Empowering the third billion

Women and the world of work in 2012
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Nearly 1 billion women around the world will enter the global economy during the coming decade. They are poised to play a significant role in countries around the world — as significant as that of the billion-plus populations of India and China. Yet this “third billion” has not received sufficient attention from governments, business leaders, or other key decision makers in many countries. This represents a missed opportunity; greater involvement from women has an impact beyond what their numbers would suggest. For example, women are more likely than men to invest a large proportion of their household income in the education of their children. As those children grow up, their improved status becomes a positive social and economic factor in their society. Thus, even small increases in the opportunities available to women, and some release of the cultural and political constraints that hold them back, can lead to dramatic economic and social benefits.

There is compelling evidence that women can be powerful drivers of economic growth. For example, our estimates, which are conservative, indicate that if female employment rates were to match male rates in the United States, it would boost overall GDP by 5 percent. In Japan, such initiatives could increase GDP by 9 percent. In developing economies, the effect is even more pronounced. The United Arab Emirates would see a boost of 12 percent in GDP, and the Egyptian economy would grow by 34 percent.

To empower women — as employees, producers, and business owners — and strengthen the impact of their contribution, government and business leaders will need a better understanding of the most effective levers available to them. Depending on the circumstances of each country, these measures might include infrastructure improvements (such as safe roads for travel to work), the removal of legal restrictions on female participation in the workforce, more cultural support for female leadership, or more inclusive approaches to risk and credit. To identify the factors more closely, Strategy& created the Third Billion Index, a ranking of 128 countries worldwide that is based on how effectively leaders are empowering women as economic agents in the marketplace.
The index is a composite of established data on women’s economic and social status, drawn from sources including the World Economic Forum and the Economist Intelligence Unit. Although several global organizations already track statistics related to women’s issues and publish their own nation-by-nation rankings, the Third Billion Index is unique in that it focuses specifically on women in the world of work. We recognize that other foundational needs are important, such as political participation, legal status equal to that of men, and access to healthcare. Our goal, however, is to isolate the factors that facilitate women’s access to the larger economy — as either employees or entrepreneurs — and determine specific ways that government and business can improve that access.

The Third Billion Index groups the indicators of women’s economic standing into two separate clusters. The first is “inputs,” meaning steps that governments and the private sector can take to improve the economic position of women. These inputs include laws and policies regarding minimum schooling, employment policies during and after childbirth, and access to credit.

The index also considers “outputs,” meaning the social, political, and economic issues that are affected by changes in the inputs. These include the ratio of pay between women and men as well as the proportion of women among technical workers, senior business leaders, and employees. A combination of the input and output factors for a country determines its overall index ranking (see Exhibit 1, page 5).
Exhibit 1
Components of the Strategy& Third Billion Index

- Ratio of female to male literacy rate
- Overall literacy rate for women
- Ratio of female to male enrollment in secondary education
- Level of primary and secondary education among women
- Ratio of female to male enrollment in tertiary education
- Mean years of schooling
- Level of tertiary education among women

- Equal pay for equal work policy
- Nondiscrimination policy
- Maternity and paternity leave provision
- Access to child care
- Legal restrictions on certain job types for women

- Access to technology and energy
- Property ownership rights
- Support and development training for owners of SMEs
- Women’s access to finance programs
- Ability to build credit history
- Availability of private-sector credit
- Delivery of financial services

- Female-to-male ratio among wage employees
- Female-to-male ratio of wages
- Female-to-male ratio of participation in the labor force
- Female-to-male ratio among professional and technical workers
- Female-to-male ratio among legislators, senior officials, and managers
- Female-to-male ratio among employers

- Equal pay for equal work in practice

Source: World Economic Forum; Economist Intelligence Unit; Strategy& analysis
The results of the index lead to several striking conclusions about government practices and women’s economic progress. First, there is a clear correlation between the front-end processes and policies regarding women’s economic opportunities (inputs) and the actual success of women in their national economies (outputs). We discovered this by clustering 128 countries into five broad categories based on their index rankings (see Exhibit 2, page 7). The countries with a strong set of inputs, labeled “on the path to success,” universally also have strong outputs. These are typically developed economies such as Australia, Canada, Denmark, Finland, France, Germany, and Norway.

We identified four other clusters. Just behind the “path to success” countries are those that are “taking the right steps.” They have implemented a slate of input policies and are just beginning to see their efforts pay off. These countries, which include Malaysia, Tunisia, and Venezuela, vary widely in other political and social dimensions; however, they have all moved onto the path of empowering women. It will probably take a generation for these measures to generate significant outputs, but the data suggests that they will all be beneficially affected.

We also defined a small number of countries as “forging their own path.” They are seeing modest output results, but have not yet established a strong foundation of inputs. These countries include Botswana, Cambodia, and China. In the future, the countries in these two groups are likely to be among the most dynamic in terms of economically empowering women.

The next group of countries, labeled “average,” includes those that have taken modest steps to improve inputs to women’s economic progress and have seen commensurate output results. These countries, which include Colombia, Serbia, and Thailand, will need to invest more on the input side to move onto the “path to success.”

Finally, there are countries that have not yet systematically approached the problem at all. They have correspondingly worse performance. These are said to be “at the starting gate” and include countries such as Indonesia, Laos, and Nigeria. This category accounts for the largest
number of the 128 countries, suggesting an immense economic opportunity in many parts of the world.

Perhaps the most significant finding from the Third Billion Index is the impact of inputs and outputs on outcomes. We defined outcomes as broader indications of well-being, including per capita GDP, literacy rates, access to education, and infant mortality. These transcend gender-related effects and represent improvements to society at large.

The data shows a very strong correlation between index scores and beneficial outcomes. Such a relationship indicates that positive steps intended to economically empower women not only contribute to the immediate goals of mobilizing the female workforce, but also lead to broader gains for all citizens in such areas as economic prosperity, health, early childhood development, security, and freedom.

Source: Third Billion Index (Strategy&); data from World Economic Forum and Economist Intelligence Unit.

Exhibit 2
Five country clusters, based on performance in economically empowering women
This is a crucial conclusion. The idea has been a consistent theme in the literature of women’s issues, but it is typically argued with anecdotal rather than quantitative evidence. Our findings give compelling numerical evidence of a correlation between women’s economic participation and a country’s general economic growth and well-being. They strongly suggest that the economic advancement of women doesn’t just empower women but also leads to greater overall prosperity.

In short, even when setting aside legislative measures to improve women’s quality of life, or setting standards for the number of high-level positions held by women, government leaders have several precise levers they can pull to economically empower their female citizens. For example, they can foster more forms of financial credit or take steps to improve women’s literacy. Countries that pull these levers are producing results.

The full version of this report, available at strategyand.pwc.com, includes a more detailed discussion of the Third Billion Index methodology and results. In addition, it includes in-depth profiles of 10 countries that have a range of geographies and are at varying stages of economic development, which Strategy& compiled in conjunction with local experts in the private sector, academia, and government within each nation:

- **Argentina** (35th — “On the Path to Success”)
- **Brazil** (46th — “On the Path to Success”)
- **China** (58th — “Forging Their Own Path”)
- **Germany** (8th — “On the Path to Success”)
- **India** (115th — “At the Starting Gate”)
- **Italy** (33rd — “On the Path to Success”)
- **Japan** (43rd — “Taking the Right Steps”)
- **South Africa** (36th — “On the Path to Success”)
- **Tanzania** (85th — “At the Starting Gate”)
- **United States** (30th — “On the Path to Success”)

In addition, we profiled three countries from the Middle East and North Africa (MENA) region: Egypt (108th), Saudi Arabia (123rd), and the United Arab Emirates (109th), which are all “at the starting gate.” In focusing on this region, we wanted to highlight the remarkable socioeconomic transitions currently under way, and to show that women represent a crucial part of those changes. Economically, the women of the MENA region have tremendous potential that is not yet being realized. Women’s labor force participation in MENA countries is just 26 percent, lower than that in South Asia (35 percent) and sub-Saharan Africa (61 percent). Women hold ownership positions in only 20 percent of businesses in the MENA region, compared to 32 percent in OECD countries and 39 percent in Latin America and the Caribbean. Yet even small advances in women’s status in this region correlate clearly to economic growth.
Common challenges

All countries have unique requirements and must combine specific input policies to create a solution that can best address those needs. However, our research has also identified several common challenges that women face, in countries ranging from Germany to Egypt to Mexico to Tanzania. Regardless of a country’s stage of economic development, or its performance in empowering women thus far, women experience a similar set of issues.

The first is the care economy. Around the world, women are the primary caregivers for children, the elderly, and the sick, and this burden hampers their economic development. Women in OECD countries spend about 2.4 hours more than men on unpaid work (including care work) each day. If companies and governments want to see women reach their maximum economic potential, these organizations must play a role in helping to provide high-quality, accessible care for vulnerable populations.

In addition, in every country in the world, women require investments — financial, educational, and cultural — in their future. None of these investments can stand alone. Allocating capital for investment in women’s businesses is fruitless if women do not have the education to run a business successfully, or the cultural perception that they can compete economically with men.

Lack of credit is another common theme. Although microfinancing has helped launch many women-owned businesses, these schemes also risk limiting such businesses to tiny operations in the service sector, instead of helping foster larger operations.
Finally, in all areas of women’s economic empowerment, there is a need for detailed, frequently updated, and gender-disaggregated data — so interested parties can better understand the issues that women face and more effectively frame solutions. This includes data on access to capital, property rights, and small and medium-sized enterprise (SME) ownership, among other issues.

Addressing these issues will require a set of solutions tailored to individual countries, with cooperation from governments, the private sector, and NGOs. Yet the universality of these challenges shows that solutions in one part of the world will likely apply elsewhere as well, and that best practices will transcend borders.
Ultimately, the Third Billion consists of many individual women around the world — each with her own personality, needs, obstacles, hopes, and desires. Yet the global economy does not have the luxury of addressing this crucial group in a leisurely fashion, one woman at a time. Sweeping institutional changes at the national, regional, and global levels can help women everywhere reach their full economic potential and make the contributions necessary to keep the global economy moving forward. These changes will benefit individuals directly — a tobacco farmer in Tanzania, a social media entrepreneur in China, a graphic designer in the United Arab Emirates, or a middle manager in Germany. But beyond the impact on any individual woman, the broader benefit will be to the community around her, the national economy she is supporting, and the world at large.
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