**Stream title:** The business case for equality, diversity and inclusion – Is there one?

**An Economic Case for Gender Equality: Going Beyond the Business Case?**

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**Introduction**

While gender equality is widely regarded as a worthwhile goal it is also seen as having potential costs or even acting as a constraint on economic growth and while this view may not be evident in policy and practice it remains implicit in policy decisions. It is possible to make an Economic Case for gender equality, as an investment, such that it can be regarded as a means to promote growth and employment rather than act as a cost or constraint. As such equality policies need to be seen in a wider perspective with a potentially greater impact on individuals, firms, regions and nations.

An Economic Case for gender equality can be regarded as going a step further than the Business Case. While the Business Case emphasizes the need for equal treatment to reflect the diversity among potential employees and an organization’s customers the Economic Case stresses economic benefits at the meso and macro level. An Economic Case stresses the wider economic benefits that span individuals, firms, regions and nations and thus can address inequalities on the wider labour market; something more partial Business Case approaches have a necessarily more limited impact upon

1. INTRODUCTION

In Europe gender equality has been recognised as a fundamental value in the Treaty of the European Union and implicitly as an economic good in the female employment rate and childcare targets of the recent Lisbon Process (EC 2009; Löfström 2009). Although gender equality is widely regarded as a worthwhile goal it is also seen as having potential costs or even acting as a constraint on economic growth and while this view may not be evident in policy and practice it remains implicit in policy decisions. Unfortunately this is a common perspective at a time of economic crisis when equality is presented as something that is going to ‘cost us something’ (for example public expenditure associated with childcare provision) or entails additional regulation for business that could be to its detriment (such as various leave provisions, etc.). However, the view that equality is also a constraint or a cost has hampered its integration as a positive factor in policy development, particularly in the field of economic policy. This limiting view of equality policies, as a societal choice that may act as a brake on economic development, also has the effect of narrowing the scope of potential benefits of advances towards gender equality, focusing on the short term and relying on the status quo as the model with which to compare progress.

Here we suggest that it is possible to make an Economic Case for gender equality, as an investment, such that it can be regarded as a means to promote growth and employment rather than act as a cost or constraint. In this way equality policies can be seen in a wider perspective with a potentially greater impact on individuals, households, firms, regions and nations. In line with this approach there have been an increasing number of policy and academic studies investigating the quantitative relationship between gender equality and economic growth (for example Morrison, Raju and Sinha 2007; Hausmann, Tyson and Zahidi 2010). The approach might be considered spurious by some since gender relations are the set of social norms, values, conventions and rules that informally or formally regulate practical day-to-day relationships between men and women within a community and a society. However, key macroeconomic variables – savings, investment, human capital and distribution – are all affected by gender.

An Economic Case for gender equality could be regarded as going a step further than the widely discussed Business Case (see for example Karlsfield 2011). While the Business Case emphasises the need for equal treatment to reflect the diversity among potential employees and an organization’s customers the Economic Case draws out the potential economic benefits at the meso and macro level. An Economic Case stresses the wider economic benefits that span individuals, firms, regions and nations and thus can address inequalities on the wider labour market; something more partial Business Case approaches have a necessarily more limited impact upon.

This paper is divided into five sections. Following this introduction section 2 discusses the distinction between the economic case and business case for gender equality. Section 3 reviews some of the emerging literature on the economic benefits of gender equality. Section 4 provides illustrative examples of the broader benefits of extending the business case to the economic case at three economic levels – micro, meso and macro. The fifth and final section discusses the implications of an integrated economic case.

2. WHY THE BUSINESS IS NOT SUFFICIENT

The Business Case is focused on persuading employers or even managers to adopt equality practices to reap benefits where they are in line with organizational objectives (Robinson and Dechant 1997). For example, the Business Case literature emphasizes the need for equal treatment to reflect the diversity among potential employees and an organization’s customers (Kochan et al. 2003). Equality is seen, on the one hand, as an incentive or a pre-condition to attract a larger and therefore more diversified supply of labour and, on the other hand, as a way to ensure that differences become comparative productive advantages within organizations favouring equality, hence sources of productivity. As Hutching and Thomas (2005) point out, the details of the Business Case may vary but there are a number of core claims often associated with proponents to this approach. Kirton and Greene (2005:201-4) summarise these as:

* an organization sensitive to diversity can better recruit in a labour market characterized by diversity;
* employees are, in fact, diverse to some extent in any organization, even the less enlightened, and sensitivity to this will maximize employee potential;
* an organization sensitive to diversity will operate more effectively across cultural and national borders/boundaries;
* a diverse workforce, properly managed, has more likelihood of being creative, and also of being sensitive to a wider range of opportunities for the organization.

This approach places an emphasis on equality measures as a business necessity, as such an essential management tool, and places equality at the heart of the organizational strategy (Maddock 1995). However, Dickens (1994) argues that by its very nature the Business Case approach is selective and unable to address inequalities since the case for various measures is contingent on the context in which those business decisions are made. Franks (2003) highlights both the limited scope of such policies and the limited real impact on workers. Similar critiques have been developed of Human Resource Management more generally underlining that business imperatives are enough to ensure workers are treated well (Ackers 2009).

It is important to make the distinction between the Economic Case for gender equality and the so-called Business Case. An important rationale for developing an Economic Case is the need to identify advantages of gender equality that go beyond the level of the individual firm adopting policies and underline benefits to the wider economy or the macro level. A parallel can be drawn with Dyllick and Hokerts’ (2002) extension of sustainability beyond the level of the firm. Furthermore, an Economic Case addresses one of the weaknesses of the Business Case as a means to address inequalities on the wider labour market. Business Case approaches are necessarily limit their direct benefits to the employees of organizations adopting such measures and are thus partial in nature. Noon (2007) argues that a focus solely on a business case risks social justice outcomes on the wider labour market. Furthermore employers adopting such measures can be regarded as bearing the costs for wider societal benefits while others free ride on their efforts. An Economic Case for equality would make gender equality more central to economic thinking with a potential positive impact at multiple economic levels. In this way equality can be seen as a means to promote future economic growth and not necessarily a cost or an issue that can be postponed.

We do not argue that there are no overlaps between the Business Case and the Economic Case. For example, as in the Economic Case presented here the Business Case seeks to make use of the full range of human resources by employing women and others not simply out of “political correctness” but in “search for the best candidate from a much larger pool of labour” (Hutchings and Thomas 2005:267). However, the Business Case approach is not a way to address wider discriminatory processes and sources of disadvantage on the labour market. Equality may not be well served by appealing to the self interest of those already doing quite well out of the current system (Noon 2007). This is not to say that the Business Case does not have its place but it may need the support of the legal and a moral argument to really address gender inequalities (Dickens 1994; 1999). In this sense an economic case blurs the distinction between voluntarist diversity approaches and legalistic equal opportunity approaches.

Furthermore the promotion of a Business Case for equality cannot be seen in the same light as equality at the national level since the emphasis on the top-down managerial activity represents a dilution of the equality agenda (Kirton and Greene 2006). There is, however, some inconsistency in the debate around the terminology used and in some cases the Business Case has been used to describe something more akin to what we call here the Economic Case. For example recently the World Bank has used the term ‘Business Case’ to relate to a much broader notion of equality more in line with our development of the Economic Case or, in their words, a gender equality as “smart economics” (World Bank 2006). The World Bank’s smart economics approach argues the unequal opportunities for women are “inefficient” and increasing participation and earnings are a source of economic development.

A further important distinction between a Business and an Economic Case for equality is that efficiency at the level of an individual firm may be inefficient at a macro economic level. Whereas the Business Case promotes the self interest of single organizations the Economic Case focuses on potential efficiencies at higher levels. Indeed there is no requirement that a Business Case and Economic Case necessarily be compatible since self interest of a single firm may not be in the best interest for all. The economic literature contains many examples where the micro economic behaviour of individual firms may be efficient but lead to inefficiencies at a macro economic level. For example, the monopolistic behaviour of individual firms is a good example and governments place a great deal of energy seeking to avoid such behaviour. The so-called ‘externalities’ arising from the polluting behaviour of individual firms also illustrate the potential for tensions between rational behaviour at the micro and macro level. Similarly we can see market failures in the provision of training as a good example where poaching by individual firms may make good economic sense for one firm but is not in the interest of the wider economy (Felstead 1995).

Additionally whereas the Business Case may lead to an uneven distribution of costs between organizations for some equality policies, an Economic Case distributes these costs more evenly. For example, the gender segregated nature of the labour market means that there is an uneven distribution of the costs of social reproduction since the concentration of one gender in certain sectors leads to some firms being more affected by work life integration policies. Thus, while the Business Case would argue that firms bear the work life costs as a means to reduce costs of hiring and to improve the productivity/wage ratio for women, the Economic Case goes further to stress the additional benefits if all firms behave this way.

Consideration of an Economic Case for gender equality does not, however, mean that economics as a discipline lends itself to providing a solution to inequalities. Indeed some of the barriers to the widespread promotion of gender equality policies are underpinned by justification of conventional economic thought. Unfortunately the narrow perspective on equality is informed by the dominance of economic thinking that places gender equality as a societal choice rather than potential economic investment. The neo-classical notion of a rationale economic man is an important element of much economic thinking but can also be regarded as problematic when applied to gender differences. *Rational Economic Man* makes his decisions based on a set of stable preferences or tastes that do not depend on past behaviour, behaviour of other or social and economic circumstances. However, for women, often with caring roles, and particularly lone mothers, the notion of preferences or tastes, independent of the behaviour of others or past behaviour, is difficult to apply. Duncan and Edwards (1997) argue that these tastes or preferences are subject to the context in which women and men find themselves and are “collectively negotiated, sustained, modified and changed” (op cit:54). Walby (1997:24) highlights the conditions under which women make decisions by saying that while they can make choices they do so “not under conditions of their own making [and] …they choose the best option that they can see, rationally, though usually with imperfect knowledge, but only within the range of options open to them”. Moreover, the simplified view of the household in much economic thought decisions at the household level are taken consensually, ignoring potential conflicts and differences of tastes, interests or power. For example, in modelling labour supply responses to tax changes, authors such as Hutton and Ruocco (1999:268) assume households search for “some optimal mix” of economic participation that depends on the relative wages for full and part-time work for women and men. In broad agreement with the approach of household bargaining pioneered by McElroy and Horney (1981), McDonald (1998) argues that intra-household gender inequalities are often ignored in both economic theory and policy so that differences in well-being can exist within the same household. A life course perspective further highlights the pitfalls of such an approach based on an idealised view of the household since tastes and preferences inevitably change over time – family formation, divorce, active ageing, etc. – so gendered behaviour at one point in time should not be cast in stone for the whole life course.

Another challenge within the economic framework is that equality is not necessarily viewed as efficient in relation to the status quo even though there is evidence of inefficiencies under the status quo, for example in the form of missing markets or externalities of pollution (Rubery et al. 2003:238). Humphries (1995:79) sums up the limitations of this approach by saying that;

“by interpreting the status quo as efficient in the case of conventional neo-classicism, or on its way to becoming efficient, or nearly as efficient as possible in the case of new neo-classicism and by suggesting that men and women have difference preferences, both approaches have obfuscated inequality and dressed it up as difference”.

Nevertheless within the neo-classical framework discriminating behaviour by employers can still be regarded as inefficient. For example, statistical discrimination by employers, where characteristics of the group are attributed to all members of the group, can lead to inefficiencies: an employer’s discrimination, manifested in lower wages, is based on the assumption that one group, women, is less productive but, even if true for some members, this will not be the case for all, so more productive workers seek employment elsewhere. A number of authors argue that inefficiencies also arise since wages for the disfavoured group, women, and move further away from wages that reflect actual productivity and may also discourage investments in human capital among the disfavoured group (Lundberg and Startz 1983). Indeed women’s use of (over) education as a signal for commitment to a labour market career can be seen as inefficient since they are then over educated for the jobs. Schawb (1986) argues that while labour supply becomes more efficient for the favoured group the opposite effect is found for the disfavoured group. These inefficiencies extend to the economy even if there are underlying differences in the productivity of the two groups (op cit). Thus unequal treatment of members of one group based on employer discriminatory behaviour has the potential to lead inefficiencies at both the firm and macro level.

An additional barrier to making an economic case for gender equality is the temporal perspective the economic approaches. Holterman (1995) suggests that many studies of the impact of equality are not only incomplete but also lack a long-term perspective. The incompleteness comes from a concentration on costs over potential benefits, often missing the point that any short-term costs need to be balanced against long-term gains. Rubery et al. (2003:237) argue that economics has traditionally seen equality policies as a form of consumption and thus associated with preferences and costs. By viewing equality in this way there is a tendency to see such initiatives as imposing costs on organizations which, for example, might include raising wages, restricted working hours, limits on flexibility, increasing training budgets. At the societal level these ‘costs’ are regarded as manifesting themselves in increases in social protection expenditure, for example, through increasing family support and services, and the establishment of individualized rights. Picking up the costs perspective, Sawyer (1995:51) stresses that any additional costs associated with equality policies at the organizational level are likely to be passed onto consumers rather than remain a ‘burden’ for the business itself. Furthermore costs to one party can be regarded as a benefit to another and individual ‘costs’ for a pro-equality employer can be shared. Indeed higher wages can be translated into higher productivity or addressing the dis-benefit of those who previously bore the costs of inequality. At a macro level it could be argued that the investment in family support and services as leading to pay backs in the shape of increased participation and economic contribution from women.

Rubery et al. (2003) argue that far from consumption, equality policies at the macro level can be seen as an investment, even if the aims of economic development are limited to economic growth. Here, for example, expenditure on education of women reaps the maximum rewards and the depreciation of human capital investments associated with labour market withdrawal and occupational downgrading for childcare leave can be largely avoided. The benefits may also extend to the demographic challenges facing Europe and other developed nations since an appropriate system of securing social reproduction can also be ensured.

3: GENDER AND GROWTH

The employment guidelines adopted for the European Union’s Employment Strategy (1997 -2010) and subsequent Europe 2020 Strategy implicitly recognise the important role that women’s employment plays in economic development. In stating that “increased labour market participation by women is a precondition for boosting growth and for tackling the demographic challenges” (EC 2010a;6) the European Commission acknowledged not only the key role that women play on the labour market but also the vital role of addressing demographic changes for creating sustainable populations and economies. Indeed Morrison et al.’s (2007) analysis of average annual growth rates in GDP per capita and the female-male ratio of the United Nation’s human development index for 193 countries confirm the positive association between the greater the degree of gender equality and average annual rate of growth for the period 1997-2004. However, a positive correlation says little about the direction of causality: is it gender equality that causes growth, or is it growth that causes gender equality?

Economic growth is concerned with increasing the total production of goods and services in an economy over a given period of time: increases in the quantity and productivity of factors of production promote growth. Key macroeconomic variables include consumption, investment, savings, government expenditure, trade, prices and employment and when policies have an effect these variables they have an effect on the overall level of economic activity, and hence the rate of growth of aggregate output and income. Recent developments in economic growth theory have intersected with the economics of gender by highlighting gender-based differences in savings, investment, education, access to income and assets, and time burdens (Morrison et al. 2007, Stotsky 2006). There is a case to be made for these aggregate variables to be gender-differentiated because of systematic differences in them when they are decomposed into their female and male components. Thus a gender decomposition not only provides a better understanding of economic processes but also a methodology to explore the economic impacts of (in)equality.

Conventional savings theory suggests that the purpose of saving is to smooth consumption across the life cycle, to provide resources for investment and bequests, as well as to be precautionary. Seguino and Floro (2003) have found that an increase in the share of the wage bill received by women is positively correlated with aggregate savings. An investment analysis focuses on decisions to forego consumption in the present in order to increase consumption in the future. There are reasons to believe that women do not have the same risk propensity as men not least since they have fewer resources and are often vulnerable. The gender gap in education is witnessed in the differential performance of girls relative to boys at equivalent levels of education in standardised testing, in the larger number of females in tertiary education, and in the superior attainment rates for females relative to males (EC 2010b; Eurostat 2001a). In terms of income and wealth, it is well established that around the world women earn less than men when performing tasks of comparable skill (Eurostat 2001b; Hausmann et al. 2010) and that these gender wage gaps increase with age. Furthermore the evidence systematically demonstrates different access to temporal resources; females spend disproportionately more time in unpaid care work than men, while men tend to spend more time in paid work than women (Budlender 2008; Eurostat 2010b).

There are, however, a number of methodological challenges in adapting a gendered perspective to the analysis of growth. Not least among these is the availability of data consistently disaggregated by gender. Furthermore the global system of national accounts (SNA) rules (United Nations Department of Economic and Social Affairs 2003) define production or work in terms of a third-person rule: anything that one could theoretically pay someone else to do is production. This means that cooking, cleaning and caring for children, as well as industrial activities, doing paperwork and nursing, constitute production. However, the production boundary in the SNA rules excludes the production of almost all services produced for one’s own consumption – for example care of one’s own children – and therefore by definition almost all unpaid care work, in particular the activities of women. A lack of recognition of the contribution of unpaid work underestimates household access to goods and services since only marketised services are recorded in GDP measures and the impact of non-marketised services are ignored.

Nevertheless in reviewing the literature on the link between gender equality and economic growth there is a consensus about the benefits of gender equality for economic growth. It must be stressed that there are relatively few empirical studies of the quantitative impact of gender equality on economic growth in the developed countries when compared to the large body of literature relating to developing economies (see table 1). In part, this may stem from the greater gender inequalities in developed countries as compared to developing countries (Hausmann et al. 2010). However, it may in part also stem from a more limited concern within the economics profession about the underlying determinants of economic growth in developed countries, which are usually taken to reflect differential institutional structures (Bettio and Plantenga 2004).

TABLE 1 ABOUT HERE

Table 1 presents a gender equality-growth matrix for developed countries which includes supply-side and demand-side arguments as to why gender equality is good for growth. Most studies that focus on the supply-side benefits of gender equality for economic growth emphasise the one-off boost to growth that would come about as a result of increased labour market participation and hence labour supply. For example Elmeskov and Scarpetta (2000) calculate that lower utilisation of labour contributes more than 20 percentage points to the gap in GDP per capita in the European Union compared to that of the United States. Even if labour productivity of workers currently outside the labour market is assumed to be only half the average productivity level, these authors claim that reducing the 20 per cent gap in labour utilisation would lead to an increase in GDP by ten per cent, or the equivalent annual growth of an additional half a percentage point over a 20-year period. Similarly, for New Zealand, Bryant, Jacobsen, Bell, and Garrett (2004) show that increasing the female participation rate for the 25-34 age group to the average of the top five OECD nations (adjusted for paid maternity leave) would have made GDP one per cent higher than it actually was in their baseline year of 2001. On the other hand, raising female participation rates in all age groups to the average of the top five OECD countries would have had the effect of increasing GDP by 5.1 per cent more than it would otherwise have been. These authors again use a rather cautious estimate of the productivity of new workers entering the labour market yet still recorded substantial increases in GDP from the greater participation of women.

On the demand side, the argument that gender equality is good for growth is rooted in microeconomic studies of female and male consumption patterns, particularly in developing countries (see Stotsky 2006; Morrison et al. 2007). Hausmann et al. (2010) produce evidence that suggests that gender equality is good for demand-driven growth because there are gender-based differences in marginal propensities to consume, which has implications for multiplier-accelerator effects and hence economic growth. It is also possible to suggest that, as in developing countries, the underemployment of female labour in developed countries depresses aggregate demand and in so doing restricts growth.

4. ILLUSTRATIVE EXAMPLES

In this section we develop a number of illustrative examples at different levels to highlight how policies and practices within an Economic Case can provide a more holistic picture of the potential impact of promoting equality. Firstly we develop the benefits at the societal or macro drawing on the literature of the previous section. These macro benefits resulting from the Economic Case are perhaps where the extension beyond the business case is clearer and the area where the limitations of the Business Case are highlighted . However, benefits also extend to the organizational or meso and individual or micro levels.

*Macro – Societal Benefits Beyond Growth*

The focus of macroeconomic approaches is heavily slanted towards increasing Gross Domestic Product and although the vast majority of studies point to economic benefits the narrow definition of growth and exclusion of feminised care activities potentially underestimates the benefits of gender equality. As a measure, GDP not only understates the true cost of some economic activity (for example use natural resources) but also ignores potential welfare benefits of increased levels of leisure or even human freedom (Islam and Clarke 2002). Development can be regarded as more than simply money income and including quality of life requires a multidimensional measure that goes beyond GDP. Well being is one alternative way to look at the outcomes of economic development and also a measure where gender differences are evident. Tsech-Romer et al. (2008) argue that women’s disadvantage in access to opportunity, resources and power and these inequalities help explain gender differences in subjective well being. However, the lack of agreement around alternatives means that the established measure of GDP remains the main currency in this area

The importance of fertility for industrialized economies should not be underestimated. Even remaining within the confines of traditional macroeconomic concerns, the potentially negative repercussions of very low fertility encompasses, among other things, unbalanced pension systems, a large share of public (or family) budgets devoted to health care, and future employment or skill shortages in the labour market (for example, see Grant et al. 2004). In their review of the impact of work life balance policies in the Nordic countries Datta-Gupta et al. (2008:85) concluded that;

“[these countries] have arrived at solutions to balancing family responsibilities with market work in a way that may turn out helpful in meeting future economic challenges and which have desirable properties with respect to female labour supply, fertility and children’s development”.

Until a few years ago the practically unchallenged view in economics was that high (rising) female employment meant low (decreasing) fertility. However, a number of authors (Brewster and Rindfuss 2000; Ahn and Mira 2002) questioned this received wisdom showing that in the OECD area the negative relationship between fertility and female employment no longer held, especially across countries (see also Esping-Andersen 2002). Subsequent research indicated that a more gender equal labour market, welfare system, or households can be accompanied by higher fertility at similar or even higher levels of employment

We can extend the impact of an economic case for gender equality to the level of regional development level. Naples (1997) argues that a failure to integrate the needs of women in rural development strategies in mid-West USA resulted in a propagation of male breadwinner norms and an undervaluation of women’s contribution to the economy. Again stressing the importance of women at the level of the regional economy Williams (2001:63) argues that the lower participation of women in Wales constitutes an economic inefficiency as entrenched gender segregation and the under-utilization of women’s skills combine to reinforce the relatively low-wage economy. For Williams, the Economic Case for equality in Wales revolves largely around the economic contribution of wasted female skills but higher participation would also improve other life chances as well.

The labour supply arguments for supporting greater gender equality underline the potential benefits for raising women’s formal participation on the labour market. Estimates of the size of the informal economy vary but, where there is a large informal sector, women have lower rates of participation in the formal economy and the fiscal system misses out on the potential contribution from female workers (Williams and Windebank 1998). In the light of ageing populations and increasing dependency ratios this contribution is particularly important. We can draw the analogy between incorporating more of the informal sector into the formal labour market with incorporating more women from the household sphere into the formal labour market.

The exclusion of workers in the informal sector from the protection of the social security system exacerbates disadvantage during and after their working lives. In this sense any work that is excluded from the fiscal system represents a loss in terms of contributions. Furthermore the inclusion of additional social security contributions is not always a costs to the employer (Sawyer 1995). Steiner and Wrohlich (2005) demonstrate the potential negative fiscal effects of encouraging jobs outside the fiscal system as well as unequal outcomes on the labour market for women and men. The German ‘Hartz’ reforms that led to the creation of mini jobs partly exempt from taxation and social security contributions have been criticized elsewhere for their negative impact on gender equality (Fagan et al. 2005). Furthermore Steiner and Wrohloch (2005) use German panel data to show that the reforms have the potential to actually reduce labour supply by encouraging short-hours working with a negative fiscal effect. The authors predicted that encouraging more women to work in short part-time jobs was likely lead to a 1 billion euro reduction in tax receipts and social security contributions. A higher employment rate for all has the potential to more than cover ‘investment’ in social infrastructure to support women working through taxes and social contributions. A Deutsche Bundesbank study that demonstrated the positive fiscal effects of mothers´ integration into the labour market (DIW 2002 cited by Maier and Carl 2003). The study concluded that public investment of 7.4 billion euros would generate nearly 9 billion euros of additional taxes and 15.6 billion in additional contributions.

*Meso – Organizational Performance*

This meso level ties in most closely with the Business Case approach outlined in section 2 and there is some evidence of positive economic outcomes associated with promoting a more gender diverse workforce. The research on the business case for diversity and its link to firm performance has provided mixed results and questioned the simple assertion of a positive impact from diversity (for example Jayne and Dipboye 2004). There have nevertheless been an on-going optimism of positive effects (Herring 2009) and calls for more nuanced perspective that takes into account the context in which firm-level diversity occurs (Kochan et al. 2003). An economic case extends potential diversity benefits to all organizations but also allows individual organizations to benefit from local innovations and advances..

The results of the McKinsey Women Matter Report (2007) suggests that European companies with three or more women in top management positions score more highly on nine measures of the McKinsey diagnostic tool measuring ‘organizational excellence’ (measured by leadership, direction, accountability, coordination and control, innovation, external orientation, capability, motivation, work environment and values). While the economic impact of these measures may not be clear the higher ranked companies along these dimensions also had twice the operating margins and market capitalization of those ranked more lowly. Selecting 89 large companies in Europe in their sample with the highest levels of gender diversity at board level the McKinsey Report went on to show that these organizations outperform against their sector average on return on equity, operating results and stock price growth (2007:13-14).

This rationale has helped the adoption of board room quotas for women across a number of EU countries (Fagan et al. 2012). A study by Campbell and Mınguez-Vera (2007) on female presence in Spanish boardrooms confirms a positive impact on firm value of a diverse board with a balance of women and men (rather than simply the presence of a woman). They also find no evidence that it is the firm value that encourages the appointment of women or that shareholders react negatively to the more diverse boards. The 2007 Spanish Equality Law that urges companies, with more than 250 employees, to set goals for company boards to be made up of at least 40% women within eight years will a driver for greater boardroom diversity in Spain. Such approaches can be regarded as an extension of the Business Case in line with the Economic Case espoused here. Furthermore in the context of the financial crisis, gender differences in attitudes to risk have also been highlighted (Meulders 2010). Ferrary (2008) shows how among the top 40 listed companies in France those with a higher percentage of women in management had weathered the crisis better, particularly in the banking sector.

A Swedish study compared 24 companies listed on the stock exchange with the highest number of women on their boards with 24 companies from the same list, which did not have any women on their boards (Handelshøjskolen and Roy 2007). In the first category, where women constituted almost 40 per cent of the ordinary board members, the profits were higher and the tendency over time was that profitability increased faster than in companies without any women on their boards. The companies with women on the board were also bigger, measured by the number of employees but not measured in turnover per employee. They did not grow faster measured by the percentage change in turnover, but they had more assets. The authors´ conclusion is that the study shows that there are other good reasons for more women on the boards than gender equality and fairness – companies with more women on the boards are more profitable. By securing women’s competences and experiences on the boards, the demand for gender equality is not only met, but it also means higher quality and profitability.

*Micro - Individual and Household Benefits*

One of the persistent concerns of economists and policy makers alike has been the difference in participation in economic life on each side of the Atlantic. European employment policies have been motivated by the need to catch up with North America in terms of employment rates and placed this at the centre of economic policy objectives. Many authors have pointed out that the key difference in employment rates both between EU Member States and between the US and the EU (Elmeskov and Scarpetta 2000; Dolado et al. 2001). However, the Trans-Atlantic differences in the contribution of women to the economy do not only revolve around the level of employment rates. The greater propensity of European women to work part time also has a role. Freeman and Schettkat (2005) argue that the difference between working time per adult in Europe and the United States is in fact due to a greater retention of domestic and care work in the family in many European countries (with the obvious exception of the Nordic countries). They point out that in 2002 the annual hours worked per adult in the working-age population (15–64 years) averaged just 1,059 in eight countries while they rose to 1,305 in the United States (Freeman and Schettkat 2005: table 1). McDonald (1998:6) is one of many authors who highlight that care giving and unpaid household work are economically important yet economic theory and policy has tended to ignore their contribution. Freeman and Schettkat (2005) show that, between 1980 and 2002, half of the difference between the USA and EU15 in annual working time per adult was due to the rising gap in working hours for those in work while the other half was due to the gap in employment rates. Bettio and Plantenga (2007) point out that in both cases, it is the behaviour of women that makes the difference either in the use of part-time work as in the Anglo-Dutch Model or in the much lower female employment rate as in the Mediterranean Model.

In addition to working hours another dimension of the qualitative difference in participation patterns is in education and skills. Dolado et al. 2001 point out that about 50% of the difference between US and EU employment rates can still be attributed to differences in the educational attainment and the employment rates of women aged 25–54. While these authors suggest that EU educational levels are slowly converging to that of the US across cohorts, the employment rates of less educated women are still markedly different (again with the exception of the Scandinavian countries). The more effective use of women with higher levels of education also has potential economic benefits. The low utilisation of more educated women can be seen as a prime example of the incoherence in policy making in the investment in education (Rubery et al. 2003). Almost all countries are willing to fund high levels of education for both women and men yet when it comes to allowing both women and men to make full use of these qualifications some retain barriers that inhibit women’s ability to deploy these investments. Similarly skill shortages and bottlenecks are recognized constraints on economic development so policies to make effective use of women’s skills can help remove some of these constraints while also making effective use of previous investment in women’s education. Furthermore a by-product of viewing women as a potential solution to skill shortages would be the freeing up of low-skilled jobs, that women are often over qualified for, for both unemployed men and women. Dolado et al. (2001) suggest that occupational segregation is lower for the younger highly educated women although it remains at a higher rate in the US than in Europe. Indeed reducing rigidities caused by segregation and gendered skill formation has potential positive pay backs (Maier 1995; Felstead 1995) and is another important benefit of an integrated Economic Case approach.

Over recent years there has been a significant increase in female labour market participation in many European countries and this has had an important role in offsetting falling male employment rates (Rubery et al. 1999). Indeed one of the most consistent globalization trends has been rising participation rates for women (Ackers 2006). At the household level we can view this move to dual earning as a shift to a model of shared risks of labour market work even if the division of labour in the home remains highly concentrated upon women. The Great Recession created led to rise in the proportion of the female breadwinner households as men lost their jobs – households that would have been workless in other circumstances women but also households that subsequently share the burden of women’s disadvantage on the labour market. In dual earning households women’s contribution to expanding household purchasing power has potential benefits for men as well since they also bear the costs of social reproduction by supporting families through their specialisation in paid work (Humphries and Rubery 1995:15); thus freeing men up for greater involvement in family life with potential quality of life enhancements.

5. IMPLICATIONS OF AN INTEGRATED ECONOMIC CASE

By shifting the discourse around equality from a socially worthwhile aim, yet potentially expensive, towards an economically productive investment it is possible to see the equal treatment of women, and diversity in general, as contributing to economic advantages at many levels. Rubery et al. (2003) argue that it is important to see equality as an economically productive factor both for an improved understanding of the economic and social policy making environment and also for the benefits of increased flexibility and decreased personal risk. Thus by incorporating the equality agenda into policy reform and development it is possible to ensure coherence between institutional structures, organizational goals and the personal aspirations and behaviours of women and men. The benefits of greater flexibility arise from a reduced specialization in the division of labour between women and men either in households, within organizations or the wider labour market. When societal development is expanded beyond GDP growth to quality of life and well being the benefits of equality expand further. Thus we can see these benefits of equality operating at different levels with advances in gender equality having potential benefits throughout the economy. In table 2 we identify the social and economic implications at three levels cross referenced with the themes discussed above.

< TABLE 2 ABOUT HERE >

A change in the discourse in Europe around equality from a socially worthwhile aim, yet potentially expensive, towards an economically productive investment provides the possibility to see the equal treatment of women as contributing to economic success. In this paper we demonstrate how it is possible to make an Economic Case for gender equality that goes beyond the business case. An economic case presents benefits at multiple levels rather than the more narrowly accrued benefits associated with the business case. From an investment perspective equality has the potential for a positive impact on individuals, firms, regions and nations. As such equality can be viewed as a means to not only reduce social risk but also to fully develop human potential and competitiveness, and even to reconfigure the full range of socio-economic arrangements (Humphries and Rubery 1995).

An Economic Case for gender equality does not ignore the moral or social dimension to equality since this approach still remains an important justification. Indeed gender equality has many non-economic benefits in the form of reductions in child poverty and enhanced personal freedom for example. The conceptualization of economic benefits beyond the boundaries of the firm avoids a number of externalities resulting from a reliance on firms to ‘do the right thing’. These externalities include the disproportionate responsibility of some firms and sectors for social reproduction, lost investment in education and negative social effects of discrimination. The avoidance of the dis-benefits of relying on firms to do the right thing also means a common pressure on firms in the form of minimum regulations to avoid some breaking the rules and reducing the wider economic advantages – as we see in regulation of competition or pollution for example. At a time when re-regulation is unpopular and the promotion of the business case appears to be the way to promote equality we can not only regard this as shifting responsibility to private employers for a public good but also an inefficient way to achieve that good.

The context of the great recession of 2008-10 and subsequent austerity measures suggest that gender equality, either from a moral or economic perspective, faces a difficult challenge in being heard against stronger political forces. The onset of the recession in Europe and Eurozone currency crisis has led to a loss in profile for gender equality. However the long-term challenges of global competitiveness, demographic ageing and low employment rates in Europe have not disappeared and women’s employment and a more gender equal society remain a key part of addressing these issues.

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| **Table 1: A gender equality-growth matrix for literature from developed countries** | | |
|  | Gender equality is good for growth | Gender equality is bad for growth | |
| Supply-side | Cell 1  *Gender gaps in labour markets*  Galor & Weil, 1996  Gumble, 2004  Mörtvik & Spånt, 2005  Bryant, Jacobsen, Bell, & Garrett 2004  Elmeskov and Scarpetta 2000  Löfström, 2009  *Gender gaps in human capital*  Lagerlöf, 2003  *Human development and competitiveness*  Hausmann, Tyson & Zahidi, 2010 | Cell 2  No studies found | |
| Demand-side | Cell 3  *Gender gaps in marginal propensities to consume*  Hausmann, Tyson & Zahidi, 2010 | Cell 4  No studies found | |

Table 2: Economic Case for Equality and benefits of multiple levels

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | *Participation* | *Growth* | *Fertility* | *Fiscal* |
| Macro | Employment rates,  Utilization of investment in education system | Investing in a productive labour force  Reduced poverty/social exclusion | Sustainable fertility rates | Funding and sustainability |
| Meso | Utilization of Human resources Access to full range of skills | skill diversity  avoid skill loss | Work life balance | Avoidance of perverse tax thresholds |
| Micro | Return on personal investment in human capital domestic division of labour | Reduce social risks and personal costs of inequality | Individual rights, individual employment preferences | Taxation without perverse disincentives Receive benefits on work done Rights for non-standard workers |