

To analyse how gender equality measures can contribute to economic growth in the EU, the European Institute for Gender Equality (EIGE) studied the impacts of reducing gender inequalities in areas relevant from a macroeconomic perspective: STEM (science, technology, engineering and mathematics) education, labour market activity and pay. It also considered the demographic changes when these gender gaps are reduced.

The study on the economic benefits of gender equality is the first of its kind to use a robust econometric model to estimate a broad range of macroeconomic benefits of gender equality at EU level.

The overall results show that improvements in gender equality would lead to:

- a large increase in the number of jobs that would benefit both women and men;
- up to 10.5 million additional jobs by 2050, many of which would be filled by women;
- strong, positive GDP per capita impacts that grow over time;
- an increase in EU GDP per capita of up to nearly 10 % by 2050.

Improving gender equality ensures economic growth

The study provides robust evidence of the strong, positive and growing benefits of gender equality on economic growth. The positive impacts can largely be attributed to addressing some of the structural weaknesses of the EU economy identified in the Europe 2020 strategy, namely that improving gender equality will help to address employment, productivity and population ageing issues.

The study shows that gender equality in one domain, for example education, has a spill-over effect in other domains, such as employment. Spill-over effects could lead to concurrent improvement in women's education (more women in STEM studies), improvement in the labour market activity rates of women and an increase in women's wages. Thus, addressing different aspects of gender inequality together as a whole is likely to have more positive impacts than addressing each aspect of gender inequality separately.

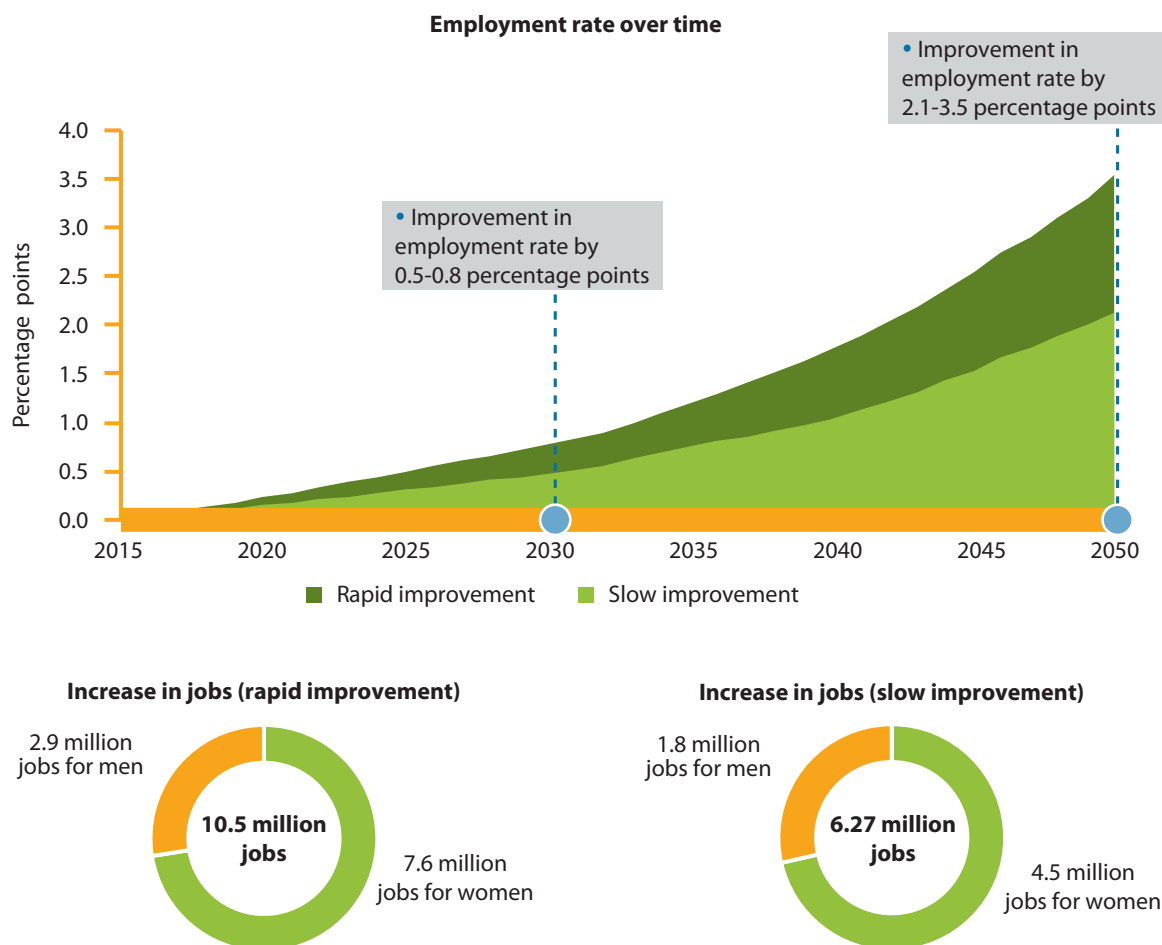
Higher gender equality would lead to a large increase in the number of jobs, which would benefit both women and men.

Higher employment rates and more jobs

If gender equality is substantially improved by 2050 the EU employment rate will reach almost 80 %, compared to 76 % in the absence of such improvements. The study shows that already by 2030 the EU employment rate will reach 72.6 %. The results suggest that there would be between 6.3 million and 10.5 million additional jobs in 2050 due to improvements in gender equality by addressing gender segregation in educational choices and increasing the participation of women in STEM. About 70 % of these jobs would be taken by women. This roughly amounts to



Figure 1. The effect of improvements in gender equality on employment



expanding EU employment by the total number of jobs in a mid-sized European country such as the Netherlands. These additional jobs would contribute to reducing the gender employment gap.

To achieve these positive impacts it is important to address one of the key causes of gender inequalities: the unequal distribution of unpaid care responsibilities between women and men. This change will happen if Member States remove barriers to labour market participation for women by introducing measures such as:

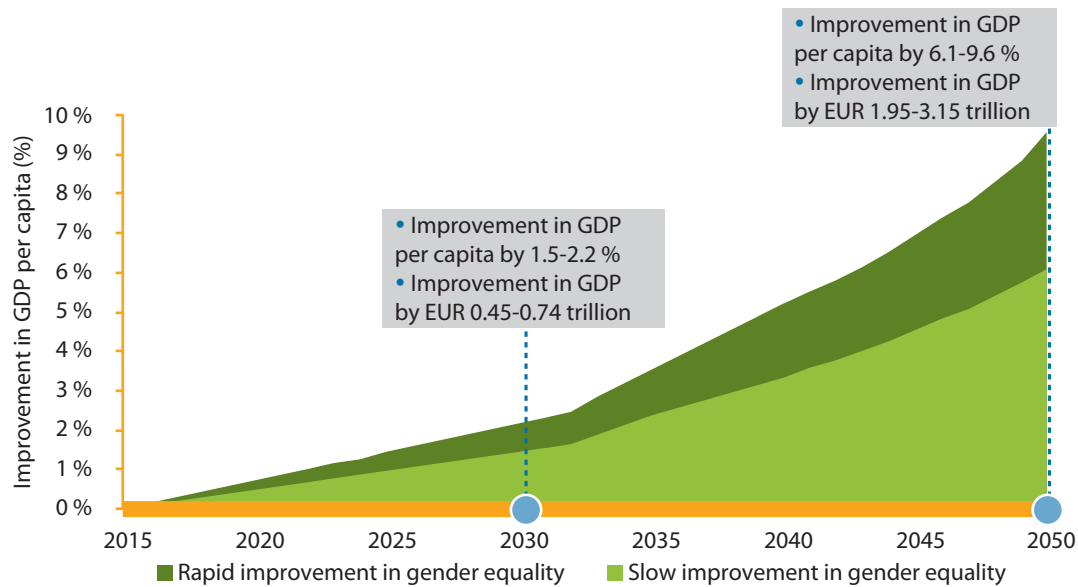
- improved work-life balance initiatives for parents/carers;
- better access to high-quality and affordable child-care facilities;
- family-friendly and flexible working arrangements;

- promotion of more equal take-up by both women and men of flexible working schemes.

EU Member States should also strive to close gender pay gaps, because jobs with higher salaries are more likely to attract women to the labour market than low-paying positions. Higher salaries are also likely to help women out of poverty and reduce the gap in pensions between women and men (EIGE, 2016).

Overall, the additional jobs for women are particularly important as they are likely to contribute to inclusive economic growth by reducing poverty, one of the key priorities of the Europe 2020 strategy. EIGE's recent study on women and poverty found that women are generally affected by poverty more often than men because of lower employment prospects (EIGE, 2016). Therefore, being in employment lowers the risk for poverty of women.

Figure 2. The effect of improved gender equality on GDP per capita



Increased GDP

Gender equality has strong, positive GDP impacts that grow over time.

GDP per capita increases when gender equality improves. The results show that in the EU there will be an increase of up to 2 % in the medium term (2030) and up to 10 % in the long term (2050). This amounts to a possible increase of EUR 1.95-3.15 trillion in the overall GDP per capita by 2050. If the EU acts now and boosts gender equality measures (1) in areas such as STEM education, labour market activity and pay, this will allow societies to benefit from the full potential of women. Improved gender equality can also substantially contribute to smart, sustainable and inclusive economic growth, particularly due to additional jobs in STEM taken by women.

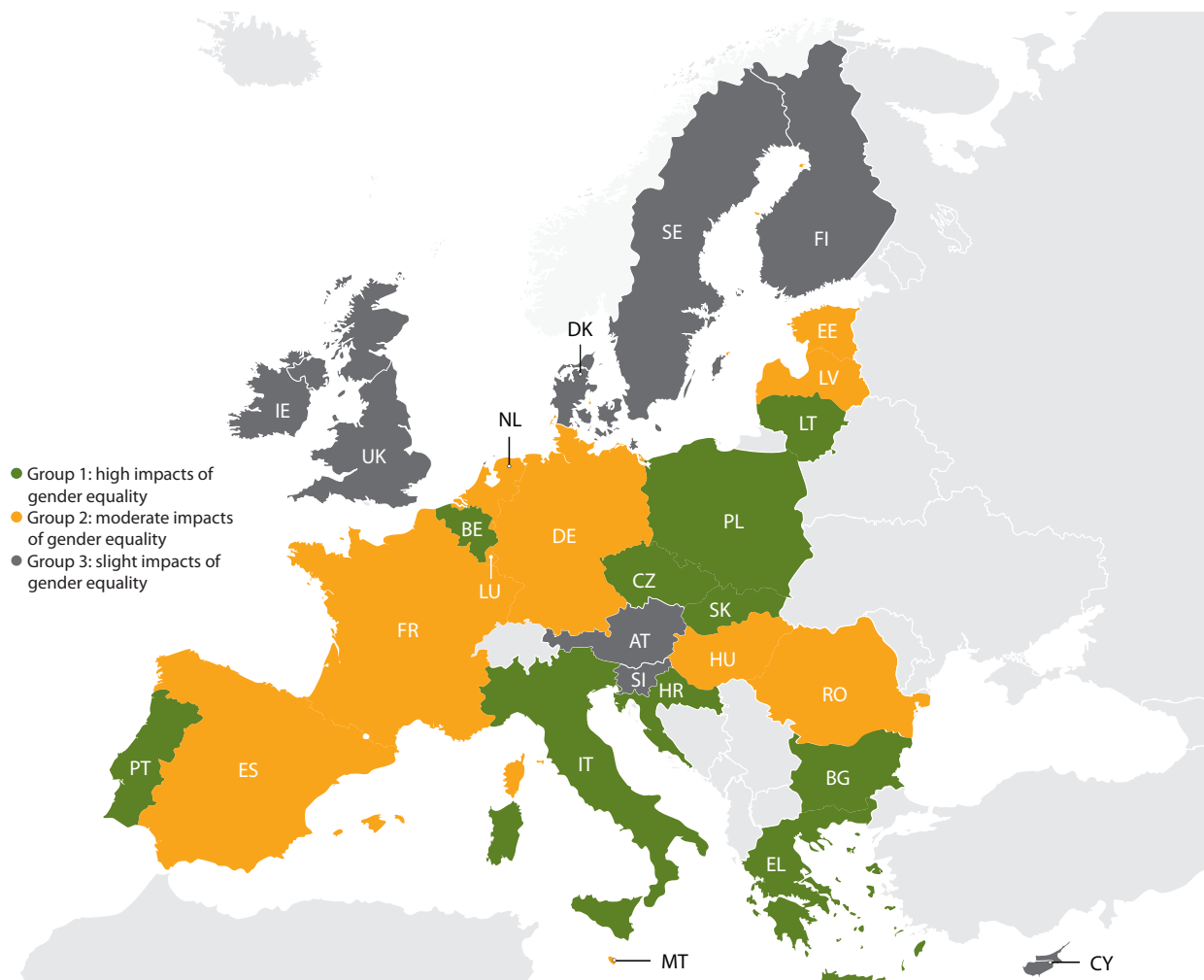
(1) Gender equality measures that are likely to lead to a higher number of women graduating from STEM subjects, such as the removal of gender stereotypes in education, awareness raising and the promotion of STEM subjects to girls and women and career guidance to encourage girls to consider studying in fields dominated by men and boys in ones dominated by women. Gender equality measures that can reduce gender gaps in the labour market include, among others, providing childcare and other care provision, changes in parental leave pay and conditions, the promotion and support of part-time and flexible working arrangements, legal provisions and policies regarding equal pay and working conditions, removing gender segregation across sectors and occupations, reducing the number of career breaks among women and promoting women into senior positions.

Addressing ageing-population challenges in the EU

Improved gender equality in education, labour market participation and a more balanced sharing of unpaid care work between women and men could lead to an increase in fertility rates, reflecting the recent research findings in this area. The study calculated that fertility rates would increase by 0-8 % by 2030. Higher fertility rates in turn lead to a larger population and an increase in the long-term labour supply. This study highlights the long-term benefits of such a development. By 2050, increased fertility is estimated to lead to an increase in employment of 2.5 million people. Improved employment is particularly important in light of current EU demographic projections, which predict a significant increase in the number of older people inactive in the labour market (Europe 2020 strategy).



Figure 3: Impacts of gender equality: differences between Member States in GDP in 2030



Boost in competitiveness

Improved gender equality could boost the long-term competitiveness of the EU economy.

Gender equality measures could lead to an increase in the productive capacity of the economy and lower prices. Following these developments the EU would be able to produce more goods and services domestically and would become more competitive in international markets. It would lead to improvements in the trade balance, where EU exports would increase by 1.6 % to 2.3 % and imports would decrease by 0.4 % to 0.7 % in 2050. Thus it would help to maintain international trade as one of the key engines of EU growth, in line with Europe 2020. Furthermore, higher rates of GDP growth could lead to additional private investment by companies because

they choose to invest based on expected benefits. The study results show that by 2050 there is an increase in investment in the EU.

Countries that increase gender equality will reap bigger benefits

The estimated impacts of increased gender equality vary considerably across Member States, depending on the present level of achievement regarding gender equality. Overall the results are very positive, with some individual countries seeing around a 4 % GDP increase and others exceeding 10 %.

The largest impacts are typically in countries where gender equality is a low priority. The study shows that those countries would gain much by putting gender equality on the agenda ^(?).

Member States that currently have limited gender equality measures gain the most by closing the gender gaps.

Countries with a lot of room for improvement can achieve substantial economical improvements as a result of more gender equality. On average, increased gender equality in these countries is expected to lead to an increase in GDP of about 12 % by 2050. This highlights the scope for substantial improvements in gender equality, which in turn can bring significant economic benefits. The best-performing countries in the area of gender equality have already achieved good levels of gender equality and therefore already enjoy some of the associated economic benefits. However, improvements in gender equality can generate additional economic gains even in these Member States, often reaching around 4 % of GDP.

Gender equality in the EU: recent policy developments

Gender equality has been a long-standing policy commitment of the European Union. Sixty years ago the principle of equal pay for equal work became part of the Treaty of Rome, and equality between women and men became one of the European Union's founding values. Still today the aim of EU policies addressing gender inequalities in the labour market is to enhance women's participation, minimise the gender wage gap and enable women and men to better reconcile work, private and family life.

Strengthening gender equality: the EU's five priority areas

1. Increasing female labour market participation and equal economic independence.
2. Reducing the gender pay, earnings and pension gaps and thus fighting poverty among women.
3. Promoting equality between women and men in decision-making.
4. Combating gender-based violence and protecting and supporting victims.
5. Promoting gender equality and women's rights across the world (European Commission, 2015b).

The current policy framework governing gender equality is based on the strategic engagement for gender equality 2016-2019, which was published as a follow-up to the Commission strategy for equality between women and men (2010-2015). The objectives of the strategic engagement focus on five priority areas and aim to integrate a gender equality perspective into all EU policies and EU funding programmes. Furthermore, the European pact for gender equality 2011-2020 represents a clear commitment to promote gender equality within the EU.

In order to reach the Europe 2020 targets for smart, sustainable and inclusive growth, mainstreaming gender equality in the main policy areas of education, labour market participation and pay, among others, is crucial.

^(?) The clustering of Member States is based on EIGE's Gender Equality Index



Europe 2020: a missed opportunity?

Europe 2020: gender gaps in education, labour market participation, pay and care duties

- Women remain under-represented in STEM sectors. In these fields 75 % of students are men.
- On average the gender employment gap is 11.6 % in the EU and increases with the number of children in the household.
- Women's over-representation in part-time work affects not only their labour market involvement but also their risk of poverty or social exclusion (in 2015, on average, 32.1 % of women worked part time in contrast to 8.9 % of men).
- The part-time employment rates of women also increase along with the number of children they have. 39 % of women across the EU-28 reported that the main reason for not seeking employment was 'looking after children or incapacitated adults', while this was the case for only 4 % of men.
- Women earn 16.1 % less than men on average across the EU, which means that they would have to work approximately 40 days more per year (or until the end of February) to earn what men had by the end of the previous year (Eurostat, 2016a, 2016b).

Europe 2020 recognises that equality between women and men is necessary to reach the employment target of 75 % of women and men in the EU aged 20-64 in work by 2020. Despite the EU's flagship initiative 'Agenda for new skills and jobs', which recognises the need to enhance 'the contribution of women to the formal economy', comprehensive measures focussing on gender equality are not clearly defined as part of the Europe 2020 strategy.

Persistent gender inequalities are undermining women's economic opportunities and affecting the entire EU economy. At a policy level this leads to a shortfall in terms of achieving inclusive and sustainable growth as outlined in the Europe 2020 strategy.

It would be natural to conclude that insufficient gender equality measures in Europe 2020 represent a missed opportunity so far. To reach the goal of smart, sustainable and inclusive economic growth the EU must improve existing and introduce further gender equality measures.

Europe 2020 and beyond

Gender equality measures can boost sustainable economic growth

Encouraging more participation of women in the labour market and increasing their participation in STEM studies is likely to make a substantial contribution to smart, sustainable and inclusive EU growth. The study shows that achieving gender equality in STEM education and the labour market has great potential to improve long-term growth prospects in the EU. However, this requires a structural change, which is crucial to ensure sustainable, smart and inclusive recovery from the recent economic crisis. This is necessary to put the EU's economy back on the upward sustainable growth path and avoid the risk of permanent losses in wealth and slow growth rates.

In order to achieve sustainable economic growth the European Union needs to start mainstreaming gender equality now.

The EU cannot afford to miss the opportunities that gender equality measures offer. The EU must introduce gender equality measures in the key policy areas without any further delay in order to achieve the desired impact on sustainable socioeconomic development and growth. The study forecasts an improvement in employment rates as early as 2020, and the strongest impact on labour market participation and GDP per capita across the EU in the medium term (2030) and long term (2050).

Recent plans laid out by the European Commission are a step in the right direction. In August 2015 the European Commission published a roadmap aiming to develop a comprehensive policy proposal to increase the participation of women in the labour market by improving work-life balance. The aim is to reform existing policies related to leave and flexible work arrangements that negatively affect the employment, pay and pensions of women. More policy proposals recognising the potential of mainstreaming gender equality are also necessary (European Commission, 2015a).

Putting gender equality at the heart of the follow-up strategy of Europe 2020 and other policy reforms such as the European pillar of social rights would make the economic system more inclusive, enabling women to fulfil their full potential and benefiting themselves and the whole society. This would enable the EU to achieve smart, sustainable and inclusive economic growth.

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About the study

The study on the economic benefits of gender equality is unique in the EU context. It is the first of its kind to use a robust econometric model to estimate a broad range of macroeconomic benefits of gender equality in several broad areas such as education, labour market activity and wages.

The overall results of the study show that more gender equality would lead to:

- between 6.3 million and 10.5 million additional jobs in 2050, with about 70 % of these jobs taken by women;
- positive GDP impacts that grow over time;
- an increase in GDP per capita of up to nearly 10 % in 2050.

The study used the E3ME macroeconomic model to estimate the economic impacts of improvements in gender equality. E3ME is an empirical macroeconomic model tailored specifically to model outcomes at EU and Member State levels.

The outputs of the study on economic benefits of gender equality in the EU include nine publications:

1. Literature review: existing evidence on the social and economic benefits of gender equality and methodological approaches.
2. EU and EU Member State overviews.
3. Report on the empirical application of the model.
4. How the evidence was produced: briefing paper on the theoretical framework and model.
5. How the evidence was produced: factsheet on the theoretical framework and model.
- 6. Economic impacts of gender equality in the EU policy context: briefing paper.**
7. Economic impacts of gender equality: briefing paper.
8. How gender equality in STEM education leads to economic growth: briefing paper.
9. How closing the gender labour market activity and pay gaps leads to economic growth: briefing paper.

All publications, detailed study results and methodology can be found on EIGE's website.

The European Institute for Gender Equality (EIGE) is the EU knowledge centre on gender equality. EIGE supports policymakers and all relevant institutions in their efforts to make equality between women and men a reality for all Europeans by providing them with specific expertise and comparable and reliable data on gender equality in Europe.

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