

The Third Billion

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As growing numbers of women enter the economic mainstream, they will have a profound effect on global business.

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A huge and fast-growing group of people are poised to take their place in the economic mainstream over the next decade, as producers, consumers, employees, and entrepreneurs. This group's impact on the global economy will be at least as significant as that of China and India's billion-plus populations. But its members have not yet attracted the level of attention they deserve.

If China and India each represent 1 billion emerging participants in the global marketplace, then this "third billion" is made up of women, in both developing and industrialized nations, whose economic lives have previously been stunted, underleveraged, or suppressed. These women, who have been living or contributing at a subsistence level, are now entering the mainstream for the first time. We estimate that about 870 million of them will do so by 2020, with the number conceivably passing 1 billion during the following decade. Their presence as economic actors will be widely felt, because they have long been overrepresented in the ranks of subsistence agriculture and other resource-based forms of work. As they move into knowledge work, in domains ranging from manufacturing to medicine to education to information technology, their sheer

numbers will hasten the integration of the regions where they live into the larger economy.

To date, the potential of women as economic players has been unrealized. The reasons became evident recently in a Booz & Company analysis of data from the International Labour Organization (ILO), a United Nations constituent that tracks global workforce statistics. Globally, many women could be considered "not prepared" (lacking sufficient education, usually defined as secondary school); others are "not enabled" (lacking support from families and communities); and a significant number are both. The specific characteristics of these two major constraints vary widely, according to local social, cultural, and economic conditions. But as the constraints are alleviated — through increased migration to cities, the expansion of educational opportunities, changes in local laws and cultural norms, and investments in infrastructures that support greater workforce participation — the Third Billion's movement into the middle class will accelerate. The pattern of this emergence will probably shift from a graduated incline to a graph that looks more like a hockey stick.

We derived the Third Billion figure by combining the estimated number of "not prepared" and "not enabled" women between the ages of 20 and 65 in 2020, using data

from the ILO. (See Exhibit 1.) Most of these women — about 822 million — live in emerging and developing nations; about 47 million live in North America, western Europe, and Japan. (Some might argue that the women of China and India should not be included, since they are part of the first 2 billion; if those women are omitted, the number of women meeting our criteria would still reach 525 million by 2020. Counting those still under 20 and newborn female children, it could easily expand to a billion within the following generation.) No matter how the numbers are counted, a billion or more women are clearly about to participate more fully in the mainstream economy. This represents a significant force in such regions as Latin America, Asia, the Pacific Rim, the Middle East, eastern and central Europe, and Africa.

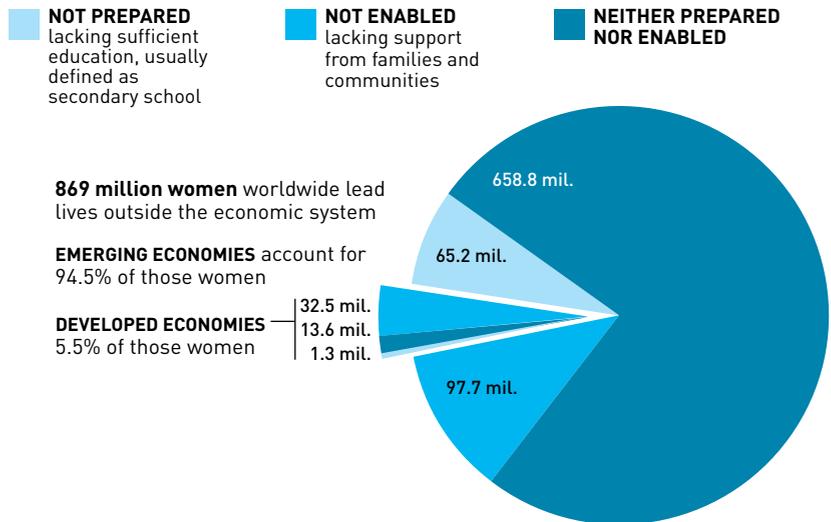
The Multiplier Effect

The last decade has shown the extraordinary effect that huge population segments can have when they are integrated into the global economy (as in China and India). Newly enabled consumers and workers serve as an economic multiplier, creating vast markets and increasing the size and quality of the talent pool. In periods of relative prosperity, their aspirations and persistence are engines for growth. In slower periods, they represent pockets of economic activity that ameliorate the impact of decline. For example, the growth of emerging consumer markets in China and India helped stabilize the global system during the downturn of 2008–09.

But the multiplier effect of this group of women could be much greater than those of other demographic expansions, and in a way

Exhibit 1: Women of the Third Billion

Representing about one-fourth of the world's women between ages 20 and 65, the Third Billion falls into six basic categories reflecting how much they are prepared (with education) and enabled (with local support), and whether they live in developed or emerging nations.



Source: Booz & Company

that has not yet been fully appreciated, for at least three reasons. First, the impact will be spread broadly; the women of the Third Billion are not limited to one country, but instead are dispersed in every part of the globe. Second, when women become more active economically, they tend to have fewer children. As the birthrate goes down, the social priorities of a culture change, and it becomes easier for more women to gain preparation and support for leading more independent lives. Third, these women are likely to invest a larger proportion of their household income than men would in the education of their children. As those children grow up, their economic impact increases further. This helps explain why, as a report issued by the United Nations Development Fund for Women found, investments in women's enterprises in developing countries yielded greater long-term benefits to the economy

as a whole than investments in male-owned enterprises.

Boosting the Potential

The full potential of the Third Billion is still unrealized in many localities where overall labor productivity remains low. These regions are therefore able to reap particularly strong benefits through a coordinated approach that helps women overcome their “not prepared” and “not enabled” status.

Such efforts must start with an assessment of the specific constraints faced by Third Billion constituents in a given region. These may include inadequate infrastructure (lack of roads, schools, and telecommunications links); legal prohibitions on female advancement; social conventions that inhibit female participation in the workforce; government restrictions on small businesses; outdated approaches to risk and credit; and other social, legal, cultural, or finan-

cial norms and practices that make it difficult for women to go to school, seek employment freely, benefit from their earnings, or manage their lives in other ways.

Some of these challenges can be overcome with better planning at the local level, whereas others require top-down intervention from national governments. In either case, the goal should be to harness the power of women in a regional economy, to help develop a more integrated and productive activity base. The impact of this type of strategy could be significant in countries as disparate as Egypt, Malaysia, Ghana, Canada, Italy, and Poland.

And this is not only an opportunity for governments. Global corporations and nongovernmental organizations should also strategically assess what they can do to enable and prepare these women as potential consumers, employees, and citizens. As Center for Work-Life Policy founding president Sylvia Ann Hewlett has noted, some companies, including Goldman Sachs and Google, are building talent recruitment plans around the potential of the Third Billion. (The center is releasing a report on women in emerging markets in mid-2010.) “By investing in [these women],” Hewlett wrote in a 2010 blog entry on the *Harvard Business Review* website, “companies are betting on a brighter future — for a workforce just waiting to blossom, for economies whose development depends on this new crop of talent, and, of course, for themselves.”

The creativity of the Third Billion may provide the world with an unprecedented resource for driving economic growth and improving the quality of life over the next decade. Reaping this demographic div-

idend will not be easy, and it may require much social and legal change. But that change has already begun in many places, and it will spread to many more. For leaders, the next step is to recognize the value of this population of women, and the contribution they can make. +

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