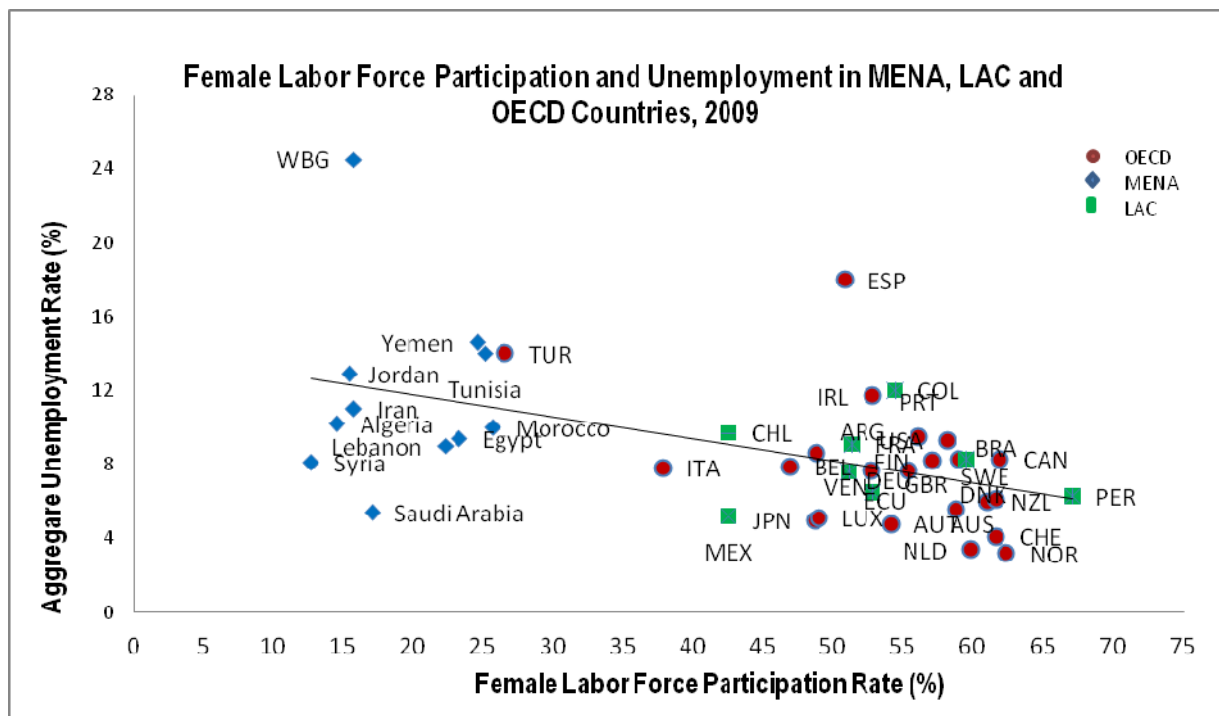


## A new way to look at female labor force participation

By Nadereh Chamlou<sup>1</sup>

There is a widespread view that greater female labor force participation will hike up the already high unemployment rate, at least in the Middle East and North Africa (MENA) region but also elsewhere. At the root of this thinking is that women may be taking away job from men. The figure below, which plots female participation rates against unemployment rates across OECD, LAC, and MENA countries indicates that some countries with low female participation are also those with high aggregate unemployment rates.



Source: WDI (2009), and updated from "Gender and Development in MENA – Women in the Public Sphere" (2004)<sup>2</sup>

One explanation for the downward slope in female labor force participation is that when unemployment is high, many workers get discouraged and leave the work force. Men may remain in the market, but high unemployment may discourage women disproportionately more, creating exceptionally low levels of participation.

<sup>1</sup> I am grateful to Bilgehan Gokcen for the analysis.

<sup>2</sup> Note: AUS= Australia, AUT=Austria, BEL=Belgium, CAN=Canada, DNK=Denmark, FIN=Finland, FRA=France, DEU=Germany, IRL=Ireland, ITA=Italy, JPN=Japan, LUX=Luxembourg, NLD=Netherlands, NZL=New Zealand, NOR=Norway, PRT= Portugal, ESP=Spain, SWE=Sweden, CHE= Switzerland, TUR= Turkey, GBR= United Kingdom, USA=United States, WBG=West Bank and Gaza, CHL= Chile, COL=Columbia, MEX=Mexico, ARG=Argentina, VEN=Venezuela, ECU=Ecuador, BRA=Brazil, PER=Peru  
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However, the figure could also lead one to think the opposite – that low female labor force participation may be a factor in a perennially high aggregate unemployment rate not only in the MENA countries, which have more distorted economies, but also among the more economically advanced OECD and the emerging countries in Latin America. How so?

Across the world, women who are young, single, divorced, or widowed work for the sake of opportunity or necessity and at roughly the same rates. The International Labor Organization (ILO) estimates that this accounts for roughly a 30 percent female labor force participation rate. Countries that have gone beyond the 30 percent magical mark have been able to enlist more and more married women with children into the labor market. Over the past 60 years, women are responsible for the most continuous increase in the labor force.

If a man works and his wife remains at home, she is more likely to offer a larger share of the household goods and services: providing her own child and/or elderly care, cleaning the house, eating out less, taking cheaper and less frequent vacations, buying fewer and lower cost clothing for herself, and possibly having less disposable income to invest in luxury items and services, such as a better house.

When the wife works, most often as the household's second earner, the family needs and can afford different sets of goods and services. For reasons of time constraints, a working woman may have to send her children to daycare and after school classes or camps, hire cleaning help, buy more ready-made goods and depend on specialized services. This in turn would increase the demand for other providers in the economy which then can generate part or full time jobs. In essence, the care segment of the daily work of the wife is outsourced and this creates new jobs.

According to Scarpetta and Pierre, "Empirical evidence shows that the direction of causality in the relationship between unemployment and increases in labor supply is not straightforward. There is evidence that it may go in either direction, depending on the country and possibly on the period considered...[in the long run] there is evidence of a weak negative association with some of the countries experiencing the largest increases in participation also showing the lowest increase (or even reduction) in the unemployment rate."

Hence, it is not a matter of whether more women in the work force will raise the unemployment rates, it could be that with more women in the workforce new jobs are created that did not exist in the market. Rather than worrying about women taking away jobs and driving up the unemployment rate, it could well be that with higher female labor force participation, women could well raise the demand (and efficient supply) for other jobs in the economy. It may be useful to measure the job/economic multiplier effect on job creation when a woman works or does not work, and compare it to jobs held by men.