

It's a win-win! Gender equality makes growth stronger and more inclusive

Category: Uncategorized

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Despite progress in a number of areas, gender equality remains elusive in many OECD countries. Uneven distributions of outcomes and opportunities spread across the entire life cycle of women and men and culminate in sizeable gender pay gaps. Achieving gender equality would not only serve justice and equity but would also improve well-being in areas such as work-life balances, health, education and job satisfaction. Furthermore, it would make economic growth and social institutions stronger and more sustainable.

Austria provides an interesting case study. In many respects, Austria stands out as a formidable example of how institutions and the prevalence of separated gender roles have contributed to sustaining inequality into the 21st century. Study choices have barely evolved and are tilted towards less career-oriented paths for girls; the tax-system subsidises sole-earner family arrangements and part-time work for spouses; insufficient coverage of early childhood education and care institutions and full-day schools makes fulltime work incompatible with child rearing and contributes to one of the lowest fertility rates in the OECD.

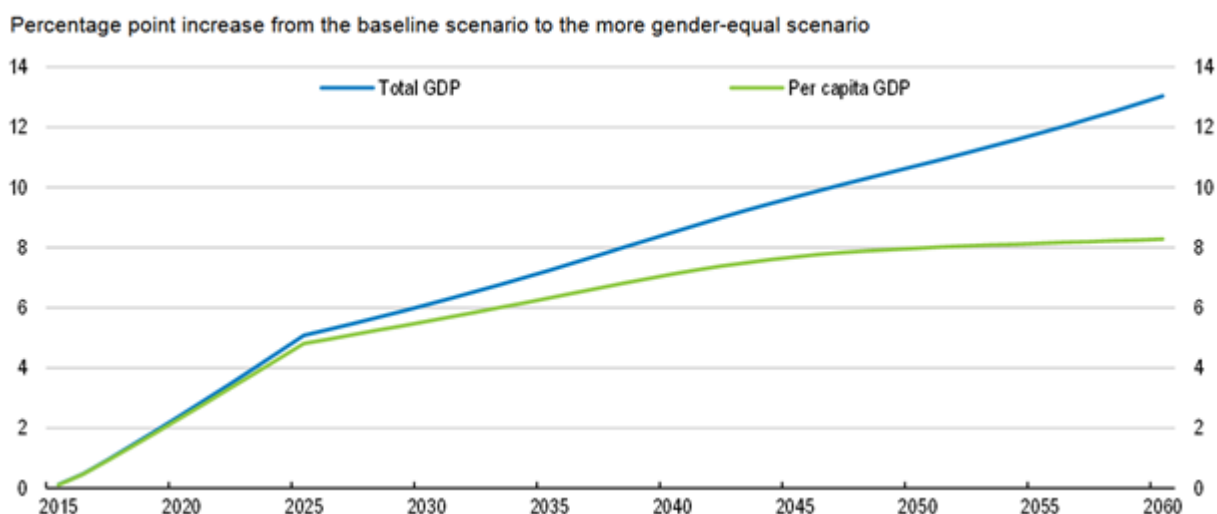
As analysed in the 2015 Economic Survey of Austria, the Austrian government has launched a series of initiatives to raise awareness for gender inequalities such as gender

budgeting, compulsory income reports for firms with more than 150 employees to depict potential gender pay gaps or the creation of an anti-sexism advisory board within the Austrian Advertising Council.

Yet, more structural and institutional reforms are needed to unveil the full potential of gender equality for the Austrian labour market, improve work-life balance and lift human capital. The OECD identifies necessary changes in the tax-and-benefit system to stop rewarding unbalanced distribution of paid work, investment in high-quality childcare facilities and changes in workplace practices to reconcile work and family lives. Further public interventions and incentives are needed to trigger the necessary changes in the society and break up stereotypes. Reserving a sizeable part, at least a third, of parental leaves to the exclusive use of fathers would be a good start!

This would have significant benefits for growth. Long-term simulations suggest that progress towards more gender equality could raise potential output by as much as 13 percentage points by 2060 in Austria.

Greater gender equality would raise GDP substantially



Source: Author's calculations

Find out more:

Gönenç, R. et al. (2015), "Austria's separate gender roles model was popular in the past, but is becoming a constraint for comprehensive wellbeing", *OECD Economics Department Working Papers*, No. 1272, OECD Publishing, Paris.

Ziemann, V. (2015), "Towards more gender equality in Austria", *OECD Economics Department Working Papers*, No. 1273, OECD Publishing, Paris.

Gender quotas for corporate boards – do they work? Lessons from Norway

Category: Uncategorized

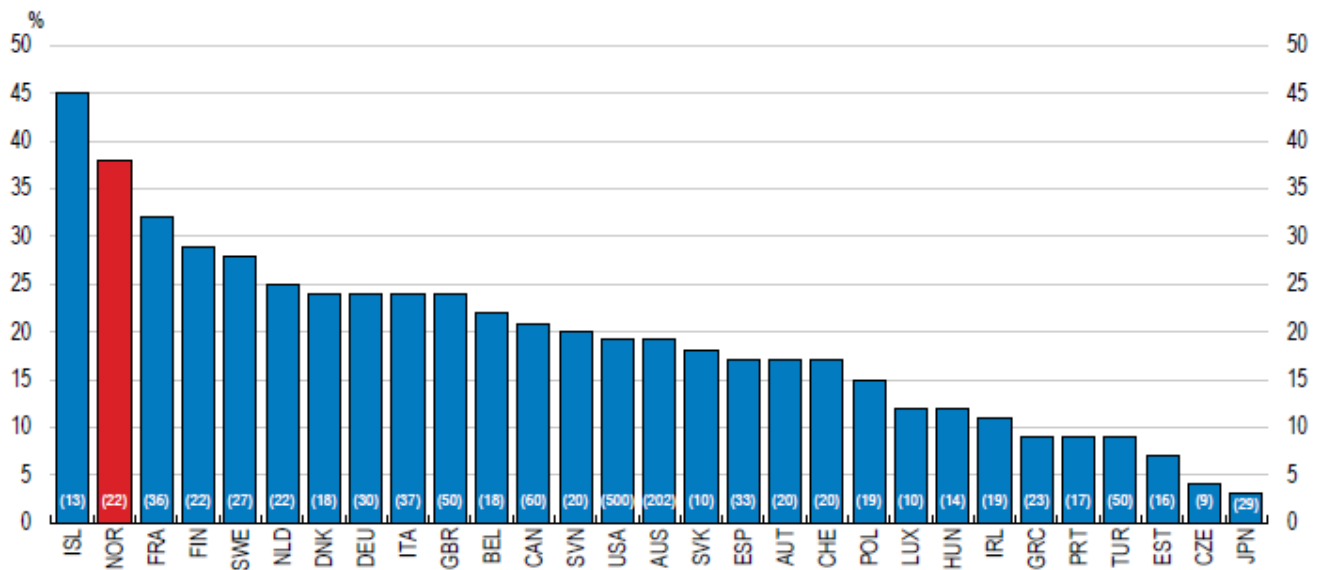
written by oecdecoscope | March 17, 2016

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Norway has been a pioneer in using gender quotas for corporate boards. Gender balance can enrich board decisions with more diverse opinions and broader understanding of client needs (Storvik-Teigen 2010). Some studies show that more gender balanced boards improve return to investment or stock prices (Erhadrt-Werbel-Shrader (2003), Carter, Simkins and Simpson 2003). However, most OECD countries have very few women on corporate boards (Figure) reflecting cultural barriers or perceived lack of candidates.

Share of women board members in the largest publicly listed companies¹



() indicates the number of companies on which the data are based for each country.

1. 2014 For EU countries, Iceland, Norway, and Turkey the companies are a selection of those included in the Primary Blue-Chip Index, which is an index that includes large companies headquartered in each country based on market capitalisation and/or market trades. For Australia, Canada, Japan, Switzerland, and United States the companies are selected from various stock-market listings (S&P/ASX 200, S&P/TSX 60, TOPIX Core 30, SMI index, and S&P 500, respectively).

Source: European Commission (2014), Database on women and men in decision-making; Catalyst (2014), Catalyst Census: Women Board Directors 2014

Gender quotas can break the “glass ceiling” (OECD 2015). The OECD 2016 Economic Survey of Norway brings out three key lessons from its experience on the role of sanctions, the availability of suitable candidates and the impact it has had on attitudes.

Norway’s pioneering gender board quotas only worked with sanctions

Gender quotas were first introduced in some public sector entities in the 1980's and were extended in 2003 under legislation requiring at least 40% of women on boards of public limited companies (known as ASA), inter-municipal and state-owned enterprises. However, as of 2005 only 17% of board members were female. To reach the target enforcement of the quotas was tightened in 2005 by legislating sanctions, including a threat of dissolution of non-compliant companies (Storvik-Teigen, 2010). This led to a rapid change: the 40% target was reached in 2008. The coverage of the quota was extended to cooperative companies in 2008 and to municipal companies in 2009.

Fears by business of lack of competent female managers were unjustified

Quotas were initially resisted by business on grounds that it would be hard to find qualified women and that therefore the quality of decisions would deteriorate (Storvik-Teigen, 2010). Many considered quotas an unnecessary interference in business, and about a third of the 563 concerned companies delisted upon the introduction of the sanctions. However, these fears have been proven wrong. On average, female board members in Norway have higher educational qualifications than their male colleagues (Bertrand et al., 2014). Some studies (Storvik-Teigen 2010) have also shown that female presence at boards has led to less layoffs in downturns, but with some trade-offs with profitability. The process was also facilitated by government policies of creating a databank of qualified women and training programmes for qualified female candidates.

Attitudes have changed and gender board quotas are now widely supported

The quotas are now considered a success in enhancing diversity and better business decisions. However, the impact on enhancing women's careers more generally has been limited

(Bertrand et al., 2014), although more positive effects may emerge in the coming years.

Related material

OECD 2016 Economic Survey of Norway

OECD Gender Portal

Bertrand, M., S. Black, S. Jensen, A. Lleras-Muney, (2014), "Breaking the Glass Ceiling? The Effect of Board Quotas on Female Labor Market Outcomes in Norway", NBER Working Paper No. 20256, June 2014.

Storvik, A. and Teigen, M. (2010), "Women on Board: The Norwegian Experience", Friedrich Ebert Stiftung, International Policy Analysis, 2010.

Niclas L. Erhardt, James D. Werbel and Charles B. Shrader (2003) , Board of Director Diversity and Firm Financial Performance, Corporate Governance: An International Review, 2003, vol. 11, issue 2, pages 102-111

D, Carter, B. Simkins and W. Simpson (2003) Corporate Governance, Board Diversity, and Firm Value, Financial Review, Volume 38, Issue 1, pages 33–53, February 2003

Connecting the dots on income inequality: what do official

sources suggest when adjusted for top incomes?

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Concerns about the distribution of income weigh heavily in the public policy debate and the economic crisis has added urgency to deal with the policy issues related to inequality. But if the current challenges are clear, there is less common understanding about the definition and measurement of income inequality. What may be seen as a straightforward concept to measure turns out in practice to be hard to quantify in a reliable way.

Until the last decade, household surveys were pretty much the exclusive source of official statistics to guide policy reflexions on inequality. A consensual finding from these sources, used by governments and international organisations, is that income inequality has been steadily rising between the mid-1980s and the late 2000s, but at a much slower pace after the mid-1990s. During the crisis years, recent evidence point also to stable inequality levels on average.

But a wave of research initiated by Thomas Piketty, and which concentrates almost exclusively on the top of the income ladder, has in fact shown that the share of total income held by the very richest households actually rose faster in the 1990s than in the 1980s. These findings, based however on non-official sources, indicate that income inequality has actually

grown more rapidly over the last fifteen years than previously thought, and that following the crisis there has been a significant upsurge in top incomes.

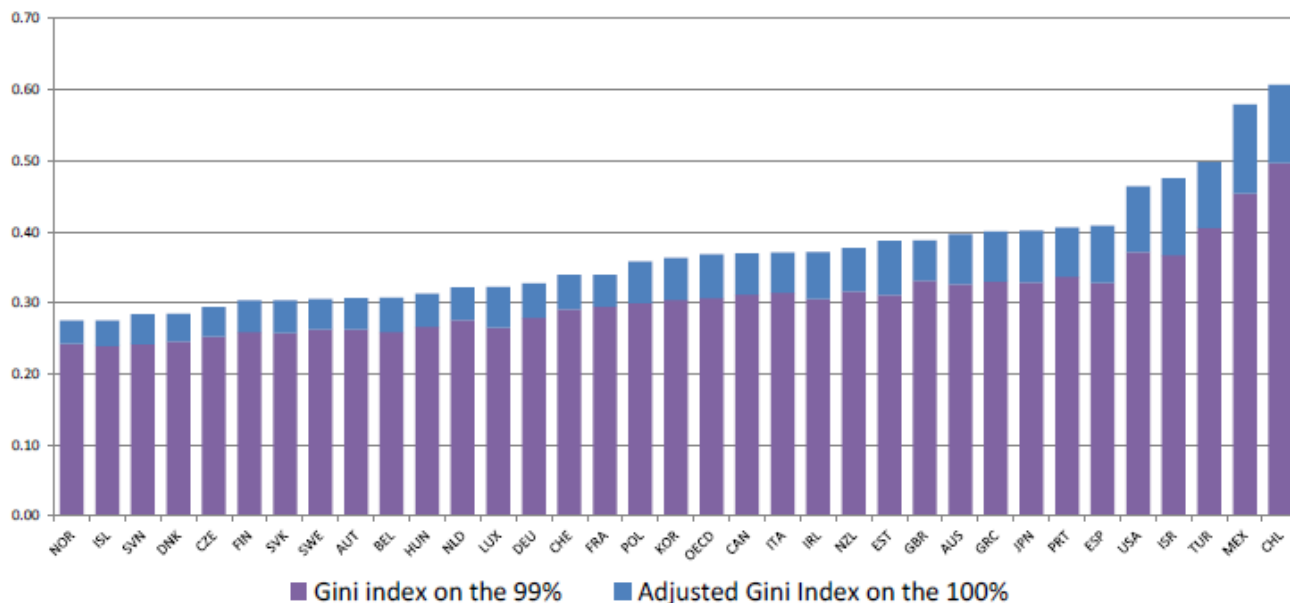
These new findings sparked a debate about the real extent and trends on inequality. It also left economists with a patchwork of data. Inequality figures drawn from household surveys tend to measure income dispersion on a comprehensive and representative portion of the population, say the 99%, but are not able to capture properly the very top due to various shortcomings. Yet, it is in this portion of the distribution that most of the changes in inequality seem to have occurred over the last fifteen years.

The derivation of top incomes figures depend crucially on the use of the Pareto "iron law" of income distribution, which assumes that the percentage of a given income decreases in proportion as the income threshold is raised. Originally formulated by the economist Vilfredo Pareto more than one century ago, this law has passed the test of time and is used in various branches of economics. It can also be applied to official sources to correct for missing top incomes.

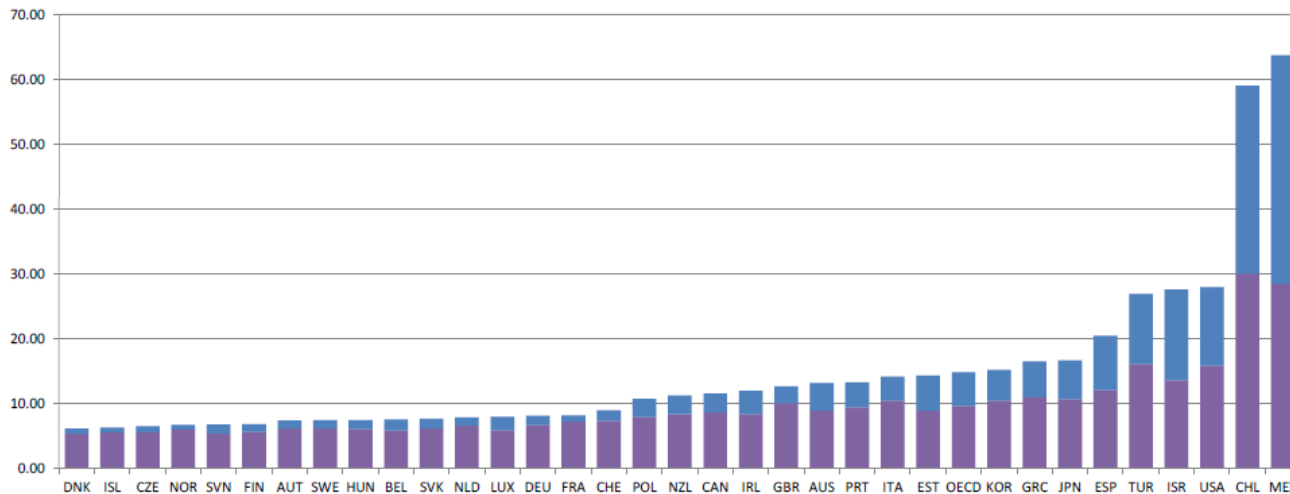
What happens if we do so, which can be thought as measuring inequality on the 100%? Unsurprisingly, it results for most countries in an increase of the level of inequality. What is perhaps more surprising is the magnitudes implied, which are strikingly large. Across OECD countries the Gini coefficient (a staple for measuring inequality), measured on the whole population from the poor to the very rich, the 100%, was in 2011 on average 6 percentage points higher than official statistics based on household surveys, moving from 0.31 to 0.37. Similarly, the ratio of the mean income of the richest 10 per cent of the population to that of the poorest 10 per cent rises from 10 to 15.

Inequality levels are larger when accounting for the whole population

Gini coefficient



Ratio of mean incomes of the richest to the poorest 10%



Source: Nicolas Ruiz and Nicolas Woloszko (2016), "What do household surveys suggest about the top 1% incomes and inequality?", OECD Economics Department Working Papers, No 1265, OECD Publishing, Paris.

So when we connect the dots on income inequality and adjust official sources for the missing top incomes, it appears that we are living in more unequal economies than is generally

documented. Does it matter? Well, a lot. Consider the example of the recovery years in the United States. According to the Census Bureau, between 2009 and 2012 the Gini coefficient on pre-tax and transfers income remains fairly stable around 0.47. But according to recent figures computed by Thomas Piketty and his team, the top 1% captured 95% of real national income growth during the same period. Clearly, policy roadmaps could radically differ when based on these two separate sources. In our efforts to make growth more inclusive, an encompassing view of inequality taking on board all the segments of the populations, is essential to guide policy discussions.

See also: [Structural Policies and Distributional Consequences](#) | [OECD Insights Blog](#)

More competition for better economic outcomes in France

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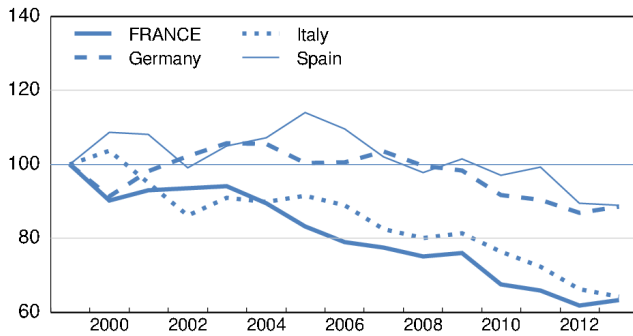
Strengthening competition would have positive effects on French competitiveness, employment, equity and well-being. The OECD (2015a) estimated that five sets of measures in the “Macron Law” – the reform of regulated professions, the extension of Sunday and evening trading, the opening-up of passenger coach transport, the simplification of redundancy rules and easier procedures for obtaining a driving licence –

could potentially increase France's GDP by 0.4% over 10 years. Streamlining entry requirements in some professional occupations and easing entry conditions for micro-enterprises, as recently announced, would also be good moves. However, there is scope to go much further and increase synergies with labour market reforms (OECD, 2014, 2015a and 2015b).

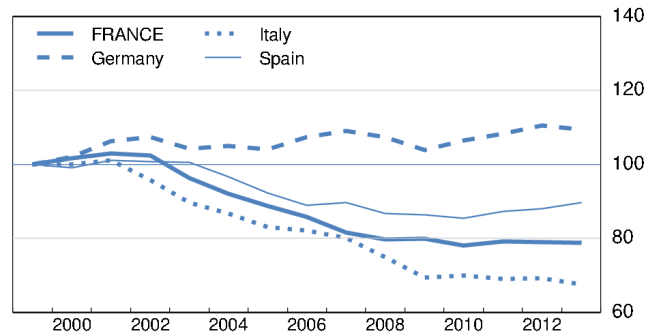
Over the last decade, France's export market share losses have been slightly greater than those experienced by the other main euro area countries (Panel A). In particular, French export growth was relatively slow compared to its export markets before the global financial crisis in 2008 (Panel B). French wages have increased faster than labour productivity, and unit labour cost growth has exceeded the corresponding German rate (Panel C). This trend is mainly explained by developments in economic sectors that are partly sheltered from international competition (Panel D). Strengthening competition in those sectors would benefit all industries that use them as inputs in their production process and improve the cost-competitiveness of French exporting firms, their profit margins and investment capacities.

Changes in export market shares and unit labour costs

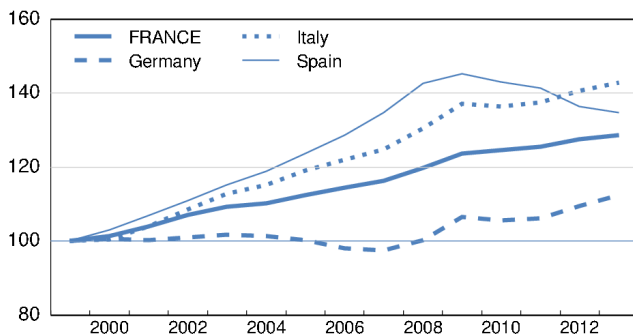
A. Share of world exports of goods and services
Index, 1999=100



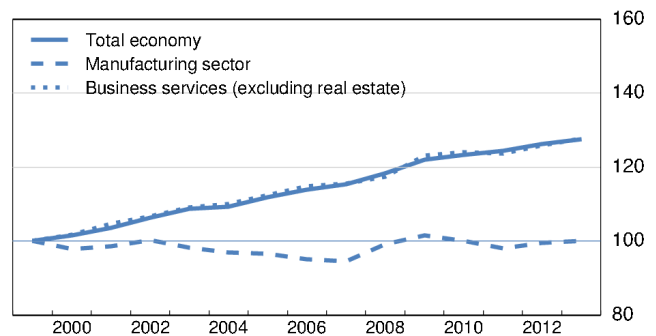
B. Export performance¹
Index, 1999=100



C. Unit labour costs in international comparison
Index, 1999=100



D. Unit labour costs in France
Index, 1999=100



1. Difference between export growth and export markets' growth, in volume terms (with export markets as of 2010).

Source: OECD (2015), Economic Outlook 96 and Productivity databases.

The OECD analysis highlights three main areas of reforms to improve competition, productivity and employment:

1. Simplify the business environment.

Streamlining administrative procedures, including the tax system and government support for firms, together with improving public procurement practices, would allow substantial productivity gains and growth. The guidelines issued by the OECD (2011) should be used to systematically review existing regulations from a competition perspective according to a set schedule, and measures should be implemented rapidly.

2. Continue to open up regulated professions.

For architectural, accountancy and legal services, barriers to entry and controls on practice in France were among the

highest in the OECD in 2013. Streamlining entry requirements, opening further the capital ownership and increasing or lifting numerical quotas for selected professions would strengthen productivity and allow economies of scale and scope.

3. Ease further retail regulations.

The new rules governing urban commercial development and Sunday opening remain unnecessarily complex. Urban zoning rules are still a constraint for large stores, and heterogeneous Sunday openings' regulations distort competition and limit employment. Moreover, the sales of certain products, such as over-the-counter drugs, and the periods during which clearance sales can be held, are still tightly controlled.

Find out more:

Goujard, A. (2015), "Enhancing Competitiveness, Purchasing Power and Employment by Increasing Competition in France", OECD Economic Policy Papers, No. 14, OECD Publishing, Paris.

OECD (2011), "Competition Assessment Toolkit", OECD Publishing, Paris.

OECD (2014), "France, Les réformes structurelles : impact sur la croissance et options pour l'avenir", OECD Publishing, Paris.

OECD (2015a), "France, Évaluation de certaines mesures de la Loi pour la croissance, l'activité et l'égalité des chances économiques et perspectives de futures réformes", OECD Publishing, Paris.

OECD (2015b), "OECD Economic Surveys: France 2015", OECD Publishing, Paris.