FEMALE TALENT:
UNLEASHING ITS FULL
POTENTIAL FOR THE FUTURE
Executive Summary

ALTHOUGH FEMALE LABOUR MARKET PARTICIPATION HAS BEEN ON THE RISE IN RECENT TIMES, IT STILL LAGS SIGNIFICANTLY BEHIND THAT OF MEN. THIS MEANS A LARGE SLICE OF THE POPULATION IS ABSENT FROM WAGE-EARNING ACTIVITY AND ECONOMIES ARE DEPRIVED OF A VALUABLE RESOURCE. ENSURING THE APPROPRIATE USE OF THE FEMALE TALENT POOL HAS A SIGNIFICANT BEARING ON A COUNTRY’S GROWTH AND DEVELOPMENT.

The demands of globalisation and ongoing technological change call for a qualified labour force - one with a wide range of higher-level skills and an ability to work in non-traditional settings under conditions of uncertainty and change. In meeting these demands, employers have to respond to three key trends:

1. **Skills** (both skills shortage and skills gap);
2. **Demographic changes** (ageing societies and youth bulges); and
3. **The rise of flexible forms of work** (demanded by both employers and workers).

Considering that women represent at least half of the world’s potential human resource, women’s economic empowerment is an integral part of any effective response.

Around the world, women are outnumbering men in terms of participation in higher education and they are more likely to have more highly developed soft skills. This talent pool represents important opportunities in helping to address the problems arising from ageing populations in advanced economies and youth bulges in developing countries.

Raising the female workforce participation rate could therefore help to bridge the skills gap and support the old-age dependency ratio.

Enterprise development, through facilitating the establishment and growth of SMEs, encouraging entrepreneurship and rewarding innovation can create formal employment opportunities for women, especially young women.

Unlocking potential in the labour market requires addressing the constrained employment prospects for women. The rise in flexible forms of work provides opportunities for women to enter the workforce, and helps the economy recoup lost output and utilise skills more effectively.

This paper aims to provide employers and their representative organisations with an international perspective on trends that are impacting the world of work and the implications of these for women in the labour force. In doing so, the paper sets out the business case for improving talent management in enterprises, and especially the under-tapped pool of women, at both national and international levels.
### Introduction

OVER THE PAST QUARTER CENTURY, FEMALE LABOUR MARKET PARTICIPATION HAS BEEN ON THE RISE, PARTIALLY CLOSING THE GENDER GAP.

This trend has been accompanied by economic development and growth in most places. Ensuring the appropriate use of half of the world’s available talent pool arguably has significant bearing on a country’s growth and development. Since 1995, narrowing the gap between male and female employment rates has accounted for half of the increase in Europe’s overall employment rate and a quarter of annual growth. In the United States, if no additional women had joined the paid economy since 1970, output would be 75 per cent lower. The Asian Tigers have made significant progress by tapping into the female talent pool, resulting in strong economic growth and development.

Nevertheless, female labour force participation still lags significantly behind that of men, keeping a large slice of the population from wage-earning activity and depriving the economy of a potentially valuable resource.

This paper, which is part of the IOE’s contribution to the ILO Director-General’s “Women at Work” Centenary Initiative, aims to provide employers and their representative organisations with an international perspective on responding to trends impacting the world of work and in particular the implications of these for women in the labour force. In doing so, the paper sets out the business case for improving talent management in enterprises (especially the under-tapped pool of women) at national and international levels.

The quickening pace and nature of technological change and the ongoing reach of globalisation demand a qualified labour force, one with a wide range of higher-level skills, able to work in non-traditional settings under conditions of uncertainty and change. Employers must address three key trends in planning for and adapting to the ongoing evolution of the world of work:

1. **Skills** (both skills shortage and skills gap);
2. **Demographic changes** (ageing societies and youth bulges); and
3. **The rise of flexible forms of work** (demanded by both employers and workers)

Women’s economic empowerment is an integral part of an effective response to each of these, if only because women represent at least half of the world’s potential human resource.

Women already possess or can achieve the necessary qualifications to respond to the skills shortage. They also possess the relevant skills to become entrepreneurs and board-level managers. Increasing their overall participation rate is essential to addressing the burden of ageing populations. Efforts to combat youth unemployment will only be truly successful if they address the needs of young women. And the rise in flexible working arrangements can offer opportunities to achieve the better work and family balance that many women and men have long sought, thereby potentially increasing female labour market participation.

Thus, more can and should be done to better utilise female talent. The challenge for emerging economies is even greater, as they have larger female populations who are overwhelmingly young and hungry for professional advancement. If they can better tap the female talent pool, these countries have the potential to become “factories of talent”, rather than merely low-cost suppliers to the developed world.

Companies seeking to expand and compete globally will increasingly have to maximise the potential of their entire workforce. There is therefore an economic and business case for actively engaging women in the labour market.

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1. The gender gap has been closed from 32 per cent in 1980 to 26 per cent in 2009, where the gender gap refers to differences in pay.
2. Skills shortages occur when demand for a particular type of skill exceeds the supply of people with that skill at equilibrium rates of pay.
3. Skills gap occurs when the type or level of skills is different from that required to perform the job adequately.
4. Ageing population is defined as one in which the number of elderly (65 year-olds and older) is increasing relative to the number of 20-to-64 year-olds.
5. Youth bulges are defined as a high proportion of 15-to-29 year-olds relative to the adult population.
The most striking has been the creation of 900 million non-farm formal jobs in developing countries and 165 million in advanced economies, helping lift hundreds of millions of people out of poverty. Technological advances and globalisation have reshaped jobs, enterprises, sectors, markets and economies in dramatic ways and this process will continue. These powerful forces have created new stresses and strains in the advanced economies in the form of skills gaps and ageing populations, and in the developing economies in the form of skills shortages and youth bulges. The path to dealing with these forces runs through the three elements of skills, demographic changes and flexible forms of work.

1. Skills

In a number of advanced economies the introduction of new technologies has led to the phenomenon of job polarisation, i.e. a shift towards the employment of both the highly skilled and the unskilled, at the expense of the medium-skilled. Moreover, there is a skills mismatch at work, where a worker can either be over- or under-qualified for a job. In many geographies, unemployment persists among the highly educated, while employers complain of being unable to fill vacancies. This phenomenon is most prevalent in sectors requiring specific vocational skills such as healthcare, finance, information and communications technology and engineering. In Europe, roughly four out of ten companies report difficulties in finding workers with the required skills. Talent shortages reported by employers range widely, from 14 per cent in the Netherlands, Spain and the UK to 83 per cent in Japan in 2015. Despite being highly educated, the unemployed may also lack interpersonal and leadership skills, knowledge of foreign languages, readiness to learn, problem solving and ICT, or other “soft skills” important for employability.

In developing countries, low educational attainments due to lack of basic schooling have led to a significant share of underqualified workers, reaching levels as high as 82 per cent in Malawi, 56 per cent in Cambodia and 55 per cent in Togo. Serious skills shortages have also been recorded in Belarus, Kazakhstan, Russian Federation, Romania and the Baltic States. Additionally, some emerging economies, notably in North Africa, experience higher unemployment rates among the highly educated, despite facing serious shortages in high-skilled labour. This is largely a result of the lack of high qualification jobs in the private sector and the large informal economy.

A shortage of workers with the right training and skills is a serious drag on business expansion and GDP growth. For the individual, skills mismatch results in lower returns on investment in education, which in turn diminishes the value of education and results in wasted resources when the individual is unable to find a job. For companies, it results in loss of productivity and competitiveness. This has serious repercussions for the economy in terms of lower national output, increased economic inefficiency and lower competitiveness.

Each country has to evaluate for itself how best to equip its labour force to meet the demands of an ever-changing market. But one common solution seems to be apparent: maximising the potential of the female workforce. The consulting firm Booz & Company has used ILO data to forecast that by 2020 there will be 865 million women between the ages of 20 and 65 with the potential to contribute more fully to their national economies. About 812 million of these women live in emerging and developing regions, notably Latin America, Asia, the Pacific Rim, the Middle East, eastern and central Europe and Africa.

Around the world, women in higher education are outnumbering men. Across the OECD, 34 per cent of adult women and 31 per cent of adult men have attained tertiary education degrees, with the difference even larger between younger women and men. Women are increasingly outperforming men in the tertiary education systems of middle income and developing countries as well. For instance, in 2011, 60 per cent of college graduates in Brazil and 65 per cent in China were women. Female tertiary enrollment rates lagged behind those of men in only 36 of the 96 developing countries contributing 2008 data to the World Development Report. This increase in female enrollment is consistent with an increasing demand for “brain” rather than “brawn” jobs in a globalising world. As women become more educated than men, it is all the more wasteful not to use their human capital and knowledge to improve the economy’s output.
productivity and knowledge base. Women also tend to possess the “soft” or employability skills that are valued by employers. For example, a recent article in Labour Economics found that women are more adaptable than men\textsuperscript{xvi}. Other studies have found that, in general, women score higher than men on assessments of social perception, a measure of social skills\textsuperscript{xv}. Recent research by the polling organisation Gallup found that, in general, women have different management styles that can often be an advantage in the workplace: women tend to be better at building relationships with their employees, check in with their subordinates more often, and have more engaged employees overall\textsuperscript{xvii}. These studies suggest that women are more likely to have more highly developed soft skills, making them an important talent pool to address skills mismatch.

2. Demographic changes

Globally, the number of older persons is expected to more than double by 2050, growing from 841 million people in 2013 to more than 2 billion\textsuperscript{xviii}. The ageing population is already a feature of advanced economies where it is expected to create serious strains on social security schemes. With a large proportion of workers reaching retirement, the size of the working-age population is reduced and the old-age dependency ratio, which is the ratio of older dependents (people older than 64) to the working age population (those aged between 15 and 64), grows. On the basis of current projections, the old-age dependency ratio is expected to more than double in the middle of the century in Europe\textsuperscript{xix}. As the pool of active, productive workers in the economy shrinks in favour of a larger set of retired individuals, per capita output will decline while per capita costs increase due to increased health care and pension costs. On average, this would also imply lower standards of living and significant losses to welfare\textsuperscript{xx}. On the other hand, much of the emerging world is experiencing a different demographic challenge, in the form of youth bulges. Young people can be a positive force for development when provided with knowledge, skills and opportunities. However, many developing countries face inadequate human capital investment and suffer high youth unemployment rates. Inadequate investment in health and education limits the ability of young people to reach their full productive potential. Rapid growth in the number of youth further compounds that challenge, requiring constrained developing economies to improve the quality and reach of their education systems. In Jordan, Iraq and Saudi Arabia, for instance, youth unemployment rates are above 30 per cent and youth populations are expected to grow by more than 20 per cent over the next 15 years. Even in countries where youth unemployment rates are comparatively low\textsuperscript{xvi}, if labour markets are unable to absorb them, rapidly growing numbers of the young could challenge development strategies and stimulate social unrest\textsuperscript{xxv}.

The talent pool of women represents important opportunities to help address the problems arising from both ageing populations in advanced economies and youth bulges in developing countries. Although male and female labour participation rates have nearly converged in many advanced economies, female participation still lags significantly behind in many. This constrains wage-earning activity and deprives the economy of a potentially valuable resource. Raising the female participation rate could help fill the skills gap by bringing more well-educated workers into the job market and help support the old-age dependency ratio. Recent evidence from the OECD shows that, on average, the projected gain from full convergence in participation rates is an increase of 12.4 per cent in GDP per capita by 2030 in EU-27\textsuperscript{xxi}.

In most countries, women enjoy a longer life expectancy than men and therefore constitute a disproportionate share of the ageing population.\textsuperscript{xxii} For instance, in the Asia-Pacific region in 2013, there were 261 million women over 60 to 229 million older men. Keeping older women active in the labour market by extending the working age can both preserve valuable experience and help mitigate the pressures of the old-age dependency ratio on younger populations. Youth unemployment is exacerbated in developing countries largely by a lack of income opportunities. In many emerging countries, new jobs are predominantly created in the informal sector\textsuperscript{xxiii}. Women make up more than half of those working informally.\textsuperscript{xxiv} Having a large proportion of young people, especially educated young women, in the informal economy is a recipe for social unrest and an enormous missed opportunity. It means a large pool of discouraged workers, lower productivity and a loss of income and economic output. Many women are attracted to the informal economy out of necessity, i.e. they have no other opportunities.\textsuperscript{xxv}. Enterprise development, through facilitating the

\textsuperscript{xvi} In Mali, for example, even though the youth unemployment rate is just under 11 per cent in 2015, the number of youth projected to seek jobs in 2030 is 70 per cent larger than in 2015.
establishment and growth of SMEs, encouraging entrepreneurship and rewarding innovation can create formal employment opportunities for women, especially young women. There is also a bottom line case to be made for increasing the economic inclusion of women, given an appropriate regulatory framework that encourages the transition to formality. Companies gain access to a larger and more diverse labour force and to new markets; and women themselves gain access to a well-regulated labour market.

3. Rise in flexible forms of work

Technological innovation, the growth of service and knowledge work, and the economic pressures of globalisation and deregulation are among the trends that are dramatically reshaping the nature of work. In response, companies have begun to restructure and to favour more flexible forms of work. Flexible forms of work not only include non-standard forms of employment, but also workplace flexibility such as mobile work, remote working and telecommuting as opposed to working from the office on a ‘9-to-5’ basis.

Temporary and part-time work and self-employment now account for about a third of total employment in OECD countries and this is expected to increase. For instance, temporary employment has increased nearly 400 per cent in the USA since the early 1980s. Projections are that a quarter of the American workforce will be working in non-standard forms of employment by the year 2020.

The rise in flexible forms of work has the potential to help lower many barriers that prevent women with children or other family responsibilities from entering and remaining in work. The ability to work part-time and/or remotely is particularly important among working mothers and those returning from maternity leave, and has often resulted in an increase in the number of women in the workforce. For example, the increased focus on part-time work coincided with a rapid rise in women’s labour force participation in the 1980s with the result that, in 2003, 59.6 per cent of all jobs held by women in the Netherlands, Germany and the United Kingdom were part-time.

Other research has also found that higher employment rates are positively correlated with the proportion of the general part-time rate. Those countries with higher rates of part-time work also tend to have higher employment rates, with the association being most striking among the female workforce. To the extent that part-time employment allows mothers to work who would not otherwise be able to do so, this may help explain the association between part-time work and higher employment. Compelling evidence from most Southern European economies (with the exception of Portugal) shows that the lack of part-time jobs has resulted in low preferences for work among mothers. This indicates that the potential for flexible working options to better tap into existing labour market potential is far from exhausted.

While the lack of non-standard forms of employment have seriously prevented women especially with primary care responsibilities from entering the labour market, the lack of workplace flexibility has also led to the under-utilisation of female talent where skilled women are prevented from advancing into top management and sometimes exit the labour market entirely. Respondents to an ILO company survey showed that the lack of flexible solutions was deemed an important barrier to the successful retention of skilled women and of women taking up management positions. In an age where finding and retaining top talent is among the strongest predictors of a company’s success and where skilled individuals place a high value on flexibility, workplace flexibility becomes a necessary tool by which companies can advance and retain skilled female talent in top management, thereby achieving a better utilisation of skilled female talent.
Conclusions

THE ABOVE SUGGESTS THAT MANY OF THE CHALLENGES CURRENTLY FACING EMPLOYERS CAN BE ADDRESSED BY ENCOURAGING AND ENABLING GREATER PARTICIPATION OF WOMEN IN THE WORKFORCE.

Better utilisation of women’s skills can increase enterprise competitiveness, national output and economic development. Women’s participation is central to addressing the problem of skills shortages. Their economic empowerment can mitigate the social costs of ageing populations and address youth unemployment. Finally, the rise in flexible work arrangements can help address the demand for the flexibility that many women need in order to fulfill both work and family responsibilities.

As policymakers seek short- and long-term solutions to the challenges of the changing world of work, expanding opportunities and fostering the talent of the previously untapped pool of female talent becomes all the more important. This will require the joint efforts of governments, employers, and workers to remove the cultural, economic and social barriers hindering women’s participation in the labour market. The IOE and its member organisations have an important role to play in contributing to the construction of effective policies to ensure the inclusion of women’s talents, skills, experience and energies in the economy.

References

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xxvi OECD, 2015, “In It Together: Why Less Inequality Benefits All”.
xxii ILO, 2015, “Women in Business and Management: Gaining Momentum”.
The IOE is the largest network of the private sector in the world. With more than 150 members, it is the global voice of business for labour and social policy matters at the international level.