

# We are IntechOpen, the world's leading publisher of Open Access books Built by scientists, for scientists

6,900

Open access books available

186,000

International authors and editors

200M

Downloads

Our authors are among the

154

Countries delivered to

TOP 1%

most cited scientists

12.2%

Contributors from top 500 universities



WEB OF SCIENCE™

Selection of our books indexed in the Book Citation Index  
in Web of Science™ Core Collection (BKCI)

Interested in publishing with us?  
Contact [book.department@intechopen.com](mailto:book.department@intechopen.com)

Numbers displayed above are based on latest data collected.  
For more information visit [www.intechopen.com](http://www.intechopen.com)



# The Influence of Economic Activity of Women in Malaysia and Guatemala on National Development

*Verena Habrich, Vito Bobek and Tatjana Horvat*

## Abstract

Emerging markets are amongst some of the fastest-growing economies on the globe. However, it is necessary to enhance human capital to enable the long-term development of a nation. The theory states that the increase in workforce participation favorably impacts GDP per capita. Additionally, developing markets can grow even further if they increase women's rates in the labor market. The authors' desire is to determine the main obstacles for women in the job market and identify the impact of female participation on national development. The authors applied the following methods of work: description and compilation of different literature and deduction method to show which relevant factors are recommended to make higher women's economic activity to impacts the economy in a broader sense. The results show that Emerging markets must overcome gender inequalities, properly enforce female-related regulations, and invest in human development. The results also point out the relevance of a country's level of development, culture, education, female-related laws, and their influence on women's decision or ability to work. The discussion demonstrates that the rate of women in the workforce is increasing, but it is still severely lower than the men's rate. The main issues are cultural stereotypes, limited access to the job market, and difficulties with combining work and childcare. When it comes to infrastructure and educational possibilities, remote areas are still underdeveloped. Furthermore, gender bias is still deeply rooted in rural society. The elimination of these stereotypes and the improvement (and enforcement) of women-related policies will contribute to higher female workforce participation in the future.

**Keywords:** Female labor force participation, impact on economic growth, economic development, human development, gender and development, human capital, gender gap, gender equality

## 1. Introduction

Emerging markets are amongst the fastest growing markets on the globe. Investment in infrastructure and human development are necessary to enable this growth process. Improving human capital has a positive impact on a nation's economy and eliminates certain hurdles for a country to prosper.

In most emerging markets, the female labor force participation (FLFP) is lower than in developed countries. The lowest rates of FLFP are seen mostly in the

Middle East and North Africa. This is followed closely by South Asia and Central America. However, in underdeveloped countries, the empowerment of women would boost economic growth [1]. Women have long been a new source of talent. They are an untapped resource that has enormous potential for the labor market and economy [2]. The act of fostering female human capital is one of the highest-return investments a developing economy can generate. The enhancement of girls' education leads to society's following indicators: (a) higher workforce participation of women and (b) a decrease in gender gap issues. In the future, this will be even more crucial since the workforce demand is growing, especially in sectors where female participation is currently low [3].

Even if awareness of the importance of gender equality has been raised, there are still many obstacles for females to enter the job market. Women make out half of the world's population, but they currently only create 37% of the global GDP. If females would reach their full potential in the labor market, forecasters say that this would lead to global GDP growth of 26% by 2025 [4].

The high growth in emerging markets leads to higher demand in the labor force. On the other hand, there is often unused workforce potential within a country because many females are not part of the labor force. Therefore, the increase in women's economic activity is necessary to enable human development and long-term economic growth. To achieve this unrealized potential, there is an urgency in analyzing existing obstacles for women and the impact of female empowerment.

Gender disparity is the most prevalent form of inequality on the globe and hinders human development. According to the United Nations' (UN) current Human Development Report, the global gender gap is more deeply rooted than initially thought [5]. This fact supports the idea of this chapter. It increases the authors' motivation to identify hurdles for women and to present the obstacles faced by the global community for future growth.

## **2. The research question and methods of work**

The main research question in this research is:

“Which are relevant factors that influence women's economic activity and how this impacts the economy in a broader sense?”

The authors aim at shedding light on this relation and the importance of policies, markets, and institutions within this concept. The authors will then produce suggestions for improvement on this pressing issue.

Based on the problem statement, the authors came to some personal theories. The following are the authors' selected assumptions for this research:

- The rate of female labor force participation impacts economic development in emerging markets.
- The female workforce participation is influenced by certain external factors, such as education, culture, regulations, and overall development.
- If more women would enter the labor market, the economy will prosper.

Different sources underline the link between gender inequality and national development. However, when it comes to female workforce participation and its impact on the economy, there is still a literature gap. This has created obstacles for many researchers in conducting a proper analysis of women's role in the economy

[6]. The literature lacks detailed information about the reasons for gender disparities across the globe, i.e., how culture and education affect inequality [7]. The UN confirms that there is more data available about men-related than female-related topics. This Gender Data Gap creates a problem in research because women's progress cannot easily be observed [8].

The majority of literature states that gender inequality and economic development are correlated in a two-way relation. There are two main factors in this type of relationship. First, the level of development of a country determines the number of economically active women. Second, the rate of female workforce participation impacts the economic growth of a country [9]. This chapter will elaborate on economic development and growth, gender roles within this concept, and the main factors influencing the female labor force participation rate.

We will use these methods of work: description and compilation of different literature and deduction method to show which relevant factors are recommended to make higher women's economic activity to impacts the economy in a broader sense.

### **3. Economic development**

The economy is an important topic to discuss for both emerging and developed markets. Two terms are mentioned frequently: (a) economic growth and (b) economic development. Economic growth is known as the increase in a country's output. It is usually linked to an increase in income and is measured with quantitative indicators, i.e., GDP per capita. Economic development describes the combination of economic growth and a shift in national structure. This might include a positive change in education, income distribution, technological progress, and the ability to lift the population out of poverty [10]. The following subsections provide an overview of modern economic growth theories and one specific economic development driver: human development. Additionally, there will be an elaborated discussion over the role of gender within the development concept.

#### **3.1 Modern economic growth theories**

During the Industrial Revolution, there were several views on economic success and from this rose the role of labor. This social mindset change produced renowned classic growth theories written by Adam Smith, Karl Marx, or Max Weber [11]. In combination with the Malthusian concept, these economic theories argue that an increase in population eliminates efficiency and economic growth. However, they have omitted factors such as technology and modernization [12]. These theories have long been considered outdated and have been replaced or adapted by modern growth theories.

One of the first neoclassical growth theories is the Solow Growth Model, established in the 1950s. It states that exogenous (external) factors lead to economic growth. In Solow's point of view, a high rate of income saved by individuals leads to capital accumulation. This enables higher investment rates, a higher GDP per capita, and higher wealth within a country. Solow stated that population growth could negatively impact GDP per capita because more investment is needed to employ additional workers.

Another modern economic model is Rostow's manifesto of 1960. It explains the five stages of growth. Rostow was convinced that economic growth is driven by both demand and supply. He extended on Solow's view by believing that economic changes are based on entrepreneurship and society's consumption level. Rostow described the transition from a traditional society into a modernized society.

This provided a method of clustering countries into developing, emerging, and developed markets [13]. The five stages of growth, according to Rostow, are the following [13]:

1. The traditional society - with limited or unsteady growth conditions,
2. The pre-conditions for take-off - where a foundation for growth is created,
3. The take-off - where hurdles for long-term growth are finally left behind,
4. The drive to maturity - with constant growth and technological progress,
5. The age of high-mass consumption.

When establishing his Endogenous Growth Theory in the 1980s, Romer disagreed with Solow and Rostow's perspectives. He was convinced that economic growth derives from within an economic system. The crucial determinant for growth is the behavior of the economy. Romer claimed that external factors, such as technological progress, are available to all countries globally. Nevertheless, some countries progress economically faster than others. Therefore, he concluded that endogenous (internal) factors, such as labor force and rise in productivity, have an increased impact on income per capita, and therefore the standard of living. This is echoed in Romer's presumptions that state investment in workers' knowledge leads to capital accumulation and long-term economic growth [14].

When it comes to capital accumulation, the Lucas Model from 1988 agrees with Romer's opinion. Lucas was convinced that education and learning have a significant impact on labor productivity and economic growth [15]. Romer [14] considered Lucas's opinion as incredibly powerful. Lucas's statement's most notable opinion is that workers migrate to places where human capital is existent to a greater extent. This is seen as a crucial perspective on national development.

According to more recent literature, a combination of the following factors is pivotal for the long-term economic success of a country [10]:

- Human population, fertility rate, workforce participation, and labor skills,
- Employment/unemployment, migration, and urbanization,
- Human capital, education, and health,
- Capital formation, investment choice, and technological progress,
- Entrepreneurship, organization, and innovation,
- Natural resources and the environment.

Information provided by major global consulting firms gives further meaningful insights into the topic of economic development. The Boston Consulting Group claims that economic growth and society's well-being are tightly linked to each other. In the course of their last surveys, the agency identified that the ability of a country to transfer wealth into societal welfare has a significant influence on the level of long-term economic success. To achieve that, developing and emerging countries must invest in the improvement of education, health, infrastructure, and governmental institutions [16].



Consultants from McKinsey & Company agree, particularly when it comes to the importance of governance and education. Their surveys confirm that labor productivity and talent seeking are crucial steps for a country's economy [17]. Bain & Company state that people are the most basic form of capital a country has at its disposal. The investment in employees helps companies and countries to improve their long-term economic performance [18].

The majority of growth theories acknowledge human capital as a highly influential driver for a country's economic progress [19]. The author considers this a crucial fact for this research. It underlines the impact of increasing labor activity on the economic development of an emerging market. The mentioned theories and surveys display different views on how economic growth arises. Nevertheless, the overall consensus is an increase in workforce participation, together with a rise in efficiency, leads to long-term economic success. This is an essential ideology for this research because countries with low (female) labor force participation possess many unused potentials. Subsection 3.2 elaborates on human development and its relation to economic prosperity.

### 3.2 Human development

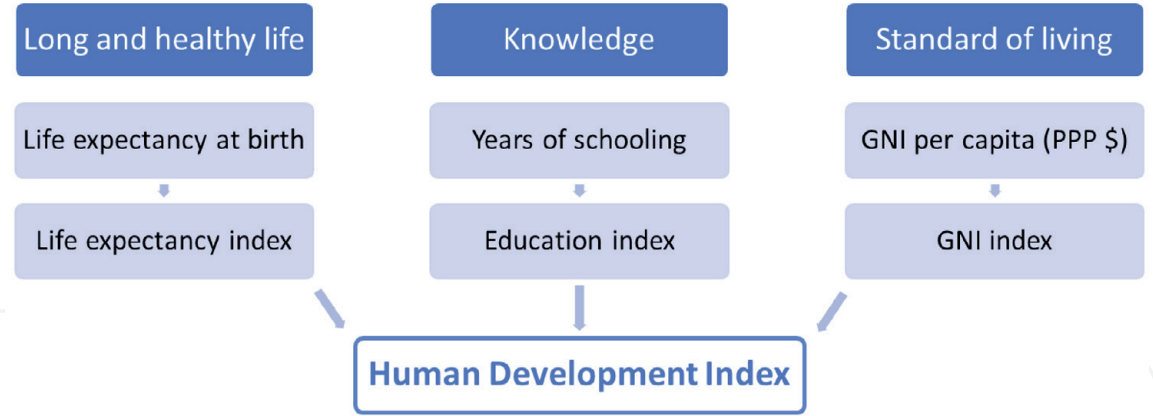
Human capital determines the level of knowledge of a nation's workers. It is a meaningful dimension to describe a country's economic, political, and social situation. Investing in human capital can be undertaken through education and training. If executed correctly, it can increase the nation's output and efficiency in the long-term. Human capital is perceived as an exceedingly necessary form of capital a country possesses [20].

Schultz [21] highlighted the importance of labor and the impact of social investment on a country's wealth. Alternative human development theories arising in the 1970s underlined the connection between economic prosperity and human development. In theory, the shift led to the understanding of particular areas of the field revolving around sustainable goals. The four relevant subtopics are: (a) social relations and networks, (b) diversity, (c) environment, and (d) gender equality and empowerment [22].

Becker [23] expanded with these concepts by underlining the correlation between a worker's knowledge and economic growth. He concluded that countries with a high education level usually experience more efficiency and higher income per capita. According to Inglehart et al. [24], modernization and social change are forms of human development. These aspects correlate with a change in people's values. The increase in human development is linked to a higher level of democracy and gender equality. This provides a fundamental finding for this research.

An often-used measurement to indicate that the well-being of a country is the GDP. However, GDP could be insufficient in providing a broad picture of a nation's economic situation. There are other forms of measurement that are more adequate in the measurement of human development. The Human Development Index (HDI) is one of these measurement techniques. This index analyses the level of education, health, and welfare within a country [10]. It contributes an in-detail insight into a society's living conditions. HDI accomplishes this through the combination of three dimensions (**Figure 1**) [5].

As mentioned at the beginning of this section, economic growth has a significant impact on the level of income and society's well-being. It can lift people out of poverty and raise the standard of living. However, economic growth does not automatically decrease poverty due to existing income inequalities in many countries [19]. When it comes to education, health, life satisfaction, income, and labor force participation, emerging markets show a greater inequality rate than developed countries [25]. HDI



**Figure 1.**  
*Dimensions of the human development index (own illustration, based on [5]).*

does not include indications about inequality, poverty, or gender disparity. Therefore HDI might not be a sufficient measure to analyze the welfare of a society [5].

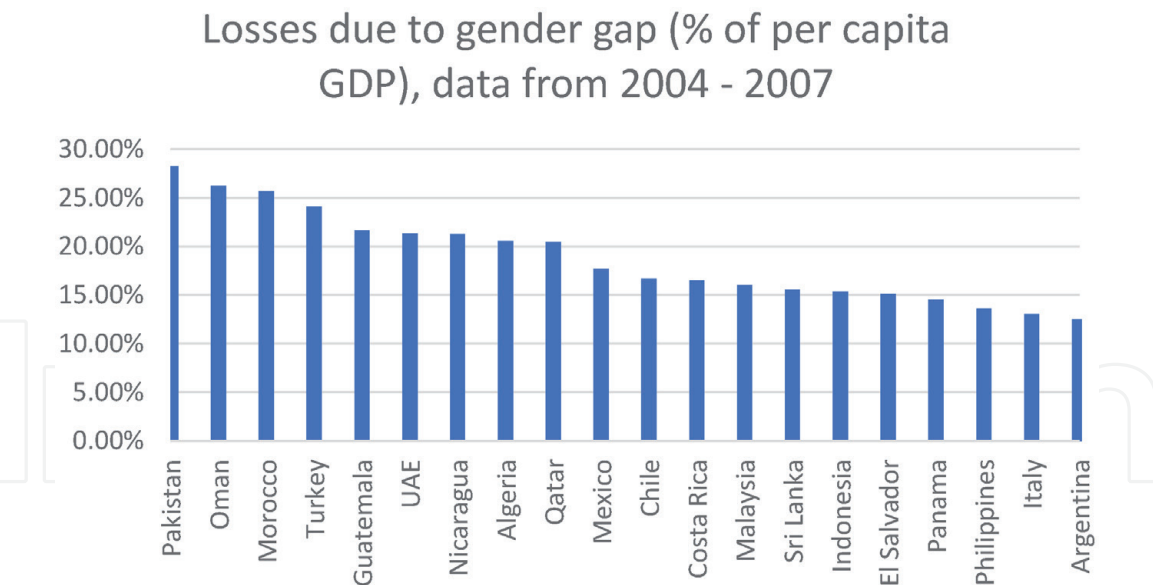
There is a necessity to deliberate on the subject of gender disparity. The issues that ensue due to gender disparity are the most prevalent in explaining inequality on the globe. Gender disparity creates a significant hurdle for human development in the short- and long-term. According to the UN’s Human Development Report, the global gender gap is more deeply rooted than initially thought. The UN set forth a goal to achieve global gender equality by the year 2030. Unfortunately, the signs of this being achieved within this timeframe seems intangible [5].

The issue of gender equality is highly relevant for (a) the economy and (b) development-related research. The discovery of this issue was one of the main reasons for the authors to focus on this topic. This research expects to provide further insights into its complexity. Gender disparity favorably impacts human and economic development. Subsection 3.3 elaborates on the role of gender within the development concept.

3.3 Gender and development

Women contribute to the wealth of an economy to a great extent [26]. If females are economically active in the official workforce, they stimulate improved living conditions for other women and girls. This translates into an enhanced health system, a reduction in domestic violence, a rise in their social status, and an overall economic development [27]. However, many women are employed in the informal sectors. This alludes to their wages and regulations not being appropriate. Their increased participation in the official workforce is essential for women’s well-being and overall development [1]. If women cannot use their full potential in the labor market, the economic gender gap is created. This has negative impacts on income per capita, particularly in developing countries. **Figure 2** displays the twenty countries with the highest economic losses globally, resulting from labor-force-related gender gaps [28].

Even if awareness for gender-related topics is existent, the causes for gender gaps and their impacts are still not fully realized. This is seen even more so in emerging markets. The data in these markets are insufficient in many cases [29]. Development theories have often been criticized for analyzing women’s role and their living conditions solely in a qualitative matter. This led to the implementation of gender-related indices, i.e., the Gender Development Index (GDI). It outlines the gender gap across countries and includes decisive factors regarding female life expectancy, literacy rates, school enrolment, and income [30]. This index is an



**Figure 2.**  
*GDP losses resulting from labor-force-related gender gaps (own illustration, based on data provided by [28]).*

additional indicator of human development under consideration of gender disparity. It displays the ratio between female HDI and male HDI [5]. Countries with a high level of human development usually have higher rates of gender equality [5].

The Global Gender Gap Index is another measure established by the World Economic Forum (WEF). This index analyses 144 countries and considers men’s and women’s labor participation, job opportunities, health, education, and political empowerment. It allows for a global comparison of gender disparity. The research focuses on output rather than input and analyses the actual living conditions worldwide [3].

The World Bank’s Index of Women, Business and the Law measures the economic outcome concerning female empowerment with the help of eight indicators: mobility, workplace, income, marriage, parenthood, entrepreneurship, assets, pension. This index provides a broad picture of gender-related laws [31]. All three indices provide a detailed insight into women’s situation and will be used for further analysis.

Two approaches should be examined to comprehend the importance of the relationship between gender and development: (a) Women in Development (WID) and (b) Gender and Development (GAD) [32]. These approaches have provided an essential basis for global female empowerment. The overall assumptions will be expanded on in the following paragraphs to grasp the importance of this topic.

The concept of WID established itself between the 1950s and 1960s due to feminist movements created in the US and Europe [33]. This movement’s goal was to lift the sexes out of poverty, in turn, enabling them to equally benefit from improvements in their society and economy [34]. The main goal was to include women in the development process by improving their access to education, work, and property [32].

The WID movement set the foundation for female-related studies. Boserup’s publication “Woman’s role in economic development” from 1970 was the first work that analyzed female workers’ impact on a country’s economic growth, especially in underdeveloped countries. She knew that hindering women from being economically active creates obstacles for a nation and its growth process. This statement coincides with the theories mentioned in Sections 3.1 and 3.2. It points out how an increasing FLFP can enhance economic development and is a crucial finding for this research. The next approach has a contrasting ideology on the matter of gender and development.



The GAD approach focuses on the underlying causes of gender inequality. GAD categorizes aspects of race, culture, history, patriarchal behavior, and economic or social status together in relationship with one another [32]. Economic, social, and political changes impact the sexes in different ways. The approach of GAD investigates those effects on each gender group. Gender identities are not necessarily based on a person's sexuality presented at birth since gender roles can be flexible in today's society. This topic brings up the notion that it might not be sufficient to only address women within the framework of equality and development [30].

The WID and GAD approaches compete with each other, whereas WID has been criticized for being suitable only for the Western world, relying too much on modernization and government. Especially for less developed countries with weak institutions, it might not be an appropriate concept [32]. This resulted in the GAD concept now being more widely used. On the one hand, feminists have criticized this since the concept of women cannot be replaced by that of gender [34]. However, GAD considers a broader range of factors than the initial WID approach. Making a clear statement regarding gender-related issues usually requires the comparison of both sexes [32].

According to The World Bank, enhancing gender equality increases the efficiency and productivity of a country. It can be seen as a way of doing Smart Economics [5]. The Smart Economics approach provides oversight on how to analyze common issues of today's economy. This is accomplished logically and straightforwardly with long-term solutions in mind. This approach has an inclusion of gender-specific issues.

Smart Economics examines the economic activity of both women and men within a household. This approach points out the importance of education for a household's prosperity. It is easier for families with a higher level of education to keep up on the job market. Furthermore, those families have higher chances of increasing their household income in the short- and long-term [35]. The Smart Economics approach additionally investigates the chances for women in the business world and their potential wages. In the past decades, women received more access to business areas that were previously dominated by males. Women were, therefore, able to increase their income. However, there is still a gap in specific sectors. Combining childcare and work is still a considerable obstacle for many women [35]. On average, women are still the primary caretakers of children, elderlies, disabled people, and households [32]. Institutions have to provide an appropriate framework to enable females to be economically active and combine work and other responsibilities. Increasing the number of active women in the labor market is a crucial step for female development. It increases women's skills and long-term opportunities [27].

Findings from all three approaches (WID, GAD, and Smart Economics) evoke policies that foster gender equality within the governmental and labor markets. The main drivers the approaches contemplate for gender-related outcomes are education, economic development, laws, and political empowerment [36]. This is a crucial finding for this research. The authors decided to investigate these drivers more and analyze their impact on female workforce participation in the following Section 4.

#### **4. Female labor force participation (FLFP)**

The labor participation rate (or employment rate) gives an indication of the level of income and well-being of people within a country. It is defined as the proportion of the labor force compared to the number of people working age and who can work [20]. A country requires workers to produce a specific output level, leading to the

labor force participation within a nation directly linked to its real GDP. However, the labor force participation rate omits factors like productivity and discrimination in the job market [6]. The rise in labor productivity is crucial for consumption and long-term growth, especially in emerging markets [4].

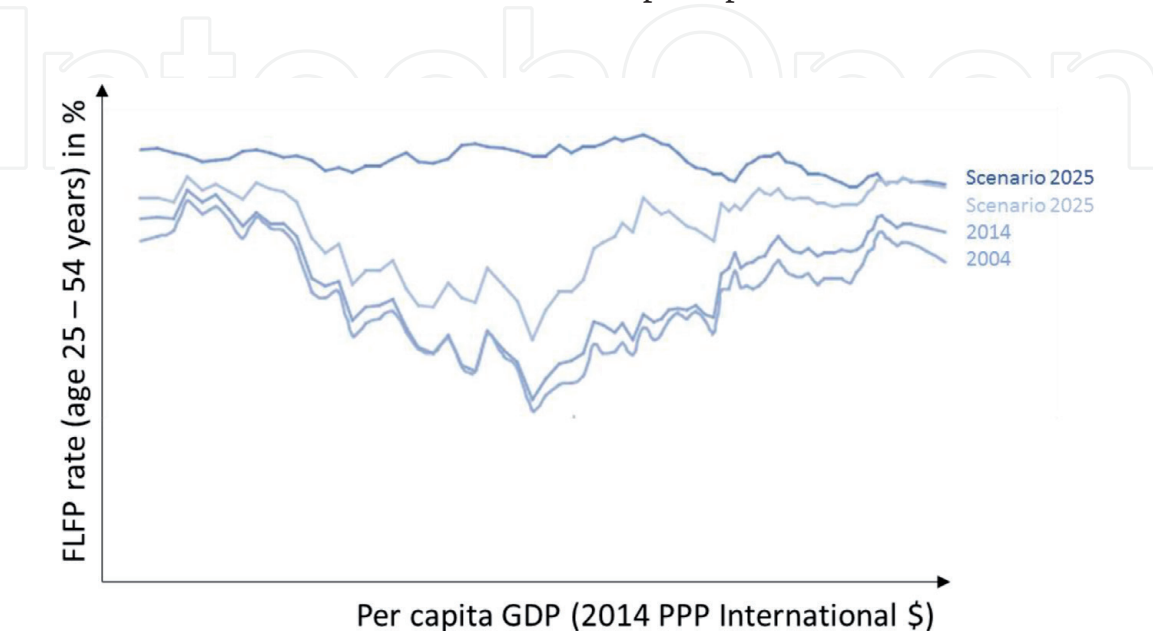
The main drivers that boost the FLFP are legal policies and demographic factors, i.e., education [37]. The overall level of development of a country and cultural aspects play a significant role as well. The impact of these factors on FLFP will be explained in the following subsections.

#### 4.1 Level of development

Economic development and female empowerment influence each other in a two-way relation. Economic development increases equality and enables women to benefit from opportunities that come with growth. The empowerment of women boosts economic prosperity and decreases poverty [38]. There can be a push- and pull-causes for women to decide to enter the labor market. Either the job market pulls in women due to their level of education. Alternatively, women are pushed into the labor force because they have to increase the household income or keep the current standard of living, i.e., if prices for necessities have risen [35].

The link between income and economic activity can be observed in a global comparison. The rate of women in the labor force is exceptionally low in the Middle East and Northern Africa, followed by South Asia and Central America [1]. In underdeveloped countries, women suffer from poverty more than man, since income disparity is more prevalent [38]. However, developing countries that display a high level of poverty usually experience a higher rate of FLFP, since women are forced to contribute to the household income. In times of economic shocks, the labor activity of women often rises. An international overview demonstrates a U-shaped relationship between economic development and female workforce participation. The rate of FLFP in middle-income countries is usually lower than in low-income countries since more men work in industrial jobs. In high-income countries, the curve rises due to a high level of female education and empowerment [6].

McKinsey's research from 2015 supports this U-shaped theory (see **Figure 3**). It demonstrates the link between FLFP and GDP per capita between 2004 and 2014,



**Figure 3.**  
*U-shaped relation between FLFP rate and GDP per capita (own illustration, based on [4]).*

with an average global FLFP rate of 64%. Furthermore, it shows the best-in-region scenario 2025, assuming an average global FLFP rate of 74%. In addition to that, it indicates the full-potential scenario 2025, assuming full female employment with an average global FLFP rate of 95%. As can be seen in the figure, the latter pushes the U-curve upwards, meaning that the FLFP rate would be more or less constant throughout all income levels [4].

The study further indicates that a rise in FLFP would not automatically lead to men dropping out of the workforce since its overall economic growth is pushed. New opportunities arise from that [4]. An analysis of within-country levels provides a detailed insight into this complex topic. The FLFP rates in rural areas differ tremendously from those in urban areas. Rural areas are usually less developed, translating into inadequate infrastructure and limited job opportunities, especially for women [39].

It can be stated that economic and social development usually leads to a higher FLFP rate. This decreases poverty and lowers the vulnerability of females [38]. Besides, it translates into a positive change of gender bias [30]. However, perspectives on gender are influenced by several other factors besides economic development, one of them being culture, which will be explained in the upcoming Section 4.2.

## 4.2 Cultural aspects

Culture, which is defined as a set of individual beliefs and values embedded within a society, significantly influences economic activity and development [11]. Rostow [13] mentioned that social motives and human beliefs drive economic changes. Culture and ethnicity are essential factors that form people's behavior and attitude. They induce different perspectives on gender-related topics [26]. Inglehart et al. [24] share this view and state that society's values impact governmental behavior and the enforcement of gender equality.

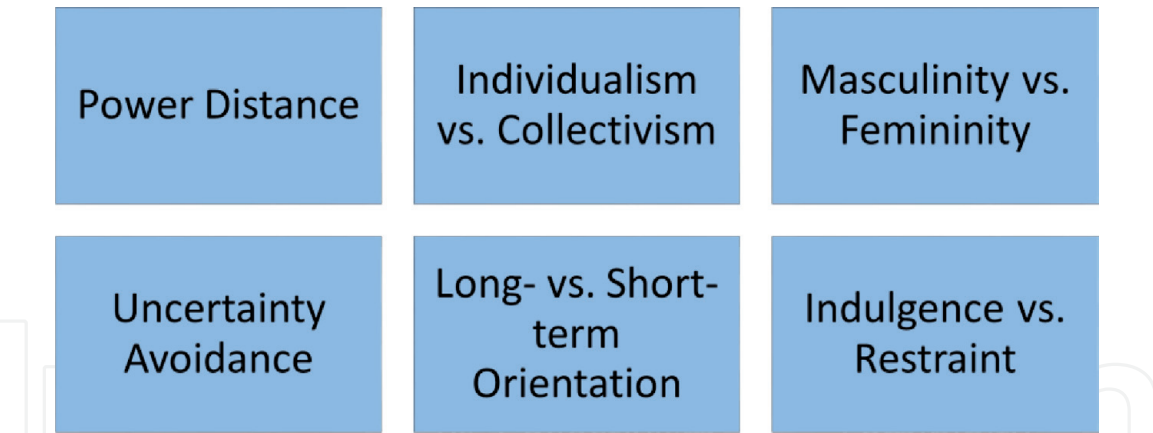
Historical events have formed the attitude regarding gender roles within a cultural group to a great extent [40]. In cultures with strong family ties and traditional gender roles, the unequal distribution of work in a household or the job market is instead accepted. These societies tend to have a higher level of gender inequality and a lower rate of FLFP [40]. Increasing a woman's authority can change her status within the family and society and, therefore, the overall perspective on gender roles [41]. Religion, as part of a society's culture, influences the economic activity of women also. Research indicates that in patriarchal societies (i.e., in Catholic and Muslim countries), the female labor force participation is usually lower [27].

Geert Hofstede is one of the pioneers in clustering national values and culture. He established six dimensions (see **Figure 4**) that compare cultural aspects in different countries. This is a primary method for academic purposes and management strategies [42]. Thus, this approach is widely used amongst researchers [7].

The author considers one cultural dimension as specifically relevant for this research: power distance. The level of power distance indicates to which extent the unequal distribution of power is accepted in society and how inequality is handled [42]. It is linked to strong hierarchies [7] and the perspective on gender-related roles within society [43].

Females are more sensitive to the execution of power. They tend to fulfill tasks that are expected by society and stick to traditional roles [44]. However, if power is more equally allocated amongst people, women can develop themselves, make political decisions, and contribute to the economy [7].

The dimension of masculinity vs. femininity, other than the terms might suggest, is not linked to gender-related issues. It is a synonym for "tough vs. tender"



**Figure 4.**  
*Hofstede's cultural dimensions (own illustration, based on [42]).*

behavior in society and describes the level of competitiveness and consensus-orientation [42]. Therefore, this dimension and the other four dimensions are not used for further analysis in this research.

The authors also used the World Values Survey (WVS) data, a research project founded by Ronald Inglehart. With the help of their surveys, WVS analyses the cultural attitude of people across countries. Results prove that social beliefs impact overall development and perspectives on gender roles [40]. A representative sample of residents within a country (under consideration of equal gender and age distribution from urban and rural areas) is asked a set of questions during a specific period. Amongst others, it includes the following gender-related questions [45]:

- If jobs are scarce, should men have more right to a job than women?
- Is being a housewife as fulfilling than working in a paid job?
- Is university education more important for a boy than for a girl?
- Do men make better business executives than women?

Cultural beliefs impact gender-related perspectives and society's behavior. Culture links economic, political, and legal views. Thus, a country's laws reflect its culture and are based on society's values.

### 4.3 Policies

Even if the development level can push female economic activity, this is only possible in combination with specific policies [38]. Deficient policies are amongst the most pervasive reasons for gender inequalities. Improving them leads to higher female labor participation [46]. In many countries, economic access for women is limited—regulations constraint their participation in specific sectors and their access to financial capital. Unwritten rules, based on tradition and culture, hinder women from entering the job market [1].

However, governments have realized how crucial female empowerment is for economic stability. They invest in childcare facilities and family-friendly policies. Regulations regarding parental leave are another influential factor for a woman's choice or ability to enter the labor market [27]. There is criticism regarding a high rate of FLFP and its negative impact on the fertility rate. History shows that a significant increase in women entering the labor market might lead to a sinking



birth rate. In the long-run, this results in a decrease in population, which negatively impacts the economy [33]. Nonetheless, several pieces of literature claim that fertility does not automatically decrease when FLFP rises provided that there are adequate policies that support family-work balance [46].

Tax policies are a way of boosting the FLFP. When family taxation is applied, the household's secondary earner (often the woman) is disadvantaged. Individual taxation eliminates this tax burden and translates into financial relief for many women. Additionally, the retirement system should be created so that women are not disadvantaged than men, i.e., through lower pensions due to maternity leave [1].

Labour market policies are crucial for the rate of FLFP as well. They are established by the government to provide equality of male and female workers. This includes equal treatment, wages, and promotion opportunities, without any gender-related discrimination [27]. Policies that enable women to be part of the workforce are accepted by government and society to a greater extent than other policies that aim at increasing the workforce, such as raising the retirement age or immigration of workers [46].

Not only governments but also employers can create regulations that foster FLFP, i.e., flexible working hours or a home-office option for parents [27]. Furthermore, quotas are a way to enhance female activity in the workforce. This can be in the form of a minimum percentage of women in leadership, management boards, or political positions. This fosters female empowerment and eliminates gender stereotypes [37].

Divorce laws are another issue. In underdeveloped countries, women have significant disadvantages compared to men in case of a divorce, often losing their assets. This results in a significant financial and social burden and decreases a woman's capital that might be spent on health care or education [38].

Specific policies that are beneficial for society or the economy might also negatively impact women and their labor force activity. For instance, child benefits provided by the government support a family to afford childcare. On the other hand, those benefits lead to a lower FLFP rate since additional income might not be needed. Part-time allows parents to combine work and childcare, whereas, at the same time, part-time employees are more likely to leave the labor force [46]. Part-time workers are often disadvantaged compared to their full-time colleagues. They have less access to training or job benefits and receive lower average wages per hour [46]. Regulations that enable extended parental leave might negatively impact female human capital because women's time or education is reduced. Additionally, due to family-friendly solutions, companies might avoid employing female workers, especially for top positions. If firms are forced to provide flexible working hours and maternity leave, it might be more costly for them to hire women than men [27].

A high retirement age also negatively impacts the FLFP rate. If elderlies retire late, they might not care for their grandchildren, which forces mothers (especially those who cannot afford childcare) to stay home and do not enter (or re-enter) the labor market. Welfare-friendly regulations might influence a woman's decision to work, as well. This is especially the case for low-educated women, whose expected wages on the labor market are not high compared to the welfare payments [46]. This again points out the significance of education for women and their choice or ability to be part of the workforce.

#### **4.4 Education**

In his work on human capital, Schultz [21] identified that education and the rate of labor force participation are tightly linked to each other. He underlined the

positive influence of social investment on a country's development. Some claim that in times of globalization and digitalization, the need for human capital decreases. However, the economy needs skilled and educated workers to develop and handle new technologies [47]. Even if technological progress has reduced specific job opportunities for women (i.e., in the service sector), it also creates new chances for them in other sectors, given that they have the required knowledge [30].

Education positively impacts female economic activity. Well-educated women are more likely to be pulled in by the job market since it would economically not make sense to give up on the additional household income [35]. The education level determines women's wages; in other words, their value in the job market. This influences their decision to be economically active [27].

However, access to educational attainment is still limited for many girls and women around the globe. It can be stated that in developing countries, these gender-related gaps in education are more prevalent compared to developed countries [47]. Nevertheless, statistics show that low-income nations are catching up with developed countries regarding female school enrollment. At the primary and secondary school level, girls' enrollment rates are almost at the same level as the ones of boys in an average global comparison [1].

East Asia and Latin America have been outperformers in increasing enrolment rates and literacy levels for both genders and were, therefore, able to boost human capital. However, those two regions' results show different effects of education on economic development due to the differing quality of institutions [48].

Furthermore, when looking at within-country comparisons, there is often a significant gap between urban and rural areas [49]. In rural areas, many girls do not get the chance to attend secondary school and beyond. The reasons are poor infrastructure and gender-related stereotypes. Many girls are expected to stay home and help in the household, whereas boys can attend school. Another cause is the lack of financial resources within a family [50]. Studies prove that years of schooling often depend on the number of remittances. Especially in developing and emerging countries, this additional form of income is necessary for families to afford their children's education [50].

When it comes to the tertiary educational level, the rate of female students in colleges and universities is usually higher than males' rate. This is not only true for developed but also for emerging or developing countries [27]. There is a significant difference between education levels. Primary and secondary school enrolment rates are higher for boys than for girls across continents. However, at the primary level, the rates are close to gender parity. The tertiary level shows that women are more likely to participate in higher education than men [5].

Nevertheless, a high female education level does not always lead to a higher FLFP [27]. Even if tertiary education is a decisive factor for women to join the labor force [6], there is often a cultural gender bias about the kind of work women are supposed to do. This limits their opportunities in the job market [38]. In some societies, women's marital status has an impact on their path of education or career. Early marriage decreases females' access to school or work. They are pushed into the stereotype of being a wife and caretaker, and this gender gap lowers the talent pool of a country [36]. Thus, educational attainment is linked to culture to a certain extent. Schools are a channel of communicating social values and forming people's attitudes [48].

Another reason for low FLFP is the lack of work. A country must create jobs that match the opportunities which emerge through education [6]. From the author's perspective, it creates significant problems if a country invests in education but does not get the potential return. If a well-educated workforce cannot enter the job market, they might migrate to other countries and, therefore, will not contribute to their home country's economy.

Fostering entrepreneurship is another way of creating new job opportunities for women. This can be done by providing female entrepreneurs with technical and administrative assistance, capital, information, and the necessary network [51]. Entrepreneurial activity of women can be considered a response to gender discrimination and is crucial for economic development globally [52].

The increase in workforce participation positively impacts GDP per capita. Several economic theories prove that the enhancement of human capital influences the long-term development of a nation. Especially countries with a low rate of FLFP have lots of unused workforce potential. Developing markets can grow further if they increase women's chances to enter the labor market. However, this requires investment in education, improvement of policies, and elimination of gender bias. From the author's point of view, it poses a significant problem for a country if jobs are not made available for women, especially for well-educated women. Individuals and governments invest in knowledge but do not get the full potential return.

## **5. Conclusion**

This chapter has demonstrated how the level of development, culture, policies, and education can directly or indirectly shape an emerging market's economic growth.

Increasing female human capital and raising women's participation in the workforce leads to a rise in economic growth and overall development in Emerging markets. In order to achieve that, Emerging markets must (a) overcome gender inequalities, (b) properly enforce female-related regulations, (c) and invest in human development. This points out the relevance of a country's level of development, culture, education, female-related laws, and their influence on women's decision or ability to work. In the authors' point of view, the following actions are recommended:

- Based on these conclusions, practitioners should consider raising awareness about the importance of the female labor force in emerging markets and their impacts on economic growth and overall development.
- Governments must try to control and ban informal work. Furthermore, female-related policies and anti-discrimination laws must be adequately enforced, and penalties should be established in case of violation.
- Political empowerment and job opportunities must be raised. The binding of female quotas should be introduced in politics and companies' management. The government could offer tax reductions to companies to promote these female quotas. Firms should be forced to integrate gender equality into their compliance policy.
- A method to overcome a lack in the job market is to foster female entrepreneurship. This could be accomplished by offering capital, network, and assistance to the female population. Additionally, there should be a ban on complex or bureaucratic steps that come with starting a business.
- In order to urge more mothers into the labor market, infrastructure in remote areas must be improved. Besides, formal childcare facilities must be established and made available for these working mothers. Foreign investment is necessary for this issue to be resolved. Investors should be actively involved, i.e., by promoting the high rate of a young workforce the country will have in the future.



- Gender bias, power distance, and patriarchal attitudes must be eliminated to overcome inequality, especially in male-dominated industries and remote areas. This can be done through the means of education and female role models who empower other women.
- School enrolment in low-developed emerging markets for girls on primary and secondary levels should be increased. Female students should be pushed into a diversity of study fields. Tuition fees must be made affordable for public and private schools, i.e., by offering scholarships for female students.

The findings of this research meet the authors' expectation and assumption that women's economic activity impacts national development in emerging markets to a great extent. An increase in the FLFP rate would translate into economic prosperity.

The problem statement must be stated that women only create 37% of the global GDP even though they make up half of the world's population. The authors sought to address this issue by raising awareness for this complex topic and underline the importance of women within the concept of development.

In providing an insight into this gender-related issue within emerging markets, the authors attempted to reduce the research gap. Furthermore, the authors paid particular attention to the effects of culture and education. This is due to prior researchers claiming that there is a lack in literature when it comes to the impact of these two factors on global gender disparities.

Economic development in Emerging markets requires investment in education, improvement of policies, and gender bias elimination. From the authors' point of view, a country must offer jobs for well-educated women and promote female entrepreneurship. Otherwise, valuable workforce potential might be lost due to migration.

Besides, a country should not be dependent on a high amount of remittances. A country should create development within its economy and foster its human capital in the long-term. This corresponds to well-known economic growth theories and human development concepts mentioned throughout this chapter.

The research was conducted with some limitations. The authors were dependent on meaningful and reliable secondary sources. However, the authors found during the process that certain in-depth data was not available, especially in case of multi-cultural countries with several ethnic groups. It was not possible to provide a deeper insight into statistics for all the different groups of society.

Additionally, when it comes to the impact of education on labour force participation, statistical data usually only includes primary, secondary, and tertiary education. This means that the effects of job trainings and life-long learning on economic activity can hardly be traced by a researcher. Therefore, the authors only examined primary, secondary, and tertiary educational levels in the course of analyzing the influence that education has on the rate of female workforce participation.

Furthermore, the persistent Gender Data Gap has led to difficulties in this research. The authors identified that a lack in literature decreases the chances to examine the reasons for gender disparities across the globe. In numerous scientific articles and publications, the hurdles for women in the labour market are discussed. However, the sources lack in adequate recommendations how the gender disparities can be minimized in practice and how the rate of FLFP can be increased in emerging markets.

In order to better understand the implications of these problems, future studies could address the difference in culture and ethnicity within the countries. This would contribute to the realization of the impact of cultural attitudes on gender-related perspectives to a greater extent. Additionally, future research might explain the gap between rural and urban areas when it comes to gender-roles,



education, and workforce participation. Supplementary research is needed to determine the exact relationship between GDP and women's economic activity in emerging markets.

Besides, future research could study the effects of education, culture, regulations, and political empowerment on female labor force participation to a greater extent. The analysis of these factors from a quantitative viewpoint might provide a more profound comprehension of their correlation or causation. The authors recommend conducting a multiple-case analysis, including more than two cases for future research, to provide an enhanced comparison of the results.

### **Author details**

Verena Habrich<sup>1</sup>, Vito Bobek<sup>1\*</sup> and Tatjana Horvat<sup>2</sup>

<sup>1</sup> University of Applied Sciences FH Joanneum, Graz, Austria

<sup>2</sup> Faculty of Management, University of Primorska, Koper, Slovenia

\*Address all correspondence to: vito.bobek@fh-joeanneum.at

### **IntechOpen**

© 2021 The Author(s). Licensee IntechOpen. This chapter is distributed under the terms of the Creative Commons Attribution License (<http://creativecommons.org/licenses/by/3.0>), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited. 

## References

- [1] Elborgh-Woytek, K., Newiak, M., Kochhar, K., Fabrizio, S., Kpodar, K., Wingender, P., Clements, B., & Schwartz, G.: *Women, work, and the economy: Macroeconomic Gains from Gender Equity*. International Monetary Fund, 2013; 13 (10).
- [2] EY. *Women: The next emerging market. Supporting women to fulfill their potential*. London: Ernst & Young Global Limited; 2013, p. 24.
- [3] WEF. *The global gender gap report 2016*. Cologny: World Economic Forum; 2016.
- [4] McKinsey&Company. *The Power of Parity: How advancing Women's Equality can add \$12 Trillion to Global Growth*. New York: McKinsey Global Institute; 2015.
- [5] UNDP. *Human development report 2019: Beyond income, beyond averages, beyond today: inequalities in human development in the 21st century*. New York: United Nations Development Programme; 2019.
- [6] Sher, V. *Female labor force participation in developing countries*. 2014. Available from: [https://www.researchgate.net/publication/285566408\\_Female\\_labor\\_force\\_participation\\_in\\_developing\\_countries](https://www.researchgate.net/publication/285566408_Female_labor_force_participation_in_developing_countries) [Accessed: 1.3.2019]
- [7] Cheung, H. Y., & Chan, A. W. H.: *How Culture Affects Female Inequality Across Countries: An Empirical Study*. Journal of Studies in International Education; 2007; 11 (2); p. 157-179).
- [8] UN Women. *Making women and girls visible: Gender data gaps and why they matter*. UN Women. 2018. Available from: <https://www.unwomen.org/en/digital-library/publications/2018/12/issue-brief-making-women-and-girls-visible> [Accessed: 15.3.2019]
- [9] MWFC, & UNDP. *Measuring and monitoring gender equality: Malaysia's gender gap index*. New York: Ministry of Women, Family, and Community Development in partnership with the United Nations Development Programme; 2007.
- [10] Nafziger, E. W. *Economic development* (5th edition). Cambridge: Cambridge University Press; 2012. Available from: <https://doi.org/10.1017/CBO9780511805615> [Accessed: 17.3.2019]
- [11] Doepke, M., & Zilibotti, F.: *Culture, Entrepreneurship, and Growth*. In P. Aghion & S. N. Durlauf, editors. *Handbook of economic growth*. Amsterdam: Elsevier; 2014; p. 1-48.
- [12] Clark, G.: *The Industrial Revolution*. In P. Aghion & S. N. Durlauf, editors. *Handbook of economic growth*. Amsterdam: Elsevier; 2014; p. 217-262.
- [13] Rostow, W. W. *The Stages of Economic Growth—A non-communist manifesto*. Cambridge: Cambridge at the University Press. 1960.
- [14] Romer, P. M. *The Origins of Endogenous Growth*. Journal of Economic Perspectives. 1994; 8 (1): 3-22.
- [15] Chakraborty, B., & Gupta, M. R. A *Note on the Inclusion of Human Capital in the Lucas Model*. International Journal of Business and Economics. 2006; 5 (3): 211-224.
- [16] Hrotkó, J., Rueda-Sabater, E., Chin, V., & Lang, N. *SEDA 2018: Striking a Balance Between Well-Being and Growth*. Boston: Boston Consulting Group; 2018. Available from: <https://www.bcg.com/de-at/publications/2018/seda-striking-balance-between-well-being-growth.aspx> [Accessed: 3. 3. 2019]

- [17] Dye, R., & Stephenson, E. Five forces reshaping the global economy - Survey. New York: McKinsey & Company; 2010. Available from: <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/five-forces-reshaping-the-global-economy-mckinsey-global-survey-results> [Accessed: 3. 3. 2019]
- [18] Garton, E. The Case for Investing More in People. Bain & Company. 2017. Available from: <https://www.bain.com/insights/the-case-for-investing-more-in-people-hbr/> [Accessed: 17.3.2019]
- [19] Barro, R. J., & Sala-i-Martin, X. Economic growth. Cambridge: MIT Press; 2004.
- [20] Blanchard, O., & Johnson, D. R. *MACROECONOMICS* (Seventh Edition). London: Pearson; 2017.
- [21] Schultz, T. W. *Investment in Human Capital*. The American Economic Review. 1961; 51 (1): 1-17. Available from: <http://links.jstor.org/sici?sici=0002-8282%28196103%2951%3A1%3C1%3AIIHC%3E2.0.CO%3B2-4> [Accessed: 17.4.2019]
- [22] Pieterse, J. N. Development theory: Deconstructions/reconstructions (2nd ed). Thousand Oaks: Sage Publications; 2010.
- [23] Becker, G. S. Human capital: A theoretical and empirical analysis, with special reference to education (Fifth edition ed). Chicago: The University of Chicago Press; 2005.
- [24] Inglehart, R., & Welzel, C. Modernization, Cultural Change, and Democracy: The Human Development Sequence. Cambridge: Cambridge University Press; 2005. <http://www.SLQ.eblib.com.au/patron/FullRecord.aspx?p=320947> [Accessed: 18.3.2019]
- [25] Balestra, C., Llena-Nozal, A., Murtin, F., Toseito, E., & Arnaud, B. Inequalities in emerging economies: Informing the policy dialogue on inclusive growth. OECD Statistics Working Papers 2018/13, SDD WORKING PAPER No. 100). Paris: OECD Organisation for Economic Co-operation and Development. (2018). Available from: <https://dx.doi.org/10.1787/6c0db7fb-en> [Accessed: 27.3.2019]
- [26] Bailey, B., Leo-Rhyme, E., & Morris, J. Why Theory? Theoretical perspectives on gender and development. In J. L. Parpart, P. Connelly, & E. Barriteau, editors. Ottawa: International Development Research Centre; 2000. p. 1-22.
- [27] Winkler, A. E. (2016). *Women's labor force participation* (IZA World of Labor Iss. 289). Institute for the Study of Labor. <http://dx.doi.org/10.15185/izawol.289>
- [28] Cuberes, D., & Teignier, M. (2012). *Gender Gaps in the Labor Market and Aggregate Productivity* (No. 2012017; Sheffield Economic Research Paper Series). The University of Sheffield.
- [29] Alba, A. Foreword. Theoretical perspectives on gender and development. In J. L. Parpart, P. Connelly, & E. Barriteau, editors. Ottawa: International Development Research Centre; 2000. p. v-vii.
- [30] Momsen, J. H. *Gender and development*. Abington: Routledge; 2004.
- [31] The World Bank. *Gender* [Text/HTML]. The World Bank. 2020. Available from: <https://www.worldbank.org/en/topic/gender> [Accessed: 18.3.2019]
- [32] Connelly, M. P., Murray Li, T., MacDonald, M., & Parpart, J. L. Feminism and Development: Theoretical Perspectives. Theoretical perspectives on gender and

development. In J. L. Parpart, M. P. Connelly, & V. E. Barriteau, editors. Ottawa: International Development Research Centre; 2000. p. 51-159.

[33] Duiker, W. J. *Contemporary world history* (5th ed). Wadsworth: Cengage Learning; 2010.

[34] Reddock, R. Why Gender? Why Development? Theoretical perspectives on gender and development In J. L. Parpart, M. P. Connelly, & V. E. Barriteau, editors. Ottawa: International Development Research Centre; 2000. p. 23-50.

[35] Walden, M. L. *Smart economics: Commonsense answers to 50 questions about government, taxes, business, and households*. Santa Barbara: Praeger Publishing; 2005.

[36] OECD. *Atlas of gender and development: How social norms affect gender equality in non-OECD countries*. Paris: Organization for Economic Co-operation and Development; 2010.

[37] Gonzales, C., Jain-Chandra, S., Kochhar, K., & Newiak, M. Fair Play: More Equal Laws Boost Female Labor Force Participation. International Monetary Fund. 2015; 15 (2). Available from: <https://doi.org/10.5089/9781498354424.006> [Accessed: 28.3.2019]

[38] Duflo, E. Women's empowerment and economic development. NBER Working Paper Series No. 17702. Cambridge: National Bureau of Economic Research; 2011. Available from: <http://www.nber.org/papers/w17702> [Accessed: 1.3.2019]

[39] Morikawa, Y. The Opportunities and Challenges for female labor force participation in Morocco. Working Paper No. 86; Global Economy and Development. Washington: The Brookings Institution; 2015.

[40] Alesina, A., & Giuliano, P. Family Ties. In P. Aghion & S. N. Durlauf,

editors. *Handbook of economic growth*. Amsterdam: Elsevier; 2014. p. 177-215.

[41] Chase, O. G. *Law, culture, and ritual: Disputing systems in a cross-cultural context*. New York: New York University Press; 2005.

[42] Hofstede Insights—Country Comparison, Malaysia, and Guatemala. Helsinki: Hofstede Insights. 2020. Available from: <https://www.hofstede-insights.com/country-comparison/> [Accessed: 15.2.2019]

[43] Glick, P. Ambivalent sexism, power distance, and gender inequality across cultures. In S. Guimond, editors. *Social comparison and social psychology: Understanding cognition, intergroup relations, and culture*. Cambridge: Cambridge University Press; 2006. p. 283-302.

[44] Carl, D., Gupta, V., & Javidan, M. Power Distance. In R. J. House, editors. *Culture, leadership, and organizations: The GLOBE study of 62 societies*. Thousand Oaks: Sage Publications; 2004. p. 513-563.

[45] WVS. *WVS Database*. Vienna: World Values Survey. Available from: <http://www.worldvaluessurvey.org/WVSONline.jsp> [Accessed: 30. 4. 2020]

[46] Jaumotte, F. *Labour Force Participation of Women: Empirical Evidence on the role of policy and other determinants in OECD countries*. Paris: OECD Economic Studies; 2003. p. 52-108.

[47] ILO. *Key indicators of the labor market* (9th edition). Geneva: International Labour Office; 2016.

[48] Basu, A., & King, E. M. Does education promote Growth and Democracy? In L. Whitehead, editors. *Emerging Market Democracies—East Asia and Latin America*. Baltimore: The Johns Hopkins University Press; 2002. p. 152-181.



[49] The World Bank (Ed.). *Gender equality and development*. Washington: The World Bank; 2012.

[50] Bowen, D. S., & Leap Miller, A. Education, leadership, and conservation: Empowering young Q'eqchi' women in Guatemala. *International Journal of Educational Development*. 2018; 59: 28-34.

[51] Arif, I., Raza, S. A., Ivkovi, & Suleman, M. T. *The Role of Remittances in the Development of Higher Education: Evidence from Top Remittance Receiving Countries*. Social Indicator Research; 2019.

[52] IEDC. *The Power of Knowledge and Leadership - Economic Development Reference Guide*. Washington: The International Economic Development Council; 2015.