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Closing the gender gaps: Effective economic and social policies in the ECE region

Gender-transformative economic and social policies to support the empowerment of women and girls in the ECE region

Note by the secretariat

Summary

Resolution 2018/8 of the Economic and Social Council encouraged the United Nations Regional Commissions to undertake a regional review of the implementation of the Beijing Declaration and Platform for Action and the outcomes of the twenty-third special session of the General Assembly to assess progress made toward gender equality and the empowerment of women. A key aspect of this review is the assessment of women's empowerment through participation in economic activities and the set of policy tools needed to close the existing gender gaps. The note focuses on economic and social policies implemented by the member States of the Economic Commission for Europe to that end. It presents good practices from member States that alleviate inequalities between men and women in four broad areas: labour force participation, pay and pensions, entrepreneurship and fiscal policies.



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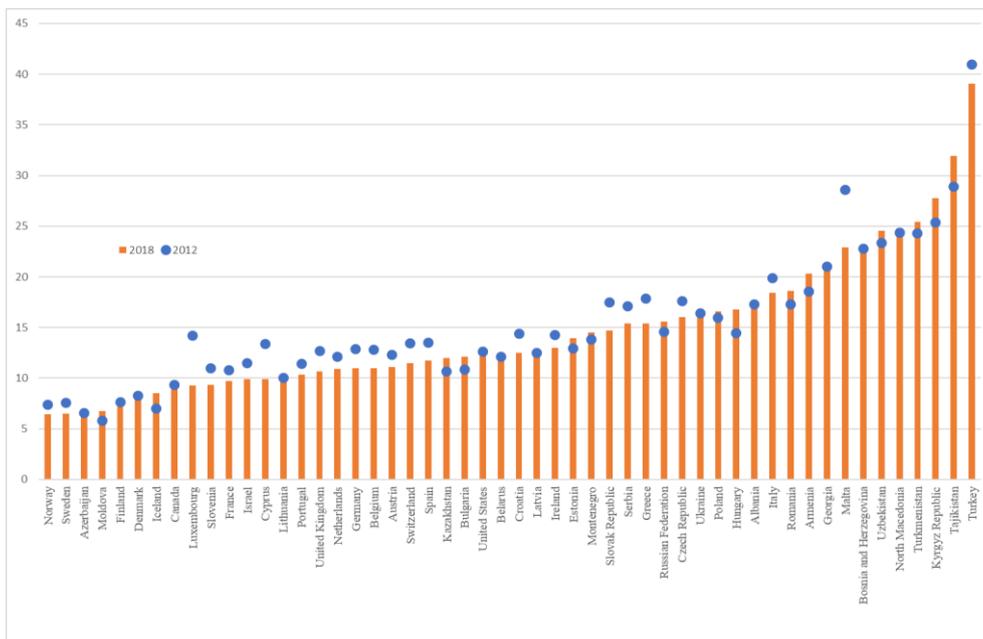
Introduction

1. The attainment of an equitable society and narrowing gender differences in all areas of development are closely related and interdependent issues that have attracted the attention of policymakers in the last decade. The worldwide recognition of the goal to achieve gender equality and the empowerment of women and girls as an important factor for growth and prosperity underpins the 2030 Agenda for Sustainable Development. Its implementation requires gender transformative economic and social policies that leave no one behind.
2. Women's participation in labour markets is more limited and irregular than men's, being accompanied by significant occupational and sectoral segregation. These gender differences are the expression of other inequalities, in particular, in the sharing of unpaid work. They translate into lower current and future earnings, constraining choices and undermining personal independence.
3. Addressing these inequalities through appropriate economic and social policies is of paramount importance for the empowerment of women and girls. This requires not only devising specific initiatives but also addressing the gender impact of various public interventions through the effective mainstreaming of gender in all these policies. Advancing gender equality in these areas has also well-recognized positive implications for overall economic prosperity. The contribution of progress in reducing gender gaps to meet other economic and social targets implies that gender equality is a major accelerator in the implementation of the 2030 Agenda.

I. Empowering women through equal participation in the labour market

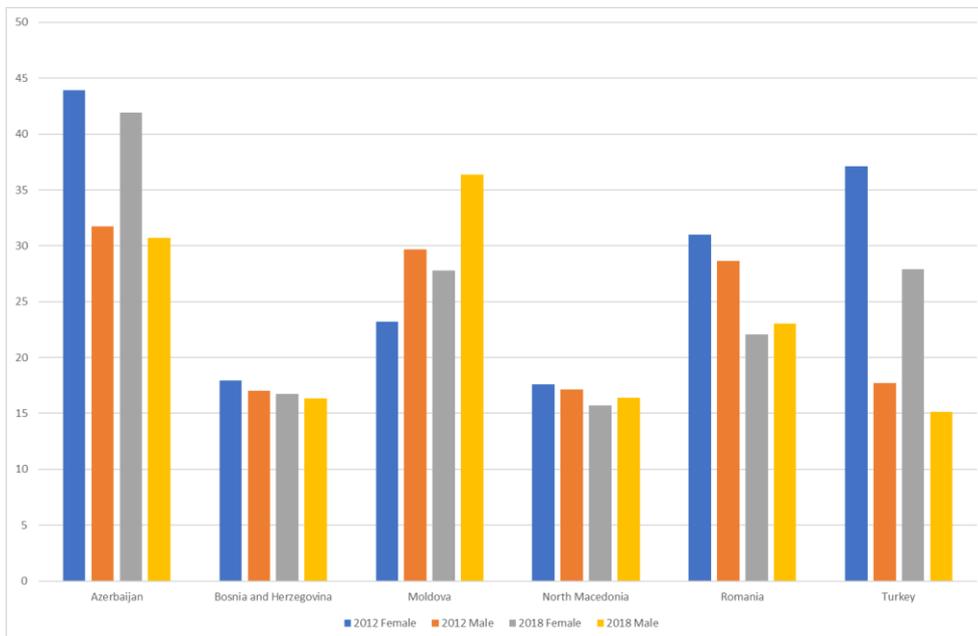
4. Despite progress in recent decades, gender differences in labour market participation rates remain. Albeit there is significant variation across countries, more women than men are economically inactive. The labour force participation gender gap in the ECE region ranges from around 6-7 per cent to almost 40 per cent, with a median value around 12 per cent in 2018 (figure 1), just one percentage point lower than six years ago.
5. While women are underrepresented in the overall labour force, the share of women in part-time and informal employment tends to be higher. In addition, women are more likely to work in sectors that pay lower wages and hold comparatively less managerial positions than men. In some countries, women are particularly active in the agricultural sector (figure 2), where skills are generally lower.
6. The unequal gender distribution of employment across sectors and occupations contributes to explain well-seated differences between women's and men's earnings. Career interruptions due to child-bearing and the unequal sharing of care and household work tends to reduce the number of hours worked and limits wage increases during the worklife. Typically, women have not only worse jobs that pay less but also less secure jobs with higher unemployment risks.

Figure 1
Labour force participation gender gap, persons aged 15-64, 2018
 (Percentage)



Source: World Bank Gender Statistics Database

Figure 2
Share of agricultural workers in total employment by sex, 2012 and 2018
 (Percentage)



Source: World Bank Gender Statistics Database

7. Advancing gender equality in the labour market would not only empower women as individuals but also contribute to economic prosperity, improving the use of underutilized resources. From an economic perspective, the importance of raising female labour participation rates increases in the context of rapidly aging societies.

8. The economic costs of labour market gender gaps have been well documented in a large number of empirical studies. For example, a World Bank paper estimated the effects of gender gaps on labour participation and the choice of occupations in the West Balkans and Turkey, showing that they resulted in a loss of 17 per cent of income per capita¹. Recent studies have drawn attention to the added benefits of a more diverse workforce. This new approach suggests that the economic gains of increasing female labour participation are higher than previously thought², given the associated positive impact on productivity.

A. Policies to decrease the burden of unpaid work of women

9. Traditionally, the burden of raising children and caring for elderly relatives relies largely on women, which has a detrimental impact on women's career prospects, their lifelong earnings and, more broadly, on social exclusion and vulnerability. It has also negative health implications, particularly in old age³. Women with care responsibilities are more likely to be self-employed and to work in the informal economy. In addition, unpaid carers tend to have worse working conditions, and are less likely to be covered by social security. Female employment rates are clearly influenced by the caring responsibilities associated with having children (figure 3).

10. Moreover, the gender wage gap typically increases with age, i.e. during childbearing and child-rearing years, indicating the existence of a "motherhood penalty" (see section II). Many empirical studies confirm that mothers are likely to receive lower wages than women with no children. There is a significant cross-country variation in this penalty, which reflects differences in the cultural context, family policies, labour market flexibility and institutions. Lower wages for mothers reflect labour market interruptions or reduction in working time; employment in more family-friendly jobs, which are lower paying; or stereotypical hiring and promotion decisions at enterprise level which penalize the careers of mothers⁴.

11. Welfare policies that support a quick return to the labour market after birth have a positive influence on the gender pay reduction. By contrast, the combination of long parental leaves and low public childcare provision tends to result in extended career breaks with a negative impact on employment rates and earnings⁵.

12. Recent studies have also highlighted that the demand of paid care work has increased globally, due to changes to family structures, higher care dependency ratios and changing care needs, combined with an increase in the level of women's employment in certain countries. If unmet, this extra demand for paid care work is likely to continue to constrain women's labour force participation, put an extra burden on care workers and further accentuate gender inequalities at work.

¹ Cuberes, D. and Teignier, M. (2015), How Costly Are Labor Gender Gaps? Estimates for the Balkans and Turkey, World Bank Policy Research Working Paper 7319.

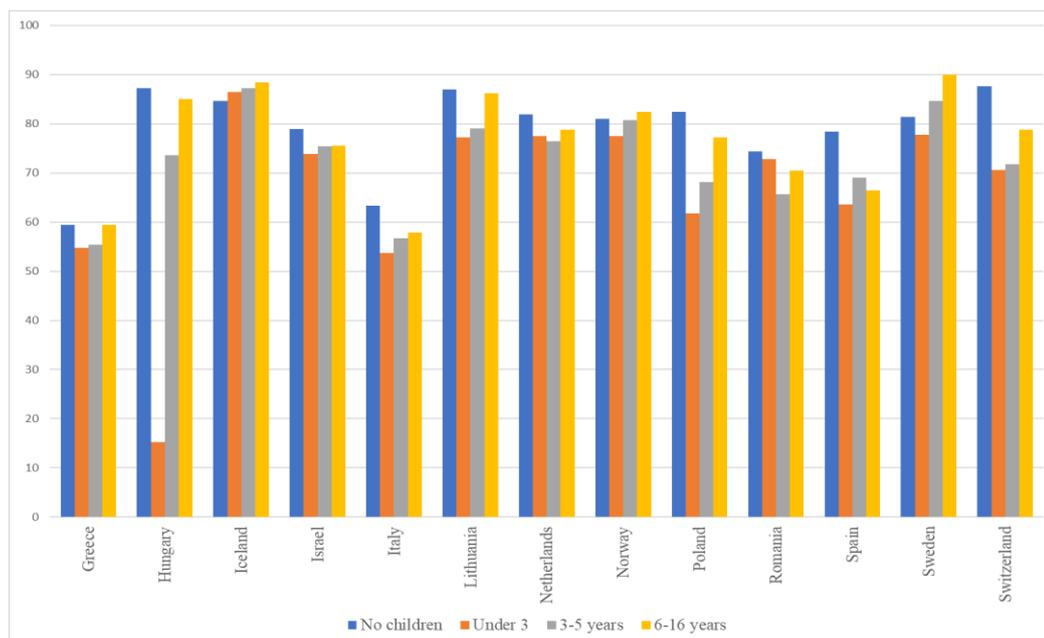
² Ostry D. and others (2018), Economic Gains From Gender Inclusion: New Mechanisms, New Evidence, IMF Staff Discussion Notes, No. 18/06.

³ WHO (2016), Women's health and well-being in Europe: beyond the mortality advantage.

⁴ ILO (2018) Global Wage Report 2018/19: What lies behind gender pay gaps.

⁵ Cukrowska-Torzewska, E. and Matysiak, A. (2018), The motherhood wage penalty: a meta-analysis, Vienna Institute of Demography Working Papers, 08/2018.

Figure 3
Employment rate of women aged 25-49 by age of youngest child, 2017
 (Percentage)



Source: UNECE Statistics Database

13. Policy initiatives in some critical areas can contribute to reduce existing inequalities:

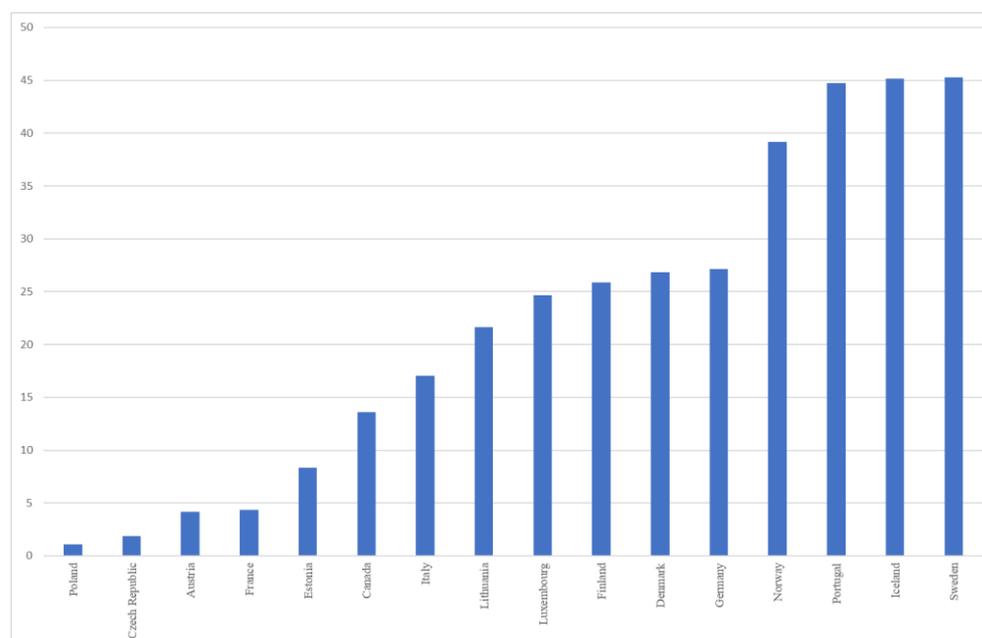
(a) The appropriate design of maternity benefits and leave entitlements is crucial. The implications of the return to the labour force for new mothers should be considered. Benefits should make provisions for breastfeeding, doctors' appointments and transferability to the father in case of hospitalisation or death of the mother. Maternity benefits should also be adapted to the new forms of work, as the traditional mechanisms of protection are being challenged by the increased importance of non-standard forms of employment. For example, according to a recent estimate, 13 per cent of permanent part-time non-standard employees are at risk of not being covered by maternity benefits in the EU⁶. Adequate effective coverage of all women should be provided, regardless of employment status. Croatia, Iceland, Portugal and Spain are examples of EU member States that explicitly extend cash benefits during maternity leave to self-employed workers⁷. In Ireland, the eligibility for free second-chance higher education courses under the Springboard+ programme has been extended to those who have been out of work for several years due to caring obligations.

(b) Paternity leave encourages fathers' participation in the care of children from the beginning and contributes to a more balanced share of care work within households. It is important that at least part of the paternity leave is fully compensated in order to encourage uptake. The number of countries that offer paid parental leave (i.e. available to both parents) has augmented. While uptake differs widely, it has increased in some countries (figure 4).

⁶ European Commission (2018), Access to social protection for all forms of employment.

⁷ ILO (2014), Maternity and paternity at work. Law and practice across the world.

Figure 4
Male share of recipients of paid parental leave, 2016
 (Percentage)



Source: OECD Family Database

For example, Germany introduced a joint entitlement to a total of 14 months, which can be used by any of the parents if both participate in childcare. Transferable parental leave gives added flexibility to women when choosing their return to work. However, reserving non-transferable periods exclusively to fathers can help to reduce potential objections from employers. In Sweden, there are 180 days of parental leave allocated to each parent, out of which three months are non-transferable and paid at almost 80 per cent of earnings, which has encouraged more fathers to take leave. In Spain, after a gradual transition period, as of 2021 both parents are expected to have equal, non-transferable and fully remunerated leave of 16 weeks.

(c) The availability of affordable and good quality child care has a positive influence on the participation of women in the labour market, as well as on their career choices and the distribution of unpaid work within households. The provision of free universal childcare can have positive impacts on job creation⁸. However, the impact of public support for childcare on female labour supply depends on pre-existing country conditions. Empirical studies show a large degree of variation in the elasticity of maternal employment with regard to childcare prices. Elasticity tends to decline as female labour participation increases. Price effects are particularly strong for low-income mothers⁹. Factors other than prices are, however, relevant when childcare is rationed (i.e. supply is insufficient). Subsidies may not target prices offered to parents but cover some costs that may constrain the opening or expansion of childcare facilities, as it has been done in Switzerland¹⁰.

(d) The overall state of infrastructure and the access to basic services such as water and electricity influences the effective burden placed on women by household tasks and the employment options open to them in rural areas and less advanced countries.

⁸ UN Women (2019), Investing in early childhood education and care in Kyrgyz Republic: An assessment of care deficits, costs and impact on employment, gender equality and fiscal returns.

⁹ Akgunduz, Y.E. and Plantenga (2015), Childcare Prices and Maternal Employment: a Meta-Analysis, USE Discussion Paper Series 15-14.

¹⁰ Ravazzini, L. (2018), Childcare and maternal part-time employment: a natural experiment using Swiss cantons, Swiss Journal of Economics and Statistics, 2018:154(1):15.

The development of infrastructure can reduce the time women spend on domestic tasks and free time for paid work. Improved mobility options can open a new range of employment opportunities, facilitating access to better paid jobs. Infrastructure also contributes to improved productivity, supports economic development and facilitates female entrepreneurship¹¹.

(e) Awareness campaigns can help to redefine social and individual expectations regarding the sharing of unpaid care and domestic work. In Croatia, the campaign “Dad Matters” received public financial support to engage with different groups and organise discussions on the role of fathers in family life. In the Netherlands, the Work and Care campaign calls for partners to discuss with each other and with their employers how to achieve a good balance of work and family responsibilities.

B. Policies to improve the equal access to decent work for all

14. Women are disproportionately represented in low-pay, part-time and informal jobs. This specialization reflects multiple causes, including unfair expectations and practices regarding the sharing of unpaid work, the acquisition of relevant skills and other reasons. These different factors reinforce each other. For example, the unequal sharing of household work limits the acquisition of new skills and contributes to reproduce existing patterns.

15. Labour markets will be subject to significant transformation, under the impact of digitalization, the increased use of artificial intelligence and other related technologies. While technology holds great promise in increasing prosperity and tackling multiple environmental and social challenges, the associated shifts in the structure of employment have raised policy concerns. The scope for automation and the displacement of jobs has significantly increased. Ongoing trends have the potential for differentiated gender effects, given the existing pattern of job specialization and skills distribution between men and women.

16. Women, on average, tend to perform more routine tasks that are prone to automation than men. In addition, they carry out less tasks that require information processing skills, where technological change can complement existing skills. These differences reflect existing job specialization and result in a higher risk of automation for the female workforce. A positive development however is that gender automation gaps are smaller for younger cohorts while women’s presence in occupations at lower risk level of automation has been increasing¹².

17. While some jobs will disappear, other will be created. However, net demand for labour will only increase or increase faster for occupations requiring specific higher education. Women are more represented in lower-paid, low skills work than men. The demand for this type of jobs is expected to fall, while supply is expected to increase, as medium-skills jobs disappear under the impact of automation, with the resulting pressure on wages¹³.

18. Persistent gender disparities in education make more difficult for women than men to adapt to changes in labour demand and skill requirements resulting from ongoing automation trends. While there has been progress in reducing gender educational gaps, women still lag men regarding technical skills, which are likely to be in higher demand. Overall, the emphasis on skills upgrading is well warranted.

19. Some policy initiatives to improve equal access to decent work for all include:

(a) Access to education, including technical and vocational, training and mentorship programmes that facilitate widening occupation choices and break away

¹¹ Jacobson, J. and others (2016), Infrastructure: A Game Changer for Women’s Economic Empowerment, Background paper for the UN Secretary-General High-level Panel on Women’s Economic Empowerment.

¹² Brussevich, M., Dabla-Norris and Khalid, S. (2019), Is Technology Widening the Gender Gap? Automation and the Future of Female Employment, IMF Working Paper, WP/19/91.

¹³ McKinsey Global Institute (2019), The future of women at work. Transitions in the age of automation.

from the existing occupational segregation. Training opportunities and mentoring programmes can be developed together with companies, as it has been done in Austria;

(b) Flexible working arrangement such as telecommuting or staggered or shortened working hours may facilitate the reconciliation of work-family obligations, and therefore improve the potential access of women to a wider range of jobs and skills upgrading opportunities. More than half of company employees in Finland, Denmark, Norway and Sweden can control at least some of their working hours¹⁴. In Canada, after changes to the Labour Code, employees in the federally regulated private sector have the right to request flexible work arrangements; and

(c) Improving conditions for non-standard forms of employment, where women are overrepresented, so self-employed, part-time workers and other benefit from similar conditions to those engaged in standard forms of employment.

C. Policies to promote youth employment

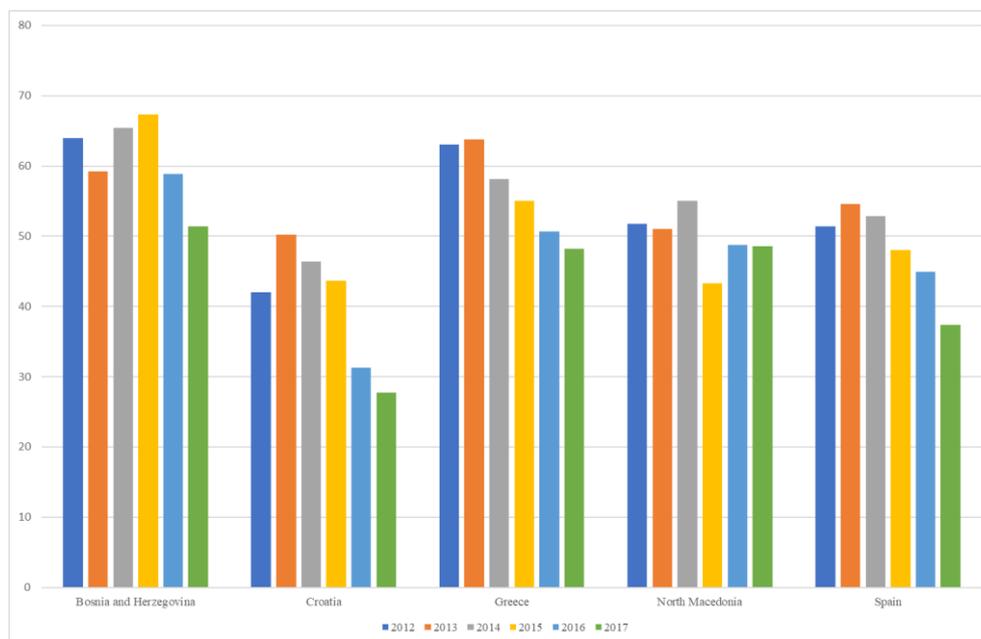
20. The global financial crisis of 2008-2009 hit young people particularly hard, given their more precarious forms of employment. Youth unemployment rates (figure 5), which are traditionally higher than overall rates, rose sharply. A decade later, youth unemployment rates remain significantly higher than before the crisis in some countries. A double-digit gap with overall unemployment rates is observed in Cyprus, Greece, Italy and Spain.

21. Differences between youth male and female unemployment are not very large. In fact, for the EU as whole, the male youth unemployment rate for those aged 15-24 started to exceed the female rate since the start of the financial crisis, although this gap has started to narrow in recent years. This reflected the gender sector specialization, with male-dominated sectors such as construction and manufacturing being more severely affected by the crisis. In some ECE countries, young female unemployment rates are significantly higher than male ones, such as Armenia, Bosnia and Herzegovina, Greece, the Kyrgyz Republic and Turkey.

22. Being unemployed translates into a loss of current earnings but it may not involve loss of future earnings if training or formal education leads to the acquisition of valuable skills. However, the share of unemployed that are not in education or training has been consistently higher, albeit not much, for young unemployed women than for men in the EU. In the new EU member countries this difference is particularly large. In Turkey, this gender gap has been reduced significantly over the last decade, but it remained at almost 18 per cent in 2018.

¹⁴ Nordic Information on Gender (2018), Flexible work arrangements. The Nordic Gender Effect at Work, Nordic Council of Ministers.

Figure 5
Unemployment rate of women aged 15-24, 2012-2017
 (Percentage)



Source: UNECE Statistics Database

23. Being out of employment and training at an early age for extended periods prevents the acquisition of critical skills and experiences, with a likely persistent effect on future incomes. Addressing this policy problems requires responses that consider the particular difficulties and varied challenges that women face. Some initiatives include:

(a) Provision of targeted training. Austria introduced at the beginning of 2017 an Education and training guarantee until the age of 25, which has become central in active labour policies for this age group. A Youth coaching programme provides a nationwide counselling service to allow for a seamless transition from school to work or further training. In Armenia, a programme targets young mothers with low education levels with a training scheme directly provided by the employer during which they receive a wage.

(b) Targeted wage and hiring subsidy programmes. The design of these programmes is important for their effectiveness. Subsidies (for example, in the form of reduced social contributions) are more effective in promoting the employment of specific groups that in raising overall employment, which may require more structural solutions. Moreover, short-term subsidies are unlikely to be successful unless they are complemented or combined with a training element¹⁵.

II. Empowering women by equalizing pay and pensions

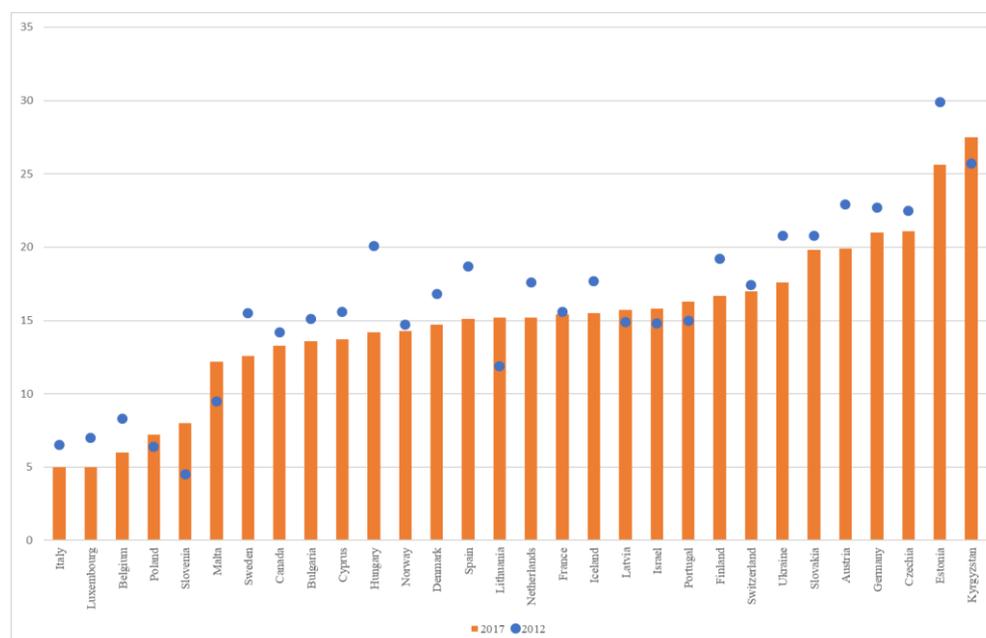
24. In all countries in the region, women are paid less than men. A gap exists also when focusing on hourly pay differences (figure 6), that take into account that women tend to work more part-time. Although the gender pay gap in hourly wage rates has fallen slightly over the last five years, median values remain above 15 per cent, according to the latest figures available in the UNECE database. In some countries, the gap has continued to widen.

25. In most countries, the gender gap is larger among high earners and those with more educational qualifications. A relatively lower pay gap is not per se evidence of more gender

¹⁵ ILO (2015), What works in wage subsidies for young people: A review of issue, theory, policies and evidence, Employment Working Paper No. 199.

equality, as it may partly reflect selection effects, where only high-paid female workers remain in the labour force in an economy with low female participation rates that offers scarce opportunities for low-skilled women.

Figure 6
Gender gap in hourly wages, 2012 and 2017
(Percentage)



Source: UNECE Statistics Database

26. The effect on pensions of lower pay rates is compounded by shorter and more irregular careers with a higher prevalence of non-standard forms of employment. In the EU, for example, the gender pension gap for pensioners aged 65-79 has declined on average in recent years from around 41 per cent in 2009 to a still very large 35.7 per cent in 2017¹⁶. Women live longer than men, but the years lived longer are often characterized by ill health or disability with less social protection than men¹⁷. Closing gender gaps in the labour market can have significant knock-on effects regarding social protection for women.

27. The gender pay gap has multiple ramifications. Lower earnings raise the risk of poverty and social exclusion, in particular in old age. Higher dependence on social programmes and transfers that complement lower incomes exposes women to expenditure cuts when economic circumstances force fiscal consolidation. The implications are also non-economic, as the gap constrains financial independence and may reproduce unequal power dynamics within relationships.

A. Causes of the gender pay gap

28. There are multiple factors that contribute to the gender pay gap. These different causes, which often reinforce each other, include among others:

- (a) Women are underrepresented in senior positions where compensation levels are higher;
- (b) Female-dominated sectors pay less attractive wages;
- (c) Gender segregation in education limits occupational choices;

¹⁶ European Commission (2019), 2019 Report on equality between women and men in the EU.

¹⁷ WHO (2016), Women's health and well-being in Europe: beyond the mortality advantage.

- (d) If focusing on monthly earnings, women working fewer hours than men, given the overrepresentation in part-time jobs; and
- (e) Persistence of de facto discrimination

29. The unequal constraints placed on women by childbearing and child-rearing have a significant impact on these factors. The gender pay gap remains substantial in all countries despite progress in education and advances in fighting discrimination. Differences between men and women earnings widen significantly after the arrival of children, reflecting the impact on labour force participation, hours of work and wage rates¹⁸. The gender pay gap is lower for women with no children. The disproportionate responsibility for unpaid work, in particular childcare, limits career aspirations and job choices.

30. The gender pay gap is different across sectors and is higher in those that require working longest and inflexible hours, as these demands penalize workers that have external responsibilities as carers. These are sectors in which career breaks also tend to have larger negative implications for future earnings¹⁹. For example, gender differences in earnings are typically large in the financial sector in most countries.

31. Wage differences are much larger in the private sector, where managers have more discretion in setting wages. According to Eurostat, in the European Union the gender pay gap in the private sector varied from 7.0 per cent in Romania to 23.7 per cent in Germany in 2017. A number of studies also suggest that the presence of women in management tends to reduce gender wage differences²⁰

32. Decomposition exercises, which try to quantify the impact of various factors, show that a gender pay gap exists even when taking into account differences in personal, occupation and company characteristics. The unexplained part of the unadjusted gender pay gap, which is obtained as a residual, shows the impact of measurement errors and the exclusion of relevant factors in the analysis, such as work experience. Some additional factors to understand the unexplained wage gap are women's lower returns for education, the existence of a mother wage penalty and the prevalence of lower wages in feminized occupations and enterprises²¹. The unexplained gap also points to the existence of continued de facto discriminatory hiring and promotion practices²².

33. For example, a study by the Office for National Statistics of the United Kingdom established that more than 60 per cent of the gender pay gap in 2017 remained unexplained²³. Occupational differences were by far the largest explanatory factor, accounting for almost one quarter of the differences in hourly pay. In OECD countries, the unexplained component of gender pay difference is more than half of the total gap²⁴. In most EU member States, the explained gender pay gap for education is negative, which implies that employed women on average have a higher level of education than men. By contrast, it is positive regarding economic activities, as men are employed in better paying sectors²⁵.

B. Policies to promote wage transparency and equal pay

34. There are multiple public initiatives that promote wage transparency and equal pay to contribute to narrowing the gender wage gap:

- (a) The Equal Pay Day marks how far into the year women must work to earn what men earned in the previous year. The date is celebrated in many countries and

¹⁸ Kleven, H. and others (2018), Children and gender inequality: evidence from Denmark, NBER Working Paper Series 24219.

¹⁹ Goldin C. (2015), How to Achieve Gender Equality, Milken Institute Review, July Q3.

²⁰ Hedija, V. (2015), The Effects of Female Managers on Gender Wage Differences, Prague Economic Papers, Vol. 2015(1).

²¹ ILO (2018), Global Wage Report 2018/19: What lies behind gender pay gaps.

²² ILO (2018), World Employment and Social Outlook: Trends for Women 2018 – Global snapshot.

²³ Office for National Statistics (2018), Understanding the gender pay gap in the UK, 17 January 2018.

²⁴ OECD (2017), The Pursuit of Gender Equality. An Uphill Battle.

²⁵ Leythienne, D. and Ronkowski, P. (2018), A decomposition of the unadjusted gender pay gap using Structure of Earnings Survey Data, Eurostat.

varies depending on the existing gender pay gap. The initiative contributes to increase awareness of existing wage differences;

(b) Some countries impose reporting requirements on gender pay differences for companies exceeding determined employee thresholds. In the United Kingdom, companies with 250 or more employees must publish annually salary differences, gaps in average bonuses and a gender breakdown of the proportion of employees who receive bonuses. These reports are available online. In Belgium, gender pay reporting is compulsory for companies with 50 staff or more;

(c) Equal pay standards can contribute to ensure that women and men working for the same employer are being paid the same for the same jobs or jobs of equal value. Iceland had a standard Equal Wage Management System which applied voluntarily to certify equal pay. As of January 2018, companies and institutions employing 25 or more workers must obtain equal pay certification of their equal pay systems and their implementation each year;

(d) Reporting requirements and targets on gender pay gap can be linked to public procurement, as a promoting or sanctioning tool, as in Switzerland; and

(e) Benchmarks can be developed to assess equal pay and monitor the impact of corrective measures. France has introduced an equal pay index. If the score is below 75 out of a possible 100, corrective measures should be defined with the unions during the mandatory negotiations regarding gender equality. If the score remains insufficient after a three-year period, the company may be liable to a fine of 1 per cent of the payroll.

C. Policies to increase wages in female-dominated sectors

35. The gender pay gap is partly explained by the specialization of women in some sectors. Increasing wages in these sectors would have therefore a positive impact on reducing overall gender differences in earnings. Some issues for policy consideration include:

(a) Collective bargaining can contribute to increase wages in female-dominated sectors. However, this requires the engagement of social partners, unions and employers to address the causes of inequity and monitor the pay dynamics of similar work²⁶; and

(b) Decisions to raise the minimum wage may have a disproportionate effect on women, as this measure will be relevant for sectors which are particularly significant for female employment, such as the hospitality industry, cleaning and household services, footwear and textiles manufacturing or retailing.

D. Policies to promote women's enrolment into science, technology, engineering and mathematics

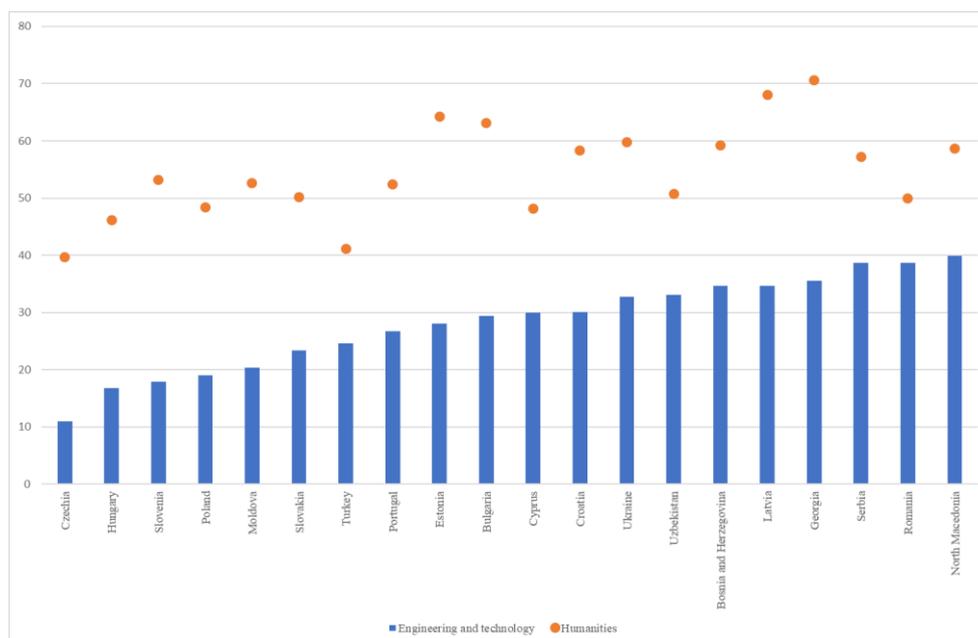
36. The underrepresentation of women in science, technology, engineering and mathematics (STEM) (figure 7) has negative implications for their future insertion in labour markets, given the expected increased technological component of future occupations (section I.B). The existing situation, if unaddressed, is likely to become a source of widening gender disparities in earnings. On the other hand, gender inequality limits the supply of qualified labour in those areas where recruitment difficulties are not exceptional, thus constraining growth prospects. According to the European Institute for Gender Equality,

²⁶ Schäfer, A. and Gottschall, K. (2015), From wage regulation to wage gap: how wage-setting institutions and structures shape the gender wage gap across three industries in 24 European countries and Germany, *Cambridge Journal of Economics*, Volume 39, Issue 2, March 2015.

closing the gender gap in STEM fields would contribute to increasing GDP per capita to 0.7-0.9 per cent by 2030 in the EU²⁷.

37. Governments have promoted a wider participation of women into STEM fields by:
- Encouraging enrolment in STEM high-education by providing targeted financial assistance and using role models and mentoring schemes that help to break down stereotypes. For example, the “Engineer Girls of Turkey” project provides scholarships, internships and employment opportunities and a mentoring scheme;
 - Tackling gender bias in the adoption of decisions by ensuring gender balance in research teams, evaluation panels, advisory boards, expert groups and similar bodies with an influence on appointments and other aspects that impact the career of individuals;
 - Creating prizes and awards that recognize achievements of female researchers, innovators and STEM-based entrepreneurs;
 - Facilitating the transition from study to employment through work placements and similar schemes. Canada is running a Student Work Placement Programme that helps women in STEM and other underrepresented groups to enter and succeed in the workplace;
 - Promoting the emergence and strengthening of multiple stakeholder partnerships and networking associations to facilitate the identification and broad implementation of good practices.

Figure 7
Share of female researchers in total researchers, 2016 or 2017
(Percentage)



Source: UNESCO Women in Sciences Database

III. Empowering women by decreasing the entrepreneurial gap

38. Entrepreneurship is a major source of economic dynamism and innovation. By exploiting existing opportunities and introducing new goods, services and business processes, it creates jobs and strengthens competitiveness. Successful entrepreneurship

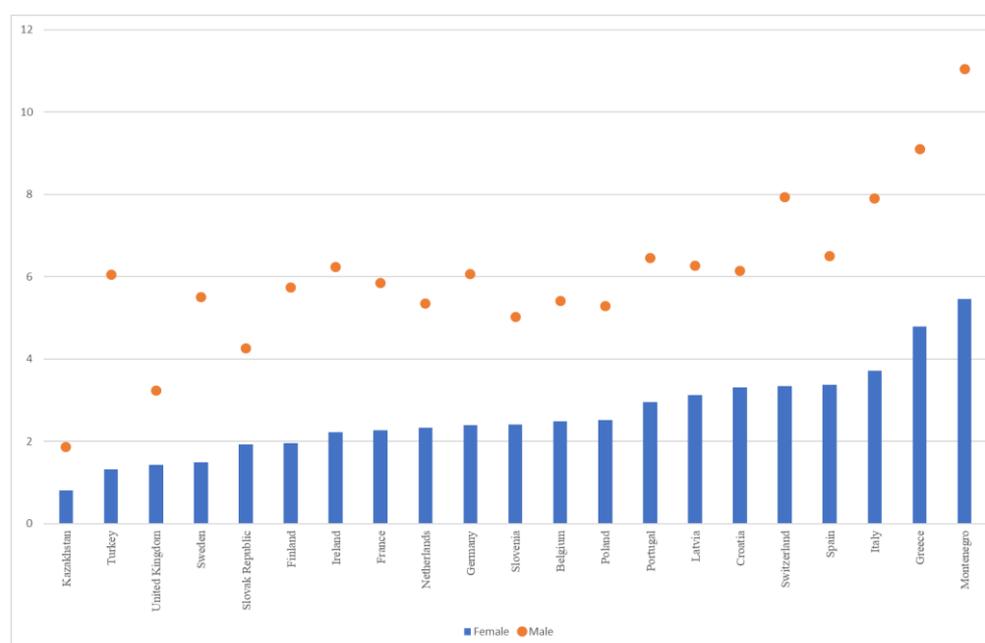
²⁷ European Institute for Gender Equality (2017), Economic benefits of gender equality in the EU. How gender equality in STEM education leads to economic growth.

rewards individuals with higher incomes and living standards. However, prevailing gender gaps limit women's contribution and their opportunities for fulfilment and economic advancement. The share of women entrepreneurs in the total workforce is generally much lower than that of men, although there are significant differences across countries (figure 8). Broadly speaking, the gender entrepreneurial gap tends to be lower in high-income countries and higher in middle-income and low-income countries. Women entrepreneurs face particular challenges, including the need to overcome negative social prejudices, skills shortages, difficulties in accessing finance, weaker entrepreneurial networks and others.

39. Companies run by female entrepreneurs have, on average, some distinctive features. They tend to be smaller than those run by male entrepreneurs. They are particularly represented in some sectors, such as personal services, which are less capital-intensive but also less dynamic and with lower growth potential. Sectoral specialisation is an important explanatory factor for the particular difficulties faced by women-owned companies.

40. In some cases, women's decision to become entrepreneurs may be driven by a desire to have better control over their own time to attend family care responsibilities, which, however, are likely to act as a constraining factor on the choice of sector and future growth prospects.

Figure 8
Share of employers in total employment, 2018
(Percentage)



Source: World Bank Gender Statistics Database

41. Entrepreneurship may appear as escape venue from the constraints imposed by gender inequality in the labour market and the unbalanced sharing of family obligations according to prevalent social norms. A relatively higher share of female entrepreneurship should not be therefore interpreted as an indicator of higher gender equality. In fact, greater gender equality is often associated with a greater gender gap in self-employment²⁸.

A. Policies to encourage women's entrepreneurship

42. Surveys in a variety of countries consistently point out that women are less willing to start a business than men. This reflects different constraints in access to resources, gaps in knowledge, networks and skills. In particular, a gender gap in access to finance is a well-

²⁸ Klyver, K. et al. (2013), Women's self-employment: an act of institutional (dis)integration? A multilevel, cross-country study, *Journal of Business Venturing*, Vol. 28, Issue No. 4.

established feature. This gap reflects multiple factors, including sectoral specialisation, experience levels and biases in assessing the potential creditworthiness of women entrepreneurs by banks and investors. Given the difficulties in accessing finance, women are more likely to rely on their own funds.

43. Different policy initiatives have been deployed to encourage women's entrepreneurship:

(a) Women benefit disproportionately from improvements in the business environment, as they are overrepresented in the informal economy. Addressing regulatory and tax distortions that result in the reduction of the informal sector would create better conditions for women-owned companies. In Tajikistan, a Gender-Responsive Investment Climate Reform Project, launched in cooperation with the EBRD in 2018 led to a set of recommendations and the elaboration of a Women in Business Programme;

(b) Promotion of role models that provide a positive representation of female entrepreneurship and increase awareness of resources and opportunities. The Swedish programme of Women's Entrepreneurship Ambassadors was developed through a collaboration between the public and the private sector. The project inspired the EU European Ambassador Network for Women's Entrepreneurship;

(c) Ensuring that the education system does not discourage risk-taking and the study of relevant subjects by girls, including by offering targeted educational opportunities;

(d) Addressing real and perceived skills gaps through training courses, coaching and mentoring. Women are less likely than men to acquire relevant job experience as managers, which would facilitate starting a business. In the Russian Federation, the programme "Mum-entrepreneur" provides targeted training that is followed by a business-plan competition, where the winner receives a grant to start her business;

(e) Different types of financial support targeting women, including grants, microlending and guarantees, catering for different financial needs and stages of business development. In France, the guarantee *Égalité* women seeks to facilitate access to banking credit by women to create, take over or develop a company. The guarantee covers up to 80 per cent of the value of the credit. In Serbia, women have priority in the allocation of self-employment subsidies by the National Employment Service;

(f) Publicly-supported business incubators and accelerator programmes can target women-led companies; and

(g) Use of public procurement to support women owned business, including by the establishment of predetermined quotas. A target to award 5 per cent of US federal agencies contracts by value to small business owned by women was finally achieved in 2015. The US experiences show that quotas need to be accompanied by other supportive measures, including awareness-raising and capacity-building²⁹.

B. Policies to promote the growth of women-owned enterprises

44. There are multiple elements that constrain the growth of women-owned enterprises, including disparities in access to resources and relative specialization in sectors with lower growth prospects. There is a higher prevalence of necessity (as opposed to choice) entrepreneurship among female than male entrepreneurs, which contributes to explain the smaller size of women-owned companies and their more limited expansion possibilities.

²⁹ Harris, S. (Ed) (2017), Gender-smart Procurement. Policies for Driving Change, Research Paper, Chatham House.

45. The evidence for performance gaps is particularly clear at lower income levels³⁰ in country comparisons. In many OECD countries, there are no significant differences in survival rates of women-owned enterprises or job creation, although there is significant country variation³¹. Strengthening the impact of women entrepreneurship requires paying attention to the various factors influencing the growth of women-owned enterprises, going beyond those concerning the decision to become an entrepreneur.

46. Some areas that have received particular policy attention include:

(a) Sector specialisation has a very large influence on the expansion possibilities of companies. Initiatives that support female entrepreneurship in high-growth sectors may target STEM related fields, encouraging both the uptake of STEM studies and the development of connected entrepreneurial activities. In Spain, the programme INNOVATIA 8.3 seeks to promote women's entrepreneurship in science and technology, involving universities and technology transfer offices to adopt a gender perspective in the creation of spin-offs resulting from research activities;

(b) Companies with high-growth potential but also facing significant risks require access to particular forms of finance, including business angel and venture capital financing. A survey on the state of European technology investment found that only 7 per cent of venture capital funds went to female or mixed gender teams in Europe in 2018³². A report commissioned by the UK government, found that all-female founder teams got less than 1 per cent of venture capital investment in the UK, while mixed-gender teams received 10 per cent³³. These low shares partly reflect the more limited female presence in technological sectors, which are strongly favoured by investors. In many countries, public policies promote risk-capital financing through various mechanisms, which can be associated to investment mandates that target specifically women-owned enterprises. In addition, dedicated networking events may put in contact women entrepreneurs with potential investors. Demand-side initiatives, which focus on the ability of women-led business to engage with risk-capital providers through mentoring and training schemes, can also be useful;

(c) Women are also underrepresented in the venture capital industry. This lack of diversity introduces potential biases in investment decisions. Public initiatives should support increased women presence in investment companies through awareness campaigns and the promotion of mentoring schemes, linking with business associations and favouring diverse companies in the allocation of public funds in risk-sharing initiatives. The Women Business Angels for Europe's Entrepreneurs, supported by the European Union, Business Angels Europe and other partners, has sought to increase the number of business angels in Europe while helping women entrepreneurs to access early finance; and

(d) The ability to tap into broader sources of advice and support plays an important role in companies' growth prospects, including indirectly because of the impact on accessing external finance. Initiatives to strengthen women's entrepreneurial networks, including through the provision of information services, the development of platforms for the exchange of knowledge and the support to women associations, can contribute to overcome this weakness.

³⁰ Cirera, X. and Qasim, Q. (2014), Supporting Growth-Oriented Women Entrepreneurs: A Review of the Evidence and Key Challenges, World Bank Innovation, Technology and Entrepreneurship Policy Note, No. 5.

³¹ OECD (2012), Closing the gender gap, Paris.

³² Results accessible at <https://www.atomico.com/presenting-the-state-of-european-tech-2018/>

³³ British Business Bank (2018), UK VC & Female Founders.

IV. Equal access to social protection system and public services

47. Social protection systems, including social protection floors and access to public services and sustainable infrastructure, are key to gender equality and the empowerment of women and girls. Social protection contributes to economic growth and social transformation by building resiliency to shocks, fostering food security, promoting social cohesion and empowering women by providing affordable childcare and elderly care. It is thus an investment in countries' economic and social development³⁴, including through its effects on women's health.

48. In Europe and Central Asia, 84.1 per cent of the population had access to at least one cash social protection benefit in 2015. The percentage of mothers receiving maternity cash benefits was lower at 81.4 per cent, with very low values in Central Asia and the Caucasus. There are, still many unresolved issues including: gaps in the area of maternity and unemployment protection; challenges for pension and other social protection benefits in the context of the demographic situation; and fiscal pressures³⁵. Moreover, gender gaps exist in both coverage and benefit levels. Gender gaps are especially acute after retirement age and puts women at much greater risk of poverty, given that women on average live longer than men do (section II).

49. Since social protection schemes are traditionally designed for men who have uninterrupted and full-time employment in the formal economy, they penalize women, whose participation in the labour market differs vastly from men. Women workers are overrepresented in the informal economy, in particular in Eastern Europe and Central Asia, with no coverage in the absence of social protection floors. Furthermore, women's responsibility for unpaid care and domestic work leads them to drop out of the work force, work flexible hours or undertake precarious work, all of which renders them less likely to meet minimum contribution requirements or, if eligible, receive lower benefits linked to their previous wage levels. The gender pay gap also leads to lower benefit levels.

50. Social protection systems which address gendered risks over the lifecycle and provide support in situations of poverty, vulnerability or crisis, are vital in protecting women and men from poverty and insecurity, helping them to cope with risks and recover from shocks. A social protection system should highlight links with education, public health, employment and migration policy, and place gender equality and governance in its center.

51. Some policy initiatives that can address these multiple challenges include:

- (a) Gender-responsive budgeting, dedicated public funds and cash transfer programmes, especially for women engaged in unpaid care work and the informal economy, have resulted in better social protection;
- (b) Access to social protection can be significantly expanded through appropriate public non-contributory schemes such as basic pensions and guaranteed minimum unemployment benefits. Benefit levels of survivors' pensions should be sufficient, as many women depend on these benefits. Since 2011, different insurance premiums for men and women have been rendered illegal in the European Union;
- (c) Measures such as eliminating or lowering thresholds on minimum hours, earnings or duration of employment so that workers in non-standard employment are not excluded. Additional measures may aim to make systems more flexible regarding contributions required to qualify for benefits, allowing for interruptions in contributions, and enhancing the portability of benefits between different social security systems and employment statuses;
- (d) The recognition of care work as contribution periods counting towards social security entitlements can facilitate the access of women to social security benefits and reduce gender inequalities in social insurance systems, as in Germany, Switzerland,

³⁴ UNDG Issue- Based Coalition on Social Protection in the ECA Region- Draft Proposals for Joint Policy/Advocacy Messages.

³⁵ ILO (2017), World Social Protection Report 2017-2019

and the United Kingdom. Denmark has ensured contributions to the pension scheme since 2005, mitigating the impact of career breaks for care work on pension benefits.

V. Empowering women through gender-sensitive fiscal policies

A. Taxation

52. Mainstreaming a gender-sensitive approach through taxation requires paying attention to the differentiated gender impact of tax policies and the consistency of various policy actions from a gender perspective. Gender biases may be explicit when women are considered in a different way in taxation policies. Or they may be implicit, when despite equal treatment, outcomes are different, since those taxation policies affect women differently because of income levels, behavioral patterns and other constraints. While the absence of nominal non-discrimination prevails in the region, effective gender equality remains unachieved due to the existence of various socioeconomic gender gaps, including labour force participation and employment patterns and the distribution of unpaid work and income.³⁶

53. Household-based taxation reflects equity concerns, aiming to treat families with the same income in the same way, without considering how the different members of the household have contributed to earn this income. However, this means that the second earner, most often a woman, is taxed at a higher marginal rate than it would be as an individual taxpayer. Decisions on entering the labour market are also negatively affected by dependent spouse allowances or similar tax credits. Overall, effective taxation of women's income, including children-related provisions, have a significant impact on women's labour supply, which is more responsive to the overall tax burden on labour than in the case of men. It also influences decisions on having children. Childcare costs can be seen as an implicit, indirect tax on female employment.

54. Tax policies may undermine the effect of other measures that seek to advance women empowerment, for example, through increased participation in the labour force. In most countries, including in the EU, policy concerns so far have remained largely limited to the impact of joint tax provisions and tax exemptions on marginal employment on the gender gap in employment. In many countries, a high tax burden for secondary earners resulting from joint tax and benefit provisions creates a disincentive to women labour market participation. In Austria, since 2016, a flatter progression is applied that creates better incentives to top up part-time working hours.

55. The number of countries using a conventional joint taxation model is decreasing, shifting towards a model that takes the individual as the basic unit. However, in some countries there is a choice between filing taxes based on household income or separately as individuals. Even when the individual tax unit is used, there are many tax allowances or credits that are based on family income and therefore work as an element of joint taxation. Calculations by the European Commission show the extent of the inactivity trap for the second earner, which measures the marginal effective tax rate on labour income from a second member of a couple moving from social assistance to work (figure 9).

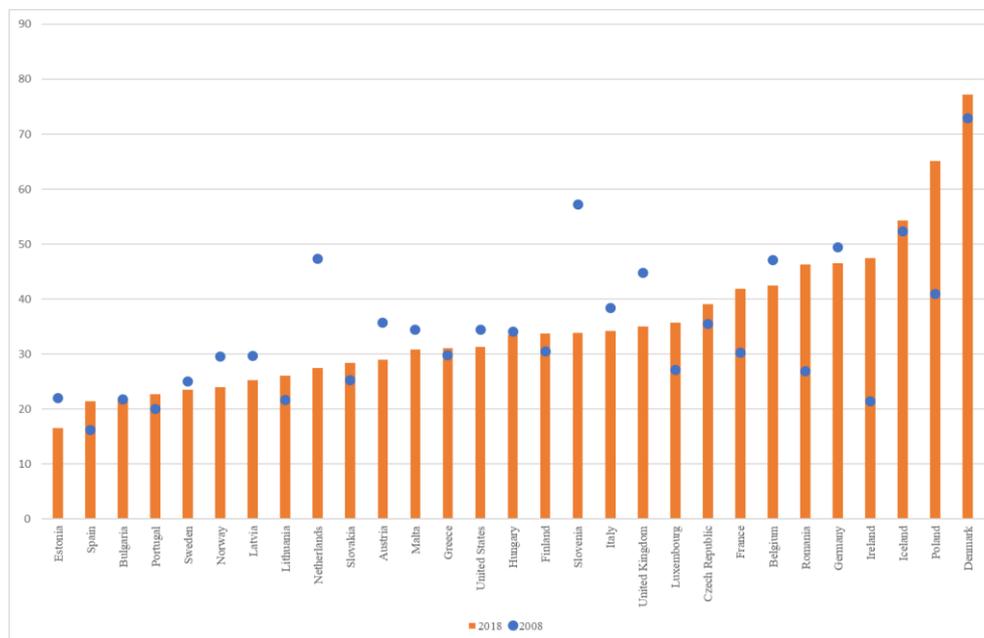
56. In many countries, tax rates applied to different types of income differ, with capital subject to a flat rate while income from labour is subject to progressive rates. These dual income tax systems tend to exacerbate the impact of the unequal distribution of capital income between men and women.

57. As women usually have lower incomes, a higher reliance on indirect taxes versus direct taxes, tends to put a comparatively higher burden on women. In addition, the design of the indirect taxation system, including exemptions and the structure of rates, can have a gender differentiated impact, given differences in consumption patterns. In the United

³⁶ European Parliament (2017), Gender equality and taxation in the European Union.

Kingdom, a 5 per cent VAT rate on sanitary protection was introduced in 2000 and the government is proposing to introduce a zero-rate.

Figure 9
Inactivity trap, second earner at 67 per cent of average wage, 2008 and 2018
(Percentage)



Source: European Commission Tax and Benefits database

B. Gender-responsive budgets

58. Gender budgeting acknowledges the differentiated gender aspects of fiscal policy. It seeks to promote equality by allocating resources considering those differences and providing the necessary funding to meet goals supporting equality targets. Gender-responsive budgeting seeks to integrate a clear gender perspective within the overall context of the budgetary process and use analytical tools to promote gender responsive policies³⁷. Participatory process associated to gender-responsive budgeting can bring the voice of the most vulnerable to the policy and budgetary making processes. Countries that have not formally adopted gender budgeting may nevertheless implement some form of gender-sensitive assessment of public spending in selected policy areas. The existence of systems to track and make public allocations for gender equality and women's empowerment is a SDG target (5.c.1).

59. There are different national, regional and local experiences in the implementation of gender budgeting. In Austria, gender budgeting has been integral to the constitutionally mandated principle of performance-oriented budgeting. In addition, a reform of the regulatory impact assessment process required that all laws and regulations and major governments projects are to be assessed for their gender impacts. This is mandatory since January 2013. In Albania, progress in gender budgeting has been linked to the revamping of other policy frameworks in connection with EU accession. The gender budgeting initiative has been closely aligned with the government gender equality strategy. In most countries, gender budgeting initiatives have been focused on the expenditure side of the budget, with a preference for social sectors³⁸, and only in a few cases on the revenue side.

³⁷ OECD (2017), Gender Budgeting in OECD countries, OECD Journal on Budgeting, Vol. 2016/3.

³⁸ Kolovich, L. (2018), Fiscal policies and gender equality, Washington D.C., IMF.

VI. Conclusions and policy recommendations

60. The factors that determine gender disparities in the labour market and their implications are multiple and interrelated. The effective use of scarce public resources requires responses that rely on an integrated assessment of these factors. This is necessary to identify priority areas for intervention and the sequencing of actions on the basis of national circumstances and aspirations.

61. The unequal sharing of unpaid work and caring responsibilities, underpinned by persistent social expectations, remains one of the most intractable issues for the economic empowerment of women. Even in countries that have already achieved a high degree of gender equality, progress in reducing further the gender pay gap has been limited because of the pervasive influence of this factor. Policies can help to increase awareness and change incentives. In addition, social and cultural change and a redefinition of working practices would be necessary to accelerate the reduction of this gap.

62. Practical actions are required to address the emerging risks resulting from irregular labour migration and the impact on informal employment, with particular attention to domestic and care work.

63. Initiatives seeking to address the multiple observed gender gaps need to be built and implemented with the support of employers, trade unions and society and large. The most effective policies are those that are successful in mobilising external resources and ensuring the commitment of other actors.

64. Social protection floor packages for all vulnerable groups should translate into budget commitments that are regularly reported using sufficiently disaggregated data. Gender-specific data collection and analysis are essential to monitor progress and ensure no one is left behind.

65. Mainstreaming gender in economic policies not only advances women empowerment. By increasing opportunities for a fuller engagement of women in economic activities and increasing the diversity of the workforce, progress in gender equality also contributes to more prosperous and sustained economies.