

The economic impact of gender inequalities

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To mark International Women's Day, the Banque de France organised a roundtable on 7 March on the economic impact of gender inequalities, with the participation of Sylvie Goulard, Deputy Governor of the Banque de France, Isabelle Hudon, Ambassador of Canada in France, and Peter Praet, member of the Executive Board of the European Central Bank. This post echoes these discussions, and concludes that there is urgency to act at all levels.



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Panel with **Sylvie Goulard**,
Isabelle Hudon and **Peter Praet**

March 7, 2019

A wake-up call shared by central banks

The issue of gender equality is becoming increasingly important in the economic debate, including within central banks. Gender inequalities can lead to significant costs, both at a macroeconomic level (in terms of employment and growth, for example) and at a microeconomic one (in terms of financial inclusion, overindebtedness, corporate governance, etc.). On the occasion of International Women's Day, the Banque de France (BdF) organised a conference on the economic impact of male-female (M/F) inequality. A round table, comprising Sylvie Goulard, Deputy Governor of the BdF, Isabelle Hudon, Ambassador of Canada in France, and Peter Praet, member of the Executive Board and Chief Economist of the European Central Bank (ECB), discussed the economic costs of such

inequalities and the actions that can be taken to reduce them. This blog post highlights some of the conclusions of these discussions.

For some time now, the BdF, like other central banks, has begun to reflect on this topic. This year, it contributed to the OMFIF's [Gender Balance Index 2019](#) (see Sylvie Goulard's interview, p. 15). Two posts on the subject appeared on this blog in 2018 – one on [women in central bank governance](#), and another on [the place of women in economics](#). Both studies concluded that there are significant inequalities in these two areas that need to be corrected. Other research projects currently underway explore issues related to the BdF's missions through the lens of gender, such as the link between the governance and performance of French companies, or the overindebtedness of French households – women are more exposed than men to the risk of overindebtedness (see blue line in Chart 1: 54% of overindebted individuals are women), and are more likely to find themselves in particularly distressed situations (women account for 59% of [personal recovery procedures](#), in red). Research on the role of gender in the economy has the dual purpose of raising public awareness and guiding the development of public policy.

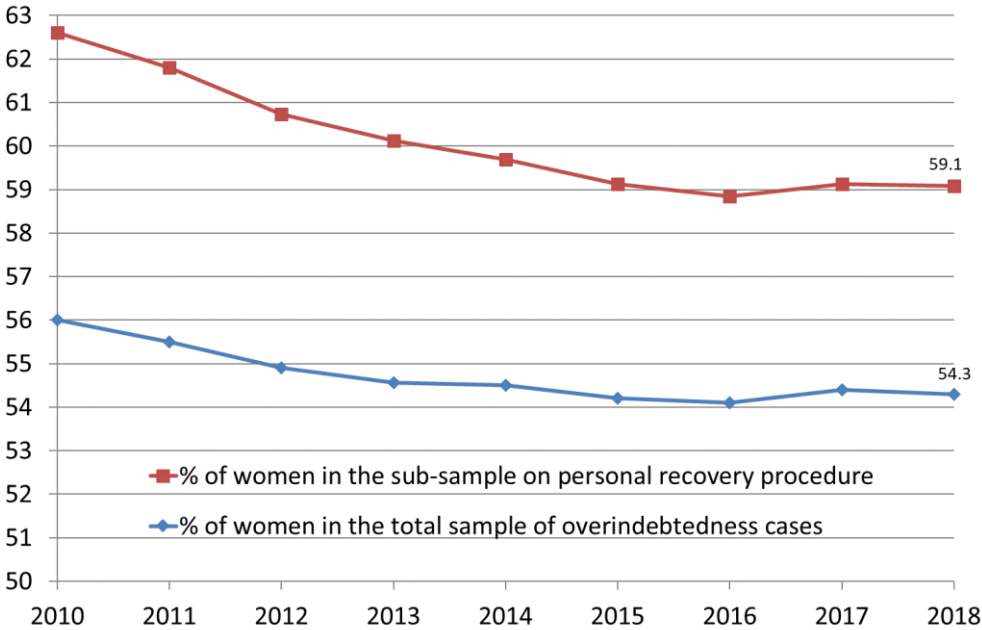


Chart 1: Share of women in total overindebtedness cases and personal recovery procedures (%). Source: Banque de France, typological surveys of overindebtedness.

High economic costs

At macroeconomic level, figures for advanced economies speak for themselves: on average, the labour force participation rate of women is 11.5 percentage points lower than for men in G7 countries and 16.4 percentage points lower in OECD countries (see Chart 2). These averages mask a wide variety of situations across countries and do not take into account part-time jobs, a factor that further increases inequalities. In the euro area in particular, the

implementation of structural reforms to increase the participation rate of women, especially in those countries where the gap is widest, would help to increase productivity and thus potential growth, and promote economic convergence among member countries. Moreover, when they are employed, women earn on average less than men and are affected by the "glass ceiling" phenomenon (difficulty in accessing higher positions). According to OECD data, for instance, there were more than six men in managerial positions for every female manager in Japan in 2016. In France, Italy and Germany, this ratio is about two to one, in line with the average for OECD countries.

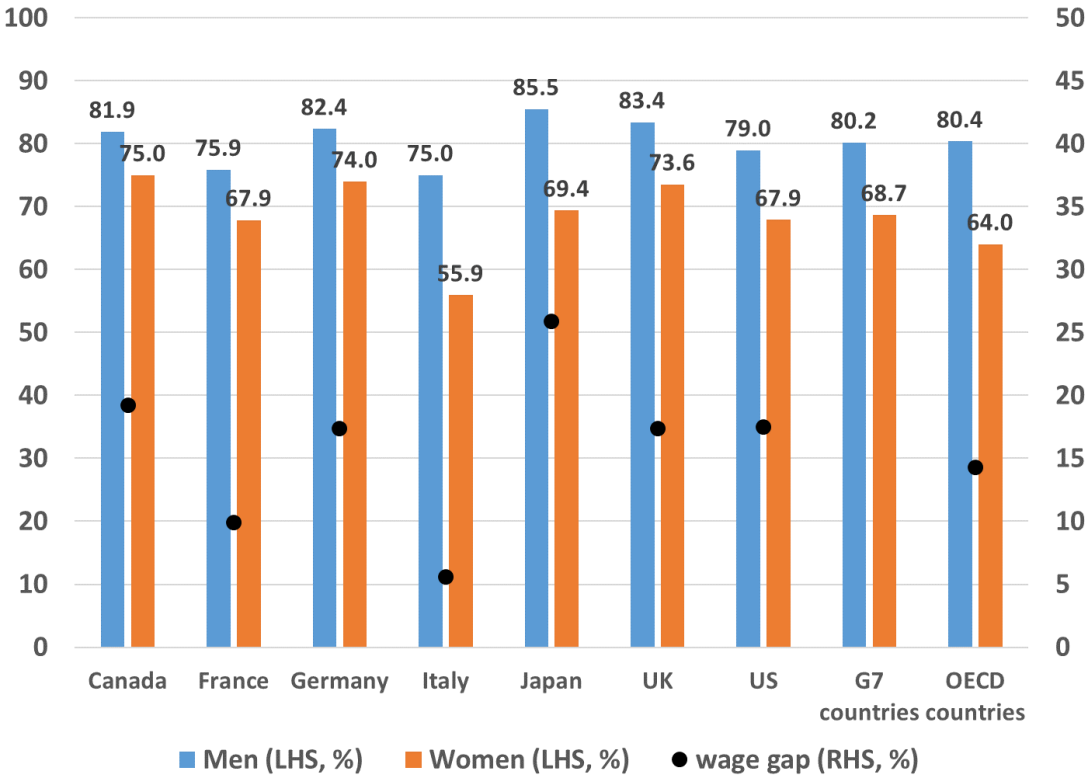


Chart 2: M/F labour force participation rate and wage gaps (%).

Source: OECD, 2017 data for the participation rate and 2014 data for the wage gap.

In recent years, the impact of gender diversity on the economy has been the subject of several research projects at both macro and micro level. To cite just two examples, [Ostry et al. \(2018\)](#) show that gender parity would be beneficial for productivity growth and lead to economic gains that go beyond simply increasing the labour supply. Reducing gender inequalities would also have positive effects on growth in the medium and long term, for example by modifying the choice of educational pathways for both sexes and by changing social norms on the roles of women and men in society. [Christiansen et al. \(2016\)](#) found a positive correlation between gender diversity in senior positions and financial performance for a sample of two million European non-financial corporations. This correlation is significantly stronger in sectors that employ more women, as well as in knowledge-intensive and technology-intensive ones, which require the increased creativity and critical thinking that diversity can provide.

Measures to reduce gender inequalities: a necessity

Peter Praet shared his experience on the implementation of measures to promote M/F diversity at the ECB since 2012, including better representation of women on selection committees, mandatory representation of women on the panels of all conferences organised by the ECB, or the announcement of quantified targets for the proportion of women in managerial positions. A micro-econometric study on career development at the ECB (see Hospido, Laeven and Lamo, forthcoming ECB working paper) shows that, although before 2011 women had less chance of being promoted at an equal competency level, the measures taken since then have led to an equalisation of promotion probabilities. The study also highlights an interesting difference in behaviour: women tend to apply less frequently than men for higher positions, but when they do they are more likely to get the job.

For Isabelle Hudon, parity is certainly a political subject, but also an economic one. Ending wage inequality, developing everybody's potential and encouraging gender equality are all opportunities for economic development, and could increase global GDP by \$28 trillion according to a recent [McKinsey study](#). There are many more examples: for instance, when parity increases on a board of directors, turnover also increases. According to Ms Hudon, we need to act every day, at every level of society – government, civil society, businesses, citizens. She proposes eight concrete measures for helping to achieve parity, summarised below.

Set bold goals: what gets measured gets done.
Make women visible at all levels of your organisation.
Make room for female talent! Invest in the long term.
Sharing and training: support mentoring!
Promote equal opportunities in job applications: do not accept applicant lists without
female candidates.
Be visible and audible!
Gather data on parity: make it visible.
Equality: let's talk to our girls and especially our boys.

#ONEGESTUREADAY
ISABELLE HUDON

To conclude, besides the important ethical implications, gender inequalities entail significant costs for society that justify placing them at the centre of the economic debate. Achieving parity through concrete and proactive measures is becoming an emergency at all levels.