



Does the Gender Pay Gap affect the World Economy?

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Abstract

This paper examines the impact of the gender pay gap on global economic growth, focusing on its effects on workforce participation, consumer spending, trade, and living standards. Using global and national perspectives, it highlights how wage inequality reduces productivity, increases poverty, and slows growth, while proposing actionable measures to narrow the gap and foster economic stability.

The Gender Pay Gap is defined as the difference between the average hourly pay of men and women. Generally, women are paid less than men (European Parliament). When women realize the high gender pay gap they get demotivated to pursue their career paths and get employed, so when all the working individuals are not employed it hampers the overall workforce productivity on the global level. If women are the sole breadwinners or earn higher income in a family and if due to income inequality, their income is low it may cause the disposable income to be lower which will reduce the net expenditure causing lower demand for goods and services and lower economic activity which negatively impacts the economy. Women make 77 cents for every dollar earned by males on average. It is predicted that the gender pay gap will close globally in 257 years if current trends continue. In 2020, the gender pay gap in the European Union was 0.7% in Luxembourg and 22.3% in Latvia (Haan).

Additionally, the international world economy is global economic transactions between goods, services and money between countries influencing corporations on a worldwide scale. Due to the gender pay gap causing slower economic growth as explained above, slow economic growth will attract lesser attraction from foreign companies like multinational companies and it will also happen because of reduced consumer expenditure which may also limit the international trade between the countries since consumers may only stick to buying cheap domestic products to save more. In a slow-growth environment, central banks may lower interest rates to stimulate economic activity by encouraging borrowing and spending. Lower interest rates can make the currency less attractive to investors seeking higher returns, leading to capital outflows and depreciation. So, I will be examining the impact of the gender pay gap on world economic growth by discussing the fall in living standards due to lesser pay for women and slower economic growth or economic recession. I have also looked at the global perspective and national perspective as well. I wanted to research this topic and write a report about it because as an Economics student, I was keen to learn about the different macroeconomic impacts on the world caused by different issues such as the gender pay gap.

Gender Pay Gap and Economic Recession

Gender equality goes hand-in-hand with the financial stability of any country, can stimulate economic growth, thereby boosting performance of both public and private sector, and reduce income inequality (IMF). When there is a gender pay gap women are demotivated to work since they are earning lesser wages compared to men which is why they take on other career paths such as homemaker etc. Due to the



low earnings of the family, since fewer members of the family are earning, the net expenditure will reduce which will cause lesser demand for goods and services thereby causing recession. A recession is when there is a general decline in economic activity throughout a nation. An economic recession is bad for the world economy because the global output will decrease so businesses will produce less leading to an overall decline in economic activity.

Consequently, the economic recession will have many huge setbacks for the world and the home nation. The interdependence of the world's financial markets and a downturn in one nation can cause volatility to rise across the board so the stability of financial institutions, money flows, and asset prices may all be impacted by investors' desire for safer assets. Furthermore, the recessions typically last almost a year and often result in a significant cost. In particular, a recession is usually associated with a decline of 2 per cent in GDP (Finance and Development).

Gender Pay Gap and Fall in the Standard of Living

All over the world, it is mostly men who tend to dominate firms. And, globally, only about 18% of firms have a female manager (Ortiz-Ospina). Women are mostly employed in the low-paying industries which contributes to the gender pay gap since not all sectors of the economy pay equally. This affects the standard of living since women not having enough money to get by it would downgrade the aggregate standard of living of all the women in the economy which in turn would mean they are unable to afford education, housing and necessities and may also get entrapped in a poverty cycle because this wage difference continuous throughout the women's career which makes her unable to escape poverty and accumulate wealth. Furthermore, during a recession, companies have to cut positions to trim expenses. Unemployment is a major con of a recession, and it can make you feel insecure when it comes to your job (Cfa). So, the lack of work will also make women downgrade their standard of living which will increase the overall poverty in the world. Moreover, women who work in the US lose a total of almost \$1.6 trillion a year as a result of the wage gap. Due to these lost wages, women and their families will have less money to save and invest for the future, as well as to support themselves, their families, and their communities ("What's the Wage Gap in the States? - National Partnership for Women and Families").

Global Perspective

The enduring historical and structural uneven power relations between men and women continue to impede progress toward gender equality and the empowerment of women and girls, socioeconomic disparities and disadvantaged access to opportunities and resources that restrict the potential of women and girls. The process of closing that gap has not moved quickly. Although most people support equal pay for men and women, it has not always been easy to implement in reality ("International Equal Pay Day | United Nations").

The gender wage gap, according to the World Bank, is caused by "gender biases and inequalities that have placed women in low-wage occupations". It said that "the continuation of this income gap between men and women negatively affects the growth of a country's economy" and that 119 economies around the world have opportunities to eliminate the gender wage gap through improved legal frameworks. According to the World Bank, there are no legal standards for equal pay in nearly half of the world's economies (Lee).

Furthermore, according to a Moody's Analytics analysis, the difference in pay between men and women in the labour market can contribute \$7 trillion, or almost 7%, to global economic growth. According to



Moody's, 132 years may pass before the gender gap in the economy is closed (Lee). The World Bank also noted in a recent study that discrimination has accentuated the gender pay gap in the workplace.

National Perspective

In India, men make up 82% of the labour income, while women make up 18%, according to estimates from the World Inequality Report 2022 (Benu). According to research, India's economy would be way more boosted and result in very high levels of economic growth if the gender pay gap were slightly reduced. It may also increase the standard of living of the women living in India reducing poverty rates. Furthermore, due to economic growth, India may also be a better overall nation in terms of employment and HDI.

The gender pay gap study from the CFA Institute, the Periodic Labour Force Survey, and Businessline's examination of the nation's earnings in the agricultural industry. Women who work in the salaried class and in agriculture make nearly 20% less than men. In addition, when women advance in their careers, pay disparities get larger.

Course of Action

There is a significant gender wage gap that affects women, who make up the majority of low-paid workers, with notable contributions from variations in occupation. Raise the federal minimum wage to \$10.10 per hour from \$7.25, which would help about 15 million women, particularly those serving as breadwinners for their families, with notable contributions from variations in occupation. The present minimum wage is barely above the poverty line for single people and below it for families with children, so this rise is imperative ("7 Actions That Could Shrink the Gender Wage Gap"). Every employee in a company is guaranteed an equal opportunity for career growth when there are clear procedures in place for promotions and wage increases. Maintaining disciplined, skill-based hiring practices when filling unfilled positions can help to lessen implicit prejudice in the workplace and initiate a positive conversation about compensation, bringing attention to any pay disparity concerns ("Courses on Overcoming the Gender Pay Gap, Skills 4").

Source Evaluation

As a reliable and trustworthy source that comes from the official United Nations website, "International Equal Pay Day United Nations" has several advantages. The UN's international stature, which provides precise and current information on International Equal Pay Day, serves to reinforce its credibility. Nevertheless, there could be disadvantages such as the possibility of subtly biased information favouring UN policies, the intricacy of the data provided, and a possible dearth of different viewpoints on equal pay-related matters. Notwithstanding these drawbacks, the site is still a reliable and important resource for talks about global equal pay. Furthermore, the CNBC article, authored by Jihye Lee and headlined "Gender Pay Gap Could Cost the World Economy \$7 Trillion, Moody's Says," provides a valuable and timely viewpoint on the significant economic ramifications of the gender pay gap. The article draws upon insights from Moody's to highlight this potential benefit. Adding a well-regarded financial institution improves the reliability of the information. Nevertheless, other drawbacks would encompass the lack of a complete technique for estimating the anticipated economic expense, as well as the article's dependence on a single source, thereby constraining the breadth of the study. Furthermore, like any economic forecast, there is



inherent uncertainty involved, and the article may not comprehensively examine opposing views or alternate perspectives.

Personal Perspective and Conclusion

After thorough research on this topic I have learnt many things. Since I wanted to find ways for further economic growth, I wondered what some key things downgrading the standard of living and stunning the economic growth of the world are. At my house, I asked my father how much a woman who comes to his office and does the same job as another man earns. I was shocked to find out that the difference was huge and productivity is not measured when offering the wage to the woman. So I decided to research what are the impacts on the world if women are not getting equal pay and what would happen if they start getting equal pay. I have also mentioned plenty of courses of action which may be implementable on a global scale and here I conclude my report hoping to educate people of the pay gaps existing around the globe.

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