



ASIAN WOMEN AT WORK

As women advance in Asia's labor force, Vietnam is a standout
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Rosie the Riveter's 21st century legacy is alive in Vietnam.

The fictional Rosie, depicted on posters and magazine covers, became the symbol of women who joined the US factory workforce during World War II, jump-starting the rise in female labor force participation in postwar America.

The Vietnam War had a similar effect in that nation, so that today the daughters and granddaughters of Vietnam's Rosies have made their country among the world's leaders when it comes to employment for women. Almost three-quarters of Vietnam's female working-age population has been in the labor force for at least two decades, one of the highest and most persistent rates in Asia and the world.

Why does this matter? Higher female labor force participation—the share of working-age women with a job or actively looking for employment—raises the economy's growth potential by increasing the pool of workers available for productive purposes. This can lean against the negative economic effects of aging, which shrinks the workforce and lowers growth.

Asia, the most populous continent, with 60 percent of the world's people, is aging rapidly. Bringing more women into the workforce is therefore crucial to reinforce Asia's economic dynamism and ensure its future prosperity, while also empowering the economic autonomy and aspirations of its female population. A 2018 report by the McKinsey Global Institute, "The Power of Parity: Advancing Women's Equality in Asia Pacific," estimates that equality for women in the region could increase collective annual GDP by 12 percent, or \$4.5 trillion, by 2025.

Several researchers have also demonstrated that a larger presence of women in the workforce and the elevation of women to prominent positions can help foster income equality, diversify the economy, and boost the profitability and efficiency of businesses.

Trending up

Female labor force participation is trending up across Asia, with many other countries catching up to Vietnam. On average, female participation rates in Asia have increased by about 6 percentage points since 1990 (see Chart 1) and lie not far behind the levels seen in advanced Western economies (IMF 2018). Our forthcoming paper looks at the evolution of female labor force participation in Asia.

The improving overall picture reflects some convergence in female labor force participation rates

in Asia toward the better performers in the region and globally.

Several countries with low participation rates before the Asian financial crisis successfully raised them by some 12 percentage points on average over 1996–2016. Australia, Hong Kong SAR, Malaysia, New Zealand, and Singapore recorded significant gains—above 10 percentage points—over the past decade, in line with improvements seen in nations such as Sweden, which has one of the highest female participation rates among advanced economies. Japan and South Korea have marginally improved upon historically stagnant or declining participation. Together these gains have lifted average female participation rates in the Asia-Pacific region in recent years.

Although female workforce participation has increased in general, cross-country differences have also been rising. Some countries have failed to keep up with improvements witnessed elsewhere in Asia.

The growing differences in female labor force participation rates across Asia reflect declining or stagnant participation in countries that had low participation to begin with, notably India, Indonesia, the Philippines, and Sri Lanka. Participation rates have also declined in China and Thailand, albeit from relatively high levels.

Vietnam's performance is particularly noteworthy. Its high female labor force participation rate outstrips the best performers among advanced Western economies (see Chart 2). And it has also succeeded in maintaining female labor force participation of some 70 percent for more than two decades—a feat unsurpassed even among advanced economies.

Drivers of female participation

To understand the reason for better outcomes in Asia, it is important to identify where improvements have been the largest.

As populations gray, the rising share of older workers tends to lower the workforce participation rate for both men and women, as older workers tend to be less active in the workforce. Yet in Asia, despite the negative effects from aging, participation has improved for prime-age female workers—those 25–54 years of age—even as a rise in school enrollment for younger workers, both male and female, has delayed their entry into the workforce (Anh and others, forthcoming).

These trends generally hold across all Asian countries, with a few exceptions—notably China, India,

and Thailand—where prime-age female workers are becoming less attached to the workforce.

The economic cycle has a strong bearing on labor market developments. Slower growth or recessions raise unemployment, which can lead workers to drop out of the labor market as they grow discouraged or their skills atrophy. Some may delay entering the job market until the economy recovers.

Asian economies have benefited from strong growth in recent years, which has supported female labor force participation and countered the effects of aging. In this regard, the Asian experience is different from that of advanced Western economies, which bore the brunt of the global financial crisis and where the ensuing economic downturn dragged down female labor force participation, adding to pressures generated by aging (IMF 2018).

But growth and aging do not entirely explain variations in female labor force participation in Asia. Structural shifts in the economy and family-friendly policies have also played a role.

A growing body of work shows that female labor market outcomes are also the result of interrelated social, structural, and individual characteristics, as well as of labor market policies and institutions that affect labor market outcomes both generally and for female workers specifically. These factors influence people’s decision to join the workforce and employers’ decision to hire. The drivers include better infrastructure, more equal labor rights, low adolescent fertility rates, and the availability and affordability of child care, as well as cultural attitudes that affect women’s engagement in the workforce.

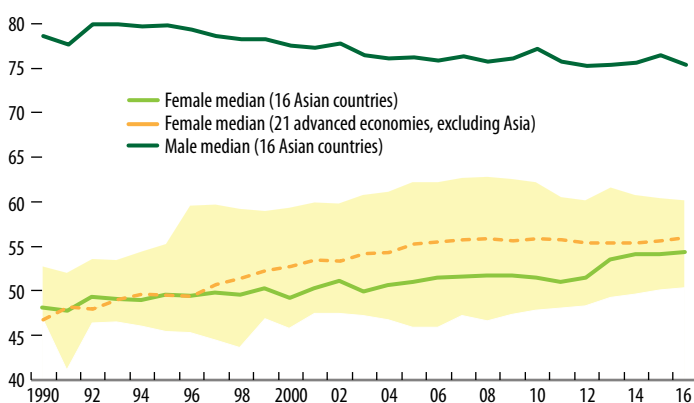
The impact of policies may vary depending on the structure of the economy and the stage of economic and institutional development. For instance, in more advanced economies, the extent of urbanization and postsecondary education tends to be linked with higher female labor force participation because female workers tend to be employed in higher-skill jobs in the urban service sector. These factors are less closely tied to female labor force participation rates in low-income countries characterized by high informal employment in the rural (agricultural) sector.

The group of Asian countries examined here covers a wide spectrum when it comes to the stage of economic development, labor market endowments, and policy and institutional settings. Some factors may—on average—be less important statistically in explaining changes in female labor force participation simply because they affect only smaller country subgroups.

Chart 1

Trending up gradually

Female labor force participation in Asia is improving and lies close to the average levels in advanced Western economies, but cross-country divergence has increased. (labor force participation rate, percent)



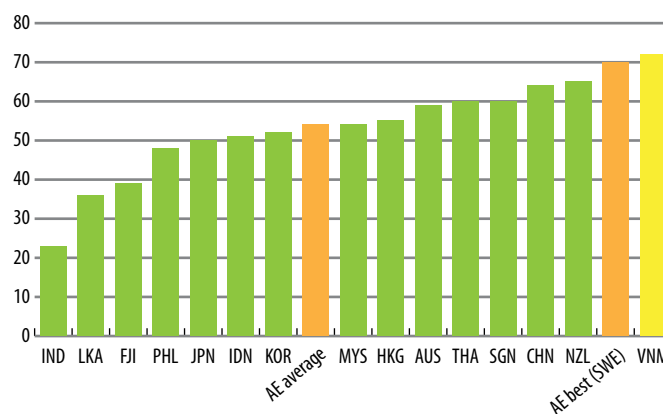
Sources: World Bank, World Development Indicators; and IMF staff calculations.

Note: Due to data unavailability, the figure excludes data for the following countries: Cambodia (1990–91, 2015–16); China (2011–16); Fiji (1990–95); India (1990, 2013–16); Vietnam (1990–95). Shaded area shows interquartile range.

Chart 2

Vietnam stands out

Vietnam’s high female labor force participation rate outstrips the best performers among advanced Western economies. (female labor force participation rate, latest, percent)



Sources: World Bank, World Development Indicators; and IMF staff calculations.

Note: Data are for 2016. Latest data for Cambodia, China, and India are for 2014, 2010, and 2012, respectively. AE = 21 advanced economies excluding Asia. Data labels in the figure use International Organization for Standardization (ISO) country codes.

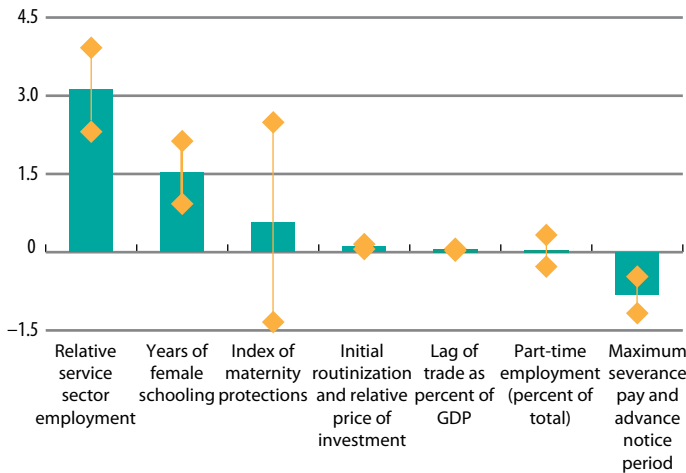
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Chart 3

Motivating factors

Higher education levels and greater opportunity for service sector employment are some of the key reasons women are joining the labor force in Asia.

(average impact of change on female labor force participation rate, percent)



Source: IMF staff calculations.

Note: The bars denote the estimated change in female labor force participation (25 to 54 years of age) following a one-unit increase in the variable. The vertical lines show the 90 percent confidence interval. The underlying regressions all include country and time fixed effects.

Among Asian economies, a larger service sector (including the public sector) relative to the industrial sector—and higher education levels—stand out as most closely associated with greater female labor force participation (see Chart 3). The openness of the economy (measured by the share of trade in GDP) and the pace of urbanization (not shown) have positive but smaller effects on average given the diversity of Asian countries.

While automation (or routinization) hurts female labor force participation in some countries, this is not the case across all of Asia. This is because of the relatively low exposure to routinization in some countries (given the large share of agriculture, for instance) and the high cost of automation.

Family-friendly policies tailored to address specific constraints faced by women in the workforce—such as maternity protection, child care, and part-time employment—play a positive role. But data gaps and the large informal sector in several Asian countries limit the size of the overall effect. Moreover, the effectiveness of family-oriented policies depends on the institutional capacity to enforce legally mandated provisions, which varies across Asian countries.

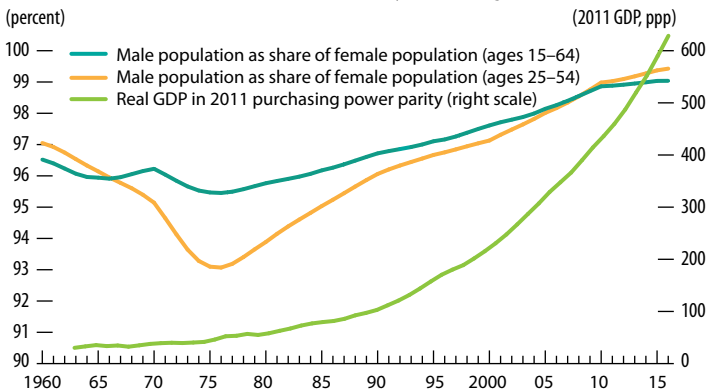
Finally, labor market rigidities that make it difficult for businesses to let go of workers can have a chilling effect on employers' decisions to hire female workers.

Chart 4

Vietnam War's impact

The war led to a relative decline in Vietnam's male population, creating a void in the labor force that women filled as the economy started to grow.

(percent)



Source: World Bank, World Development Indicators.

The special case of Vietnam

How did Vietnam achieve several decades of high female labor force participation?

While the war makes Vietnam a special case, the country's experience has lessons for the rest of Asia in advancing female labor force participation. The initial boost to female employment in Vietnam was maintained over time with the help of policy choices: economic reforms and a major push toward improving education that emphasizes gender equality.

The impact of the Vietnam War in jump-starting female labor force participation parallels the rise in female labor force participation in the United States following World War II, according to work by Claudia Goldin and Claudia Olivetti published by the National Bureau of Economic Research.

The Vietnam War led to a sharp decline in the male population relative to the size of the female population, especially in the prime-age group (see Chart 4). As the economy started to grow following the launch of the Doi Moi reforms in 1986, the available supply of labor was predominantly

female, and it is no surprise that women stepped into the labor force in greater numbers.

The Doi Moi reforms aimed to build a “socialist-oriented market economy” by encouraging private businesses, ending price controls, and phasing out government enterprises, among other changes. These brought rapid economic growth, opened the economy to trade, and led to rapid urbanization. While a large share of the female labor force remained, and remains, engaged in agriculture, female wage workers increasingly joined the large service and foreign direct investment sectors.

Goldin and Olivetti show that the postwar rise in US female participation was persistent among more highly educated workers, and more short term among lower-skilled workers. In Vietnam, the Doi Moi reforms were accompanied by a major push toward improving education—Education for All (EFA). The first EFA plan (1993–2000) emphasized gender equality for all levels of education. These efforts paid dividends by ensuring that the postwar increase in female labor force participation was not short-lived.

In Vietnam, men and women graduate at roughly the same rate at the postsecondary level. It is one of the few Asian countries to have succeeded in translating gender parity in educational attainment into gender equality in labor force participation rates. The relative success in bringing high-skilled women to the workforce is also a function of generous family-friendly laws regarding child care and maternity in Vietnam (see Chart 5). The nation has also strengthened its legal framework to guarantee equality and gender nondiscrimination.

More to be done

While female labor force participation is improving in Asia, there is much scope to further improve outcomes and spread good policies to all parts of Asia. Recent successes have been partly the result of strong economic conditions, which may not be able to support female labor force participation once the economic cycle turns. Recent gains may also be reversed as the forces of aging and digitization gather speed.

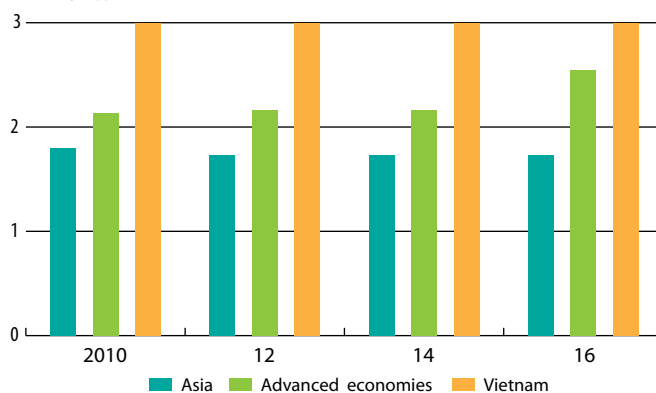
Digging below the headline participation numbers, there is a need to improve gender equality across other dimensions, such as pay gaps, high-level representation, and access to wage employment, including in better-performing Asian countries such as Vietnam. The policy specifics may vary across countries, depending on their level of development, institutional capacity, and cultural and societal norms.

Chart 5

Maternity support

Generous family-friendly laws have helped bring more women into Vietnam's workforce.

(maternity support index)



Sources: World Bank, Women, Business, and the Law (WBL); and IMF staff calculations.

Note: The maternity support index ranges from 1 to 3, in which 1 denotes a low level of support. The index is the sum of three components: (1) whether mothers are guaranteed an equivalent position after maternity leave (1 = yes, 0 otherwise); (2) whether the law mandates maternity leave (1 = yes, 0 otherwise); and (3) who pays for maternity leave benefits (1 if government pays for some or all maternity leave benefits, 0 otherwise). Advanced economies comprise 21 advanced economies excluding those in Asia. Asia covers Australia, Cambodia, China, Fiji, Hong Kong SAR, India, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Sri Lanka, and Thailand.

Access to high-quality education, and the effective implementation of family-friendly laws, are likely to be crucial in all countries. Policies that sustain strong economic growth would also help support the steady improvements in female participation. **FD**

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