception of women’s lives, higher levels of social inclusion and economic security, and greater empowerment.⁷ Hence, closing the gender employment gap should be considered an urgent economic and social objective by policymakers. Narrowing the gap would help to achieve full progress in our society by giving opportunities to all and to ensure freedom of choice with regard to participation in the labour market.

Promoting gender equality in Europe

Closing the gender employment gap is a central topic in the European policy debate, and several broad policy measures have been proposed and implemented at the European level in order to foster equality between women and men in the labour market. Equality between women and men has been one of the European Union’s founding values since 1957, when the principle of equal pay for equal work was enshrined in the Treaty of Rome. Increasing the participation of women in the labour market is crucial to meeting the Europe 2020 target of an overall employment rate of at least 75% by 2020 as well as to achieving inclusive growth and decreasing the risk of social exclusion and poverty among women.⁸ The impor-

7 Eurofound, op. cit., pp. 59-67.

8 European Commission: *Europe 2020 strategy – A European strategy for smart, sustainable and inclusive growth*, COM(2010) 2020, 2010.

tance of reducing gender gaps in employment rates, as well as eroding other gender disparities in the labour market, is also reaffirmed in the Commission's Social Investment package of 2013.⁹

Another very relevant publication in this context is the Commission's August 2015 roadmap for the initiative "A new start to address the challenges of work-life balance faced by working families",¹⁰ which aims at modernising and adapting the EU legal and policy framework to ensure that parents with children or dependent relatives can better balance their care and professional responsibilities. This initiative replaces the 2008 proposal to introduce a new maternity leave regulation, which was itself meant to be a replacement of the 1992 Pregnant Workers Directive, which still governs maternity leave policies in EU member states. After an unsuccessful attempt to replace that 1992 directive with a more suitable framework, and the subsequent withdrawal of the proposal in July 2015, the European Commission has announced a new, more holistic package.

Finally, one of the most recent initiatives on the subject of gender inequalities is the "Strategic engagement for gender equality 2016-2019",¹¹ a follow-up and prolongation of the Commission's "Strategy for equality between women and men 2010-2015".¹² Amongst its priorities, the document focuses on increasing female labour market participation and equal economic independence and on promoting equality between women and men in decision-making.

Yet while considerable achievements in terms of gender equality have been made to date as a result of years of policy-building, there is certainly more to be done. This is particularly relevant in the context of the persisting austerity policies which resulted from the global economic crisis and which still dominate the European political stage.¹³ Gender-blind governance led to significant reductions in public investments in key social services, and public sector job cuts disproportionately affected women. This approach goes against evidence highlighting the importance of investing in the social infrastructure, par-

ticularly care activities for the elderly and disabled and for pre-school, as well as in physical infrastructure such as housing, roads and railways.¹⁴ Findings from seven OECD countries (including Germany, Italy and the UK) reveal that an investment of two per cent of GDP in the care industry would increase overall employment between 2.4% and 6.1%, depending on the country.¹⁵ A similar level of investment in the construction sector would generate half as many new jobs and would exacerbate the gender employment gap, as these new jobs would be in predominantly male-dominated sectors. In contrast, public investment in the care industry would also reduce gender inequalities in employment opportunities, tackle the care deficit due to demographic changes and therefore contribute to a more inclusive society.

Policy responses at the member state level

Against this background, Eurofound's latest research reviews policy initiatives at the member state level that have been most successful at improving women's labour market opportunities.¹⁶ It identifies the main drivers that ensure the effectiveness of these initiatives.

The availability of public childcare, along with its cost, quality and compatibility with dominant patterns of working hours, are vital in supporting parental participation in the labour market and constitute a significant part of the current policy discussions around the social investment agenda. Parenthood still affects men's and women's employment unequally, as women are more often involved in childcare duties, especially when care services are lacking or fail to meet the needs of full-time working parents. Moreover, the high costs of childcare facilities increase the marginal effective tax rates for second earners when moving from non-work to work or when increasing their working hours, acting as a disincentive to take up jobs or increase working hours, especially given the large labour supply elasticity of second earners. However, the take-up of childcare also appears to reflect "ideals of care",¹⁷ a notion which describes cultural expectations and values in relation to child-rearing. Within this context, the Swedish public childcare system is often mentioned as an exemplary case, since it provides guaranteed access to a high-quality and flexible service at heavily subsidised rates. For instance, most of the facilities in Sweden oper-

9 European Commission, Towards Social Investment . . . , op. cit.

10 European Commission: Roadmap. New start to address the challenges of work-life balance faced by working families, Directorate-General for Justice and Consumers, 2015.

11 European Commission: Strategic Engagement for Gender Equality 2016-2019, Directorate-General for Justice and Consumers, Luxembourg 2015, Publications Office of the European Union.

12 European Commission: The strategy for equality between women and men 2010-2015, Luxembourg 2011, Publications Office of the European Union.

13 F. Bettio, S. Sansonetti (eds.): Visions for Gender Equality, European Commission, Luxembourg 2015, Publications Office of the European Union.

14 J. De Henau, S. Himmelweit, Z. Łapniewska, D. Perrons: Investing in the Care Economy: A gender analysis of employment stimulus in seven OECD countries, UK Women's Budget Group, International Trade Union Confederation, 2016, available at https://www.ituc-csi.org/IMG/pdf/care_economy_en.pdf.

15 Ibid.

16 Eurofound, op. cit.

17 M. Kremer: How Welfare States Care: Culture, Gender and Parenting in Europe, Amsterdam 2007, Amsterdam University Press.

ate on a full-time basis from 6:30 to 18:30, public childcare is funded through a combination of parental contributions and large subsidies from municipal taxation, and pre-school is free for children aged three to six for up to 15 hours per week.

Apart from taking on a larger share of childcare duties relative to men, women are also often more involved in adult care. It is therefore essential to modernise the policy and legislative frameworks so that individuals with care responsibilities for close relatives – not only for children – are allowed to remain in employment. For instance, the 2012 Family Care Leave Act in Germany seeks to improve the position of employees who care for close relatives on a more long-term basis by allowing a reduction of working hours to as few as 15 per week, on average, for up to two years. Similarly, the 2001 Dutch Work and Care Act in the Netherlands regulates, among other things, short-term leave for the purposes of administering care to a relative affected by illness under circumstances where there is no one else able to care for them, requiring employers to pay employees 70% of their wages and at least the statutory minimum wage during such leave.

Flexible employment and working time measures are equally relevant for the purpose of reconciling work and family duties and therefore increase women's labour market attachment. Yet while increasing flexibility is a necessary precondition to facilitate work-life balance among women, this is not sufficient to challenge the entrenched stigma associated with flexible working. If part-time employment is taken up predominantly by women, employers may associate it with reduced commitment, resulting in negative consequences for women's career prospects. This is why it is important to ensure that flexible working rights are universal and not restricted to those with caregiving responsibilities. In the United Kingdom, for example, the statutory right to demand flexible working conditions, which includes for instance job sharing, homeworking, part-time work and flexitime, has been gradually expanded, and since April 2014 it covers all employees with at least six months' service, as opposed to only parents of young children and caregivers.

While all the policy actions illustrated above have an effect on their own, it is their combination and interaction that drives participation rates markedly up. Moreover, the extent to which policy interventions can succeed in raising female employment participation in a national context is highly influenced by the cultural values and expectations of a society regarding the division of household and family labour. This means that a broad and gradual behavioural shift towards rebalancing work and family commitments for women, on the one hand, and towards

increasing the participation of men in caregiving, on the other hand, is needed. Take-up on the part of men is a challenging but vital issue to address. Similarly, a change is necessary concerning employers' expectations with regard to women's labour market attachment after childbirth – or in cases of a relative in need of care – in comparison to their expectations for male employees in similar situations.

Concluding comments

Despite a secular trend of wider female participation in the labour market, the female employment rate has increased only slightly since 2008. As a result of the Great Recession, the recent convergence in employment rates was mainly driven by the relative worsening of the male employment rate. The economic crisis and the need to increase financial sustainability have actually aggravated the disadvantaged circumstances of women by reducing the policy offers aimed at promoting their participation in the labour market. Cuts to public services and welfare provisions had a greater impact on women than men, as women are more predominantly employed in the public sector and use public services more than men. These cuts are also likely to increase the amount of unpaid work and care responsibilities within households, exacerbating the existing disparity in the care workload between women and men and making it even more difficult for women to participate fully and consistently in the labour market.

If European Union institutions aim at complying with the commitment to ensure greater gender equality in employment participation, as set forth by the Europe2020 strategy, the trend of favouring physical infrastructure investment over social investments in human capital and the care sector has to be reversed. Furthermore, equality between women and men in the labour market is primarily a matter of fairness and has positive effects that go beyond the economic and social sphere. It has been shown that greater equality can also lead to substantial macroeconomic gains and is conducive to a greater level of well-being and social inclusion for women.

Yet against this background, it is of paramount importance to recognise that an increase in female employment participation does not automatically imply a gender-equal labour market. The persistent presence of a gender pay gap and significant occupational segregation, both vertically and horizontally, remind us of this. Job quality, job security and type of employment contract are equally important aspects in the process of closing the gender employment gap and must also be addressed through appropriate policy responses.