

PERSISTENT GENDER GAPS IN EMPLOYMENT IN DEVELOPING COUNTRIES

Despite favorable conditions, female labor force participation is stagnating or declining in many regions



Overview

Many factors suggest that we should be experiencing rising female participation in the labor force in developing countries in the past 20 years: a rapid decline in fertility, greater education among women, and favorable economic conditions. Surprisingly, trends in female labor force participation have been highly uneven and there are significant differences between regions. In Latin America, female labor force participation has been increasing strongly as expected, while they were stagnant in many other regions, and even decreased in South Asia. In a recent survey of labor force participation trends in developing countries by Klasen (2017), it is shown that employment differences across regions are heavily affected by long-standing differences in economic structures and social norms that circumscribe women's economic opportunities.

Key Results

- International databases on female employment have consistency problems, made worse by recent changes to the definition of employment.
- Economic growth, fertility decline, and greater female education does not necessarily increase female employment in developing countries.
- Deep-seated gender norms and historical trajectories play a large role in explaining regional differences in female labor force participation rates.
- Rising household incomes and female education often lead women to leave undesirable poor-quality jobs but the supply of desirable jobs is insufficient.

By

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The Growth to Empowerment (G2E) program within GrOW examines the impact of economic growth on women's economic empowerment.

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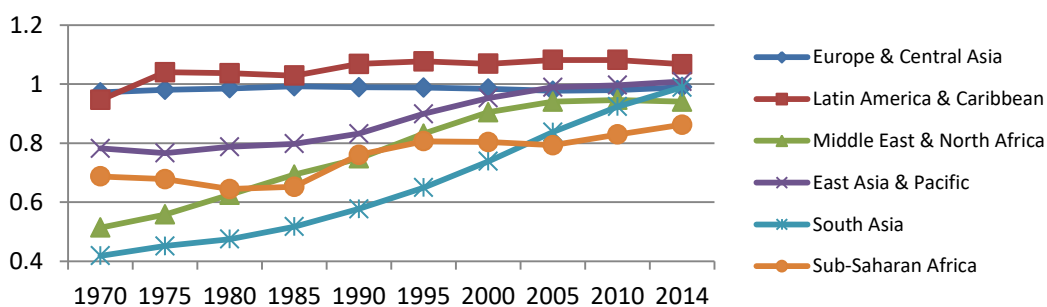
Background

Over the last few decades, there were several trends in developing countries that are usually associated with sharply rising female labor force participation (FLFP) rates. First, female education expanded rapidly, leading to a rapid closing in enrolment and attainment gender gaps, also at the secondary and tertiary level (see Figure 1 below). As a result, women's qualifications for the labor market rose dramatically. Second, fertility declined dramatically across the globe (with the exception of Sub-Saharan Africa where the pace of decline was slower). This sharply reduced the time span in women's life cycles where women were caring for small children. Third, per capita economic growth was generally high in most developing countries since at least the mid-1990s, substantially higher than in rich countries, which ordinarily increases labor demand and should pull women into the labor force.

Despite this confluence of forces ordinarily favorable to rising FLFP, the growth of FLFP in developing countries has, on average, not been very large. More puzzling is the heterogeneity in regional trends. While in Latin America and the Caribbean these three forces are indeed associated with substantially rising FLFP rates, the same forces are associated with stagnation of FLFP in most other regions, and a decline (from low levels) in FLFP rates in South Asia (see Figure 2 below).

The survey by Klasen (2017) studies these trends and analyzes the determinants of these puzzling regional developments. He suggests that basic labor economics factors, especially a strong household income effect lowering FLFP, play a significant role in explaining the stagnation or decline in FLFP in some regions. Moreover, he argues that social norms affecting the ability of women to work in general, and to work in particular sectors and occupations, appears to powerfully affect female participation rates. Lastly, the nature of the growth process can also have substantial implications for female employment opportunities.

Figure 1. Female-male ratio of gross secondary enrolment rates, 1970-2014



Source: World Development Indicators

Methods and Data

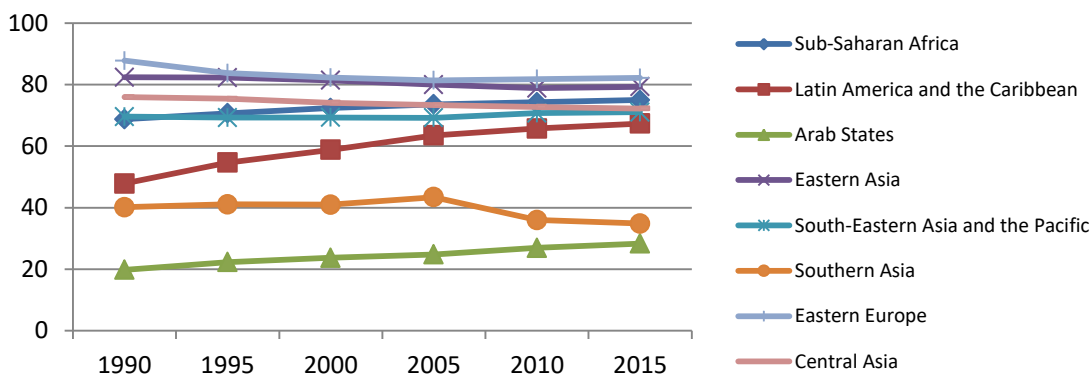
Part of the analysis is based on international databases on female employment, maintained by the ILO. Klasen (2017) first notes that these international databases on FLFP are often inconsistent and not comparable. The recent decision by the International Conference on Labor Statisticians to exclude subsistence farming from the definition of

employment will add to consistency problems and render women's predominant involvement in subsistence farming particularly in Sub-Saharan Africa invisible. To analyze trends and determinants, Klasen reviews comparable country studies using micro data that study determinants of FLFP at different points in time. The countries included are Bangladesh, Bolivia, Brazil, India, Jordan, Sri Lanka, and Vietnam.

Main Results

The survey by Klasen (2017) first analyzes the large regional differences in levels of FLFP (see Figure 2). He finds that they cannot be explained by secular trends such as the feminization U hypothesis that suggests that women's employment first falls and then rises in the course of economic development. Instead he finds that these differences in levels are heavily affected by long-standing differences in economic structure that circumscribe women's economic opportunities which are transmitted through time via social norms. Shocks can bring about drastic changes with the experience of socialism being the most important shock to affect FLFP.

Figure 2. Female labor force participation rates, ages 25-54



Source: ILOSTAT

Regarding trends, Klasen presents four main findings. First, a large share of poor women works in poor-quality jobs to make ends meet, not because they want to. Therefore, these women leave poor jobs when they can afford to, which shows up as a strong effect of rising household incomes reducing FLFP. This income effect is particularly strong in South Asia.

Second, social stigma can be a barrier for women in the workforce, but not everywhere. It is difficult to identify the nature and strength of the stigma in different countries, but three pieces of evidence point in this direction. One is the role of husband's education in affecting FLFP. For example, in India, higher husband's education has a strong negative effect on female participation, an effect that is also rather stable over time and rises more or less linearly with education. This is over and above the income effect just discussed. In those contexts, it appears that educated husbands prefer their wives not to work as a signal that they are able to provide for them. A second piece of evidence relates to the sectoral distribution of women by education levels. Women with secondary education and above concentrate in very few sectors, with typically more than 70-80% of working

women in urban areas concentrated in white collar services, comprising health, education, public service, and finance and business services. For educated women to work outside of these sectors appears very difficult. A third piece of evidence are attitudes to female employment. Evidence from the World Values Survey suggests that a large and rather persistent share of respondents agree that when jobs are scarce, men should be given preference. The shares are particularly high in Turkey, Georgia, and India.

Third, slow growth in jobs deemed suitable for women reduce female employment opportunities. Closely related to the finding above, the strong limitations on types of employment particularly for educated women puts a squeeze on their employment opportunities. In all the countries studied, the supply of educated women has been growing much faster than the overall working age population, as waves of better educated women enter the labor force. Since the jobs considered appropriate for such educated women, mostly white-collar services in the public sector (e.g. teachers and nurses), tend to grow, at best, with the overall population, growth in supply of educated women is outstripping demand growth in those sectors. Therefore, unless there is a broadening of economic opportunities for more educated women, their participation rates can stagnate and fall.

Fourth, the massive increase in female education is partly unrelated to labor market opportunities for women. While economists typically think of education as an investment made by individuals (or their parents) to earn returns in the labor market, it appears that the massive expansion of female education in many developing countries was also due to other factors. In the case of India, for example, it would seem unlikely that changes in the labor market returns to education to women were primarily driving the expansion of female education in the 2000s, as FLFP was actually stagnating (or falling) and wages for participants did not rise strongly. Instead some of the increase in education is due to supply-driven public policy initiatives, and some of the rising demand is related to factors such as marriage prospects or seeing education as valuable in and of itself.

Policy Lessons

- **Growth strategies matter.** A female-intensive export-oriented strategy is one of the most promising ways to generate labor market opportunities for women, particularly those with some education.
- **Women should be allowed to progressively dominate white collar services.** These sectors include health, education, and public services and it is critical that women are able to break through occupational barriers in those sectors.
- **Public discourse about stigmas is important.** If female employment is seen as a household failure, women will be uncomfortable to seek employment.
- **Barriers need to be removed.** Restrictions placed on FLFP should be removed, such as taxation penalizing secondary earners, earlier retirement ages for women, better childcare opportunities, or addressing safety and security issues.
- **Until norms and values have changed, other areas can be improved,** such as improving labor market information for women, or making transportation safe and affordable.

Further Reading

Klasen, S. (2017). *What Explains Uneven Female Labor Force Participation Levels and Trends in Developing Countries?* ([GLM | LIC Synthesis Paper No. 7](#)).

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The **GrOW initiative** funds 14 research projects aimed to empower women to participate in economic activities, providing evidence that can inform social and economic policies to improve poor women's lives, while promoting economic growth.

Research Project – G2E (Growth to Empowerment) is a project of the GrOW initiative: Pathways for shared prosperity: Understanding the links between women's economic empowerment and growth.

Information

<https://www.uni-goettingen.de/grow>

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