



AGING POPULATION AND ITS ECONOMIC IMPACT
+ IMMIGRATION

Role of Innovative Policies in Incentivizing Women's Participation in the Formal Workforce: A Response to Trends in Aging Population

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Abstract

By 2100, almost all the G20 countries are expected to have at least a quarter of their population be age 65 and older. Issues will arise with changing national demographics. These include a potential reduction in productivity and income, and a rise in the national healthcare costs associated with aged care. This paper outlines the ways that increasing formal Female Labor Force Participation (FLFP) can be effective to offset the labor loss due to aging population. The G20 platform and its engagement groups can generate momentum towards increasing average formal FLFP by advocating for required policy changes.



Challenge

Ageing populations pose a substantive issue to the overall structure of national and international labor markets. The global population aged 60 years or over was 962 million in 2017, and is projected to double to nearly [2.1 billion](#) by 2050. Whilst the within country impact will vary, almost all G20 nations will soon have their demographics shift towards ageing population. At present, Japan has the largest ageing population in the world, with [27.05%](#) of the population being aged 65 or over. 8 of the G20 countries, including China, Germany and Italy are projected to have 1/3rd or more of their population elderly by 2100.

Issues which will arise for nations experiencing changing ageing demographics include having a reduced labor force as a proportion of the population, a fall in national productivity and income, as well as a subsequent rise in healthcare costs associated with caring for the elderly.

There are a variety of solutions to manage an ageing population and the impact which an ageing population can have on the labor dynamics of a country. Some of the most commonly employed solutions include: adopting policies that promote higher birth rates, encouraging immigration, raising the retirement age, and redesigning the structure of national healthcare programs.

For many countries one of the easiest solutions to implement to address a reduction in available labor force participants will be to bring more women into the formal labor force. Due to cultural, legal and social barriers women are not represented in the formal sector at the same rate as men creating loss in productivity. [For example](#), the Indian economy would grow by an additional [27% by 2025](#), adding \$2.9 trillion, if FLFP increased to the point where women were represented in the formal economy at the same rate as men.



The central position advocated for in this brief is for G20 economies to introduce policies that would increase women's participation into the formal labor market as a way to offset a reduction in the working-age population available for the formal labor pool.

In most countries, cultural, legal, and structural barriers prevent women from entering and continuing in the formal workforce as easily as men. Although G20 leaders at the Brisbane Summit committed to reducing the gender gap in labor force participation by [25% in 2025](#), at present, [no G20 country](#) has been able to close the gap in the labor participation of women . If the G20 target of reducing the gender gap in labor force by 25% by 2025 is to be achieved, then it will require the participation of 65 million more women in the formal workforce. Whilst there are variations across countries, the rates of FLFP in G20 countries like Saudi Arabia, India, Indonesia, Mexico, and Turkey are much lower than the global average and improving FLFP in these conditions would require policy interventions.

Proposal

Achieving enhanced formal FLFP will require clear policy prioritization and strong political will. While each G20 nation will undertake policy interventions in ways that would best suit their socio-economic realities, to encourage this transition the political will to prioritize bringing more women workers in the formal sector will need to be reiterated by leaders and policymakers through various G20 platforms.

Reform I: Utilizing the G20 platform to promote better policies for bringing more women into the formal workforce

Need for 360 policy intervention: Structural barriers, lack of policy reforms and



lack of implementation of existing policies deter capable, educated women from participating in their formal national labor markets. This is reflected in the fact that women perform 75% of the world's unpaid work. Around the world, capable women often face cultural and social constraints that limit them to only providing unpaid domestic work, limiting their direct contribution to the national economy. In many cases, this results in the loss of highly skilled workers from the economy. In countries where women average five or more hours per day on unpaid work, at most 50% are employed or seeking formal-sector employment.

The loss in productivity suffered by economies when they are not able to bring qualified women into the formal labor force is evident in the following example: A female accountant leaving her career midway for child rearing may not return back to the workplace and may entirely abandon her career in accounting and work at home for the remainder of her life. While childrearing and providing labor in the household is in no way less dignified than being an accountant, the economy stands to gain more if her time were to be allocated to accounting work. The problem is not just bringing more women into the formal labor force but in also losing skilled workers because of a lack of services required to maintain work life balance. Women face a more difficult trajectory in entering and remaining in the formal sector than men as their career track becomes disrupted due to childbirth and marriage. Men becoming a father or getting married do not face the same issues. Women also pay the 'motherhood' wage penalty while men rarely have to pay 'fatherhood' wage penalty, with women on average earning less across their lifetime income than a man working the same job for the same number of years.

Women are also over-represented in informal employment. According to the UN, in South Asia, over 80% of women in non-agricultural jobs are in informal employment; in sub-Saharan Africa, 74%; and in Latin America and the Caribbean, 54%. Women in informal labor have less social protection, and tend to work longer hours in dangerous conditions. Legal restrictions also hinder women's full participation in the labor force. Women globally receive only three quarters of rights enjoyed by men.

In many cases, myopic and singular government initiatives are not enough. Given the varied drivers of lower female than male labor participation,



solutions need to be multifaceted. Government efforts at increasing FLFP in the formal sector require the removal of socio-cultural barriers, adjusting gender pay and education gaps, reducing mid-level female professional dropout, improving female health, improving maternal leave provisions, providing day care and addressing a host of other issues. Policies to increase the number of women in the labor force will also need to address gender discrimination.

The governments of aging population nations have the responsibility of mandating liberalized laws that focus on generating higher participation rates of women in a broader set of industries and with more flexible work arrangements.

The G20 Solution:

Push for policy change: A number of policy-level changes are required if women's participation in the formal economy is to be improved. Women's ability to participate equally in existing markets can largely be improved through policy measures.

A non-exhaustive list of possible policy changes is included below:

1. **Mandatory and adequate maternity leave:** Women who report taking paid leave are more likely to be working 9 to 12 months after a child's birth than are those who report taking no leave at all. In [2018](#), 16 economies increased paid maternity leave to meet the 14-week threshold. 33 economies introduced paid paternity leave. This number can be increased.
2. **Provision of paid paternal leave:** Paid parental leave which includes leave for both the father and mother increases women's labor force participation. Most G20 countries have little to no country level mandate to provide paid parental leave. After childbirth women bear a disproportionate work-load of childrearing. Although paid maternal leave increases the chances of women going back to work after childbirth, the rate can be improved if paid paternal leave is also made prevalent and mandatory. Maternal leave often deters employers from



hiring women. This bias could be addressed and a level-playing field could be ensured if employers are obligated to grant paid parental leave to both men and women.

The provision of [parental leave](#) can adopt the framework of being divided in the presence of two custodial parents and granted entirely to one in the presence of a single parent. Of the 36 weeks of allocated leave, each parent can be entitled to 18 weeks by default, however a prospect for transferring up to 14 weeks of leave to the other parent will remain available for both parents. This transfer option allows couples to split their leave entitlement as per convenience.

- 3. Availability of child-care facilities:** In most countries, due to cultural bias, the primary responsibility of child-rearing is undertaken by mothers. Women have to allocate more of their hours on child-rearing than men. Hence the mother after child-birth has less hours to allocate for work than the father. Burdened by the social expectation of putting in disproportionately more hours in child-rearing, women after childbirth often opt to leave their existing jobs permanently. Some shift to working part time from full time to meet child care demands, and others give up on promotions due to inability to put in the required hours. All these contribute to women's fallout from the formal labor market. This issue can be addressed by encouraging and enabling workplaces to provide more and better child-care facilities at work.
- 4. Enhancing legal employment rights for women:** The World Bank's [Women, Business and Law](#) found that out of among 189 economies, 104 had some form of restrictions on women's employment. Only 6 countries in the world give women and men equal legal work rights. Some restrictions were due to jobs deemed hazardous or morally inappropriate. Women in many countries are also not allowed to work during certain hours at night. Middle East and North Africa (MENA) followed by South Asia had the most incidences of restrictions. MENA regions obtained an average global score of 47.37 and SA a score of 58.36 out of 100 on average. In countries where women are allowed to work in all the same industries as men, women's labor force



participation is higher on average. Also, in countries where there are restrictions on the number of hours women can work, women's labor force participation is lower.

5. **Increase women's access to finance:** Women entrepreneurs and employers face significantly greater challenges than men in gaining access to financial services. According to the [World Bank](#), 190 million fewer women than men have a bank account. Women are also less likely to get access to loans to start a business.
6. **Increasing men's share of unpaid household labor:** Gender dynamics of unpaid household labor is uneven. Women on average spend more hours doing household chores than men. Increasing women's participation in the formal labor market hence may increase their total work hours if men do not share some of the burden of unpaid household labor from women. Public advocacy and awareness campaigns on ensuring women don't work more in unpaid household work than men could be one way of addressing this imbalance.

[Studies](#) show, advocacy, campaign, public interest litigation and push from bilateral organizations work well in bringing about required policy level changes. As an informal group, the G20 is limited in the extent to which it can undertake extensive advocacy, campaigning, or public interest litigation or make finance more inclusive for women. Despite this, it can support public, private and civil society organizations working on the above-mentioned policies.

Voluntary National Reviews: The [2014 G20 Brisbane Summit](#) commitment to reduce the gender gap in the labor force by 25% by 2025 can be expedited and given more impetus through encouraging G20 countries to submit Voluntary National Reviews (VNRs) on how far their countries have come in achieving that goal. The VNRs could be presented by each G20 country every two years during the Ministerial Meetings and each country representative could provide information on what policy measures have been most effective in their specific socio-cultural context.

Development of Comprehensive Measurement Indicators: A standardized,



unitary and simple index can be developed to measure how far countries have come in enhancing women's chances of participation in the formal workforce. The index comprising of numerical indicators would help G20 keep track and compare and contrast how each of the countries are doing in achieving the said goal.

Reform II: Incorporating reducing the gender gap in the labor force into the G20 2019 Leader's Communique to demonstrate significant political will

When an issue is mentioned in the G20 Leader's communique, it demonstrates the urgency of the issue and the leaders' strong political will in taking measures in solving the issue. Japan has long suffered from low participation of women in the formal sector and Prime Minister Shinzo Abe has been relatively successful in increasing Japanese FLFP through policy measures. Hence Japan G20 Leader's Summit is an appropriate occasion for leaders to demonstrate their collective commitment to increasing FLFP in the formal sector in each of their countries. It should also be briefly highlighted in the communique how it makes no sense for capable and competent women to not enter the formal labor force when countries are facing shrinking productivity due to aging population.

Reform III: Establish a G20 network for gender inclusivity

Policy reform to increase FLFP in the formal sector is an ongoing process. The socio-cultural barriers, particularly in Southern countries are complex and require innovative solutions. Many G20 countries lack the expertise and know-how required to efficiently increase FLFP in the formal sector. To that end, a G20 digital network for Gender Inclusivity in the Formal Sector can be kick-started for sectorial experts to share their findings and recommendations with policymakers and other interest groups and change enablers. The network could conduct credible studies on how increasing FLFP in the formal sector could be a vital measure towards combatting an aging population.

Reform IV: Lobby for policy reform through engagement of W20 & L20

The Labor 20 and Women 20 are two prominent engagement groups of the G20, consisting of members from the G20 leaders' community. It is essential to engage the L20, as it is one of the most successful official outreach groups within the G20 platform to facilitate inclusive and constructive dialogue on



“FLFP in the formal sector as a measure against Aging Population”. The L20, engages in consultations with Employment Task Force and Sherpa meetings, Labor and Finance Ministers meetings and G20 Summits. To facilitate national policy formulations, L20 and W20 can work jointly and undertake consultative dialogues with change agents. The W20 is an official engagement group that proposed policy recommendations related to women for the G20.

Consultations regarding the nexus between FLFP and aging population by L20 and W20 members can facilitate more innovative and focused policies with the involvement of appropriate experts and stakeholders. Creation of a separate framework to include the gender perspective in the labor market will help promote efficiency, accountability and transparency with regards to government policies, employment practices and women’s integration into the labor market. By involving the L20 community, it is possible to ensure lobbying for labor rights and social protection for encouraging more women into the workforce.

Reform V: Formulation of consensus for greater protection for women involved in the care industry

With the increase in life expectancy and an expansion of the aging population, a stark rise will also be observed in the aged care industry. Over the coming decades, care jobs, such as home health aides and personal care aides are expected to grow [41% from 2016-2026](#) which is 5 times as fast as the average job growth. Globally, aging related jobs along with healthcare could grow from [50 to 80 million](#) by 2030. This will put immense strain on healthcare systems around the world.

Care industries have mostly been [dominated by female workers](#). The expansion of care industries will see the rise in employment for women. However, care industries receive lower social protection and the rates of exploitation in the industry are also high. The salaries are extremely low. Independent workers, rather than agency employees are unlikely to receive work benefits, retirement packages or even disability payments if injured on the job. Hence improving conditions of the care industry which mostly employs women is vital. Through refocusing existing resources, it is possible to utilize jobs in the care industry to benefit both the economy, the aging and the women population.



By ensuring greater state facilitated care services, a projected [269 million additional jobs](#) could be created by 2030. Of these, a forecasted [30 million jobs](#) are in the sector of long-term care. This implies that a large number of women could be integrated into the workforce through universal access to care policies, services and infrastructure. Mass investment in these sectors would also enable the G20 countries to reach SDG 3 (Health Care for all), SDG 5 (Gender Equality) and SDG 8 (Decent Work and Economic Growth) of the United Nations' Sustainable Developments Goals (SDGs) by 2030.

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