

Emsley Tromp: Start walking the talk – improving female labor force participation

Speech by Dr Emsley Tromp, President of the Central Bank of Curaçao and Sint Maarten, on the occasion of the 9th Annual Women Conference “About women and influence”, Willemstad, 3 March 2012.

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Good morning Ladies and Gentlemen

First, allow me to congratulate BIS Inc and, in particular, Mrs. Reina Joe for organizing this important annual event. I believe that the “About Women” Conferences not only empower and inspire women, but they also provide us with more insights into the position and important role of women in today’s society. This year’s topic “About Women and Influence” is fascinating as it focuses on what factors influence a professional woman’s work and private life and how she influences the society. In today’s address, I would like to focus on several factors that influence a professional woman’s career path, including those factors that affect the balance between paid work and other aspects of life. However, I would like to start by sharing with you the most important life lesson a woman has taught me.

The woman who has influenced my life the most is my grandmother. She has shaped my philosophy and beliefs. As a matter of fact, my grandmother also influenced my economic thinking and my views on how to address many of our social problems. The main lesson she taught me was never to depend on others to achieve something in life. The only person who owes you anything is YOU! Therefore, you are responsible for your family, your own professional career, your health care, your retirement, and your insurance. As long as you can work, you should work. Do not depend on the society, on the social safety nets to take care of you or your family. The social safety nets are for those who are truly needy and are not able to work. My grandmother also taught me that every person’s achievements or possessions in life are the sum total of his struggle, agonies and triumphs. You are responsible for your life, and your success depends on the choices you make. Therefore, you should always autograph your work with excellence.

Ladies and gentlemen, I believe that my grandmother, who will turn 99 this year, was a visionary. Today, as life expectancies are increasing and birth rates falling, the population in many countries is aging. Because of this aging of the population and its pressure on fiscal spending, many promises that were made to our seniors are no longer sustainable. Many welfare states are shifting clearly from collective social solidarity towards more individual responsibility. This shift is most noticeable in the health care insurance and the pension schemes. Like most countries in the world, Curaçao is no exception. The population in Curaçao is aging, and this trend is generating considerable fiscal spending pressures.

If we are to avoid a situation where the financial soundness and accountability of its social security system is no longer guaranteed, Curaçao needs to take measures in both the short term and the medium term. The Social Security Bank (SVB) in Curaçao has already indicated in its latest multi-annual budget that if no structural measures are taken in the short term, the old-age (AOV) fund of Curaçao will be depleted by next year. Ladies and gentlemen, this is assuming an average GDP growth rate of 2% a year and an aging rate of 4% a year. However, we all know that even the most optimistic growth forecast, projects an anemic growth of 0.3% at best.

Over the years, several reports have been presented concerning the reform of the systems of social security and health care in our country. The recommended measures have included increasing the statutory retirement age and reforming the health care system by increasing insurance premiums and improving efficiency in the health care sector. Notwithstanding these measures, a trade-off between collective social solidarity and individual responsibility

will have to take place in Curaçao to mitigate the increasing pressure of the aging population on the social security and health care systems. In this context, increasing the labor force participation, including female participation, is crucial. When people are active in the labor market, they can bear their own individual responsibility. Also, studies have shown that increasing female labor force participation can lead to per capita income growth and a reduction in poverty.

Ladies and gentlemen, according to the labor force statistics of the Central Bureau of Statistics (CBS), the overall employment situation of women in Curacao did not evolve significantly between 2003 and 2009. Women's participation in the labor market was 43 percent on average, lower than the 48 percent average participation of males. Meanwhile, unemployment among women is still higher (11.3%), albeit declining, than among men (7.9%). The question arises as to what can be done to increase the female labor force participation, thereby closing the male – female labor force gap.

To answer this question, we need to have more insights into what factors determine a woman's decision to join the labor force. According to labor supply theory, female labor participation depends on the market value of time versus the opportunity cost of time in the household. One important determinant for the market value of time is education. Meanwhile, the opportunity cost of time in the household is determined by variables such as the number of children and the household's wealth. For women who are better educated, the market value of time is higher. Hence, for these women, the opportunity costs for staying out of employment – the amount of money they would sacrifice to stay at home – is higher. Therefore, we expect a higher employment rate among the better educated. We can conclude from this theory that education is crucial to promote female labor participation.

It should be noted in this context that empirical research has shown that female education is a key source of support for long-term economic growth because education is linked to higher productivity and higher returns on investment.

Ladies and gentlemen, in addition to this “price of time effect”, the “income effect” states that women whose husbands have higher incomes may be able to afford to stay at home. Traditionally, the better educated woman has a higher earning husband. Consequently, while her higher education encourages her to work, her husband's income discourages her from joining the labor force. Conversely, in the case of the lower educated woman, her low earning power will discourage employment at the same time that her husband's low income will stimulate her labor participation.

Empirical research across countries has shown that cultural factors largely determine whether the “price of time effect” or the “income effect” dominates. For example, in Sweden, the price effect has a larger impact on a woman's decision to work than her husband's income. In Germany, in contrast, the higher the education of the husband, the less likely the woman is employed.

Despite cultural differences, women around the world still find it difficult to find a balance between paid work and family life. Traditionally, women are still predominantly responsible for the household tasks in addition to child caring and care of the elderly. Even in more gender-balanced countries, such as European countries, women still dedicate twice as much time to domestic tasks as men do. Consequently, women often have to choose between paid work and family, or they have to prioritize one over the other at some stage in their lives. For men, this seems to be less complicated as their participation in household tasks is far less than that of their female partners. In my opinion, however, decisions to sacrifice a professional career for family life are not the prerogative of women alone – men have to make these decisions as well. If family life does not impede men from pursuing a successful career, then it should not prevent women either. I believe that today, both men and women should bear the responsibility of earning the household income and share the family responsibilities. Together, they should make choices and decisions on how they will organize their family life while pursuing professional careers.

Ladies and gentlemen, as already noted, female labor force participation is heavily determined by female education and cultural attitudes. Other factors that influence women's decision concerning whether to work or stay out of employment include flexible working arrangements, the tax system, the availability of childcare facilities, and access to public transportation. Both the government and employers can address these issues and, hence, improve female participation.

In the area of education, we need more public investment in education and training to reduce the qualitative mismatch between demand and supply in the labor market. The investments in human capital must be targeted towards our youth as well as the unemployed population. In addition, our education and training system should focus not only on the labor force in those sectors where our economy has a competitive advantage, but it should also focus on creating a skilled labor force that can attract knowledge-based industries and services companies, particularly in high value-creating activities.

Education is not only important for those entering or returning to the labor market, but it also determines the extent to which those already working can keep their jobs and advance their careers in a constantly changing and competitive environment. In this context, both government and employers can stimulate on-the-job training and lifelong education. Employers should consider their workforce as an asset. Investing in on-the-job training and lifelong education for their employees increases job satisfaction and productivity. Given the productivity gains to be had, the government can stimulate on-the-job training and lifelong education through, for example, tax incentives.

Another important determinant of female labor force participation is the possibility of flexible working. Flexible working can offer a wide range of options including part-time working, flexible hours, and working from home. Flexible working has several benefits for employers. First, it helps retain staff and reduces absenteeism. Second, it also can translate into higher productivity. In this context, the government, being an important employer, can lead by example and provide the possibility of more flexible working to the civil servants. Flexible working allows female employees to better balance their work and family life. Especially in the case of single mothers, flexible working can be decisive in whether to work or not.

Ladies and gentlemen, as I mentioned earlier, the decision of whether or not to participate in the labor market depends to a great extent on its opportunity costs. Individuals balance the income from work against other sources of income or any costs involved. In this regard, the system of taxation might act as a disincentive to work. As in most countries, the second earners in married couples are taxed more heavily than single individuals, discouraging their participation. This is especially the case in the middle income groups. Hence, the government should consider reforming the tax system so that it becomes more attractive for the second earner to join the labor force.

For many women, the decision to participate in the labor force also depends on the availability and affordability of childcare facilities and public transportation. For example, in the tourism industry, where working hours are irregular, these two factors play an important role. In Curaçao, childcare is still relatively expensive and in most cases not available in the evening hours. Public transportation is also a challenge for those travelling in the evening hours or from one side of the island to the other. Both the government and the employers can take actions in these areas. For example, employers could provide childcare facilities to their employees, either for free or at reduced costs. The government could also stimulate employer support of childcare through tax incentives.

As for public transportation, several hotels on the island provide transportation to their employees. However, I believe that government as the provider of public goods should be responsible for providing public transportation that is safe and accessible at all times. Therefore, a reform of our current public transportation system also is crucial to increasing women's participation in the labor force .

Ladies and gentlemen, with over 200 employees, the Central Bank of Curacao and Sint Maarten is an important employer on the island. I can proudly say that our female staff is highly educated, reliable, and very committed to their work. For that reason, more than 50 percent of our staff is female and, over time, its share has been increasing. Also, many women are in management positions within the Bank.

At the Bank, we provide our staff with opportunities to further develop their knowledge and skills. Therefore, we offer our staff with the possibility of flexible working hours if employees are following a graduate development program.

Also, our staff has the opportunity to attend courses at international institutions such as the International Monetary Fund, the World Bank, The US Security and Exchange Commission, The Federal Reserve Bank, The Bank of International Settlements, De Nederlandse Bank, the Center for Monetary Studies for Latin America and the Caribbean (CEMLA) and other regional and international multilateral bodies. Every year we sign a career plan with our staff that includes the courses and seminars they should attend during that year to advance to a higher level. Because the balance between work and private life is important, the Bank has a system of flexible working hours that allows employees to pursue their professional career consistent with their private life.

Ladies and gentlemen, as today's audience comprises mainly professional women, I would like to conclude these remarks by sharing the following with you. In 2003, Fortune Magazine conducted interviews with women in top positions in business, academia, and government in the United States. Several of the interviewed women admitted that they had neither actively planned their career development nor sought promotion, and when they had been offered promotion, they had hesitated before accepting it. In some cases, they had even turned down promotion when they thought it would conflict with their quality of life. It should not be a surprise to you, however, if I tell that this behavior is not unique to the United States. Here on the island as well, I have met many women demonstrating similar behavior. This constrain imposed by society on women, be it culturally or historically motivated, is not consistent with the progress we have made in terms of education and equality in other areas that concern our female citizens. It runs counter to their own self-interest and the interest of the society as a whole.

We have argued that an increased female labor participation rate will increase per capita income, reduce poverty and promote long-term economic growth. In the era of an aging population, upward mobility of female workers through the career ladder will encourage increased participation of female workers and therefore broaden the economic base to sustain the social safety nets. I therefore would like to recommend that you all believe in your own potential, make your choices, plan your career path, and work on your career. Remember that the only person who owes you anything is YOU.

I would like to conclude with a final message to all women. For many years, women have fought for gender equality. Even though gender equality has not been achieved in all areas, I believe that much progress has been achieved. However, do not fight only for equal pay, fight also for equal responsibility. Be a woman of influence at home, at work, and in society. Start walking the talk.