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## Author Foreword

GrOW, the program on Growth and Economic Opportunities for Women, of IDRC, DFID and the Hewlett Foundation, explores among other things the relationship between women's economic empowerment and growth. The topic has achieved considerable interest in recent years, and this paper provides an overview of main publications in this area: what has the literature taught us so far about how women's empowerment impacts economic growth, and vice versa. This paper updates and deepens the review that was undertaken at the start of the GrOW program, including by Naila Kabeer (as documented in the first paper in the GrOW series), by Naura Campos with colleagues at DFID, and the IDRC team that developed the program.

The paper intends to set the context for the presentation, in the coming year, of the evidence generated by GrOW partners. Research by a consortium led by [Göttingen University](#) focuses on understanding heterogeneity in the impact of growth and structural change on women's jobs, as well as the impact of women's empowerment on growth. Similarly, the consortium led by the [Urban Institute](#) is carrying out five case studies on the ways in which economic growth impacts women's empowerment. The [project](#) in Côte d'Ivoire and Ghana explores how natural resource-led growth impacts women's opportunities.

The goal of the empirical research supported by GrOW, and this review is to inform policies and actions that can promote gender equality. This paper does not review these policies, but we expect that the evidence on links between empowerment and growth can help inform the debates on how these links can be promoted. The literature showing ways in which supporting gender equality can also be good for economic growth, and vice versa indicates priorities for policies that ensures economic growth creates more opportunities and equal outcomes for women.

The paper is the product of work undertaken by, and discussion with many colleagues and friends. As mentioned, it builds directly on the work of Naila Kabeer and Naura Campos, and colleagues at DFID particularly Katie Chapman, Tim Green, Stevan Lee, and Lina Payne. At IDRC, the work was started and inspired by Francisco Cos-Montiel, and carried forward by Madiha Ahmed, Alejandra Vargas-Garcia, Martha Melesse, Flaubert Mbiekop, Edgard Rodriguez and Paul Okwi - this paper is the product of the IDRC team. Bouba Housseini prepared the data for labour force participation. Comments and suggestions were gratefully received from: Stephan Klasen, Elizabeth Peters, Olivia Tran, Jonathan Luca. All errors, of course, remain mine.

Arjan de Haan

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## Introduction

The advocacy and global support for gender equality has increased significantly in recent years. The Sustainable Development Goals adopted in 2015 include the ambitious aim to ‘achieve gender equality and empower all women and girls’. Promoting gender equality is now generally recognized as an integral part of poverty reduction and development, and even for development effectiveness.

While previous approaches under the Millennium Development Goals has a social sector focus, economic empowerment has become increasingly central. The economic case for gender equality has contributed to making gender advocacy more ‘mainstream’. The World Bank in 2006 argued that gender equality was ‘smart economics’. Christine Lagarde, IMF Managing Director refers to empowering women as an ‘economic no-brainer’, and women’s participation ‘macro-critical’. Advocacy has been growing among private sector actors, who now often refer to gender equality as important for companies’ bottom line, because women are the majority of their consumers, and because of the value of gender parity in companies’ senior positions.

The topic of women’s economic empowerment of course is by no means new. Ester Boserup in 1970 highlighted the key role of women in development, questioning the assumption of gender neutrality in the costs and benefits of development, and contributing to the Women in Development (WID) movement. Feminist economists have continued to stress the specific constraints women face in their economic roles, and the need to ensure these become central to economic thinking and policy. What is relatively new, however, and inspiring this review, are more popular statements of the beneficial relations between gender equality and growth.

This paper discusses what the literature has taught us so far about how women’s empowerment relates to economic growth.<sup>1</sup> In line with priorities at the Growth and Economic Opportunities for Women (GrOW) program, we look at both sides of the relationship. On the one hand, we ask if women’s economic empowerment contributes to growth. Does women’s more equal participation lead to increases in production, productivity and efficiency? On the other hand, we ask about the evidence that, or of the extent to which, economic growth leads to enhanced women’s economic empowerment and gender equality. Under what conditions are there larger positive effects?<sup>2</sup>

We argue that it is critical to consider both directions in this potentially beneficial relationship. In the social sciences, neither causality nor the direction of causality can be firmly established, even though statistical techniques like instrumental variables improve understanding of causality.

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<sup>1</sup> This is subject of in-depth research supported by the GrOW program at IDRC, results of which will become available during 2017. This paper summarises the knowledge so far, updating preparatory work for the GrOW program (Campos 2012; DfID 2013; GrOW 2013; Kabeer 2012).

<sup>2</sup> This review does not discuss how economic policies impact gender equality, though the conclusion makes brief reference to these.

Moreover, from a policy perspective, synergies between growth and equality may not be automatic – and indeed there will be cases of trade-offs rather than synergies. It is likely that public policies and targeted private sector initiatives can enhance the positive relationships, and we hope that through reviewing this multi-faceted relationship we may help indicate which policies are likely to benefit both policy objectives.

It is important to clarify why we believe the ‘instrumental case’ for women’s equality is important. This is not a substitute for rights and justice: in fact, our work on women’s economic empowerment is grounded in advocacy for gender equality, including our Government of Canada’s commitment, and Sustainable Development Goal 5. We believe that identifying win-wins can make that advocacy more effective – which is particularly important in the context of low-income countries (e.g., financing models for child care). The emphasis on economic empowerment, also, has potentially transformative effects, as it defines how women *participate* in growth processes, and are not merely seen as *benefiting* from growth.

This review of the literature is not a ‘systematic’ review by the Cochrane definition, but an in-depth review of the broad literature that has appeared on this thematic. This consciously includes papers with a diversity of methods, and levels of rigour. This creates difficulty in terms of being able to compare evidence. Also, the rigour of studies varies, but this may be compensated for by the insights into various ways in which gender equality and economic growth may be linked, to inform further thinking about policy directions.

This review is structured as follows. Section one reviews definitions of women’s empowerment, particularly economic, as they are used in research on links between empowerment and growth. Second, we look at the empowerment to growth linkage, with a short overview of the recent advocacy of the ‘win-win case’, and the evidence that lies behind this. The third section reviews what we know about how economic growth and transformation contributes to gender equality. The last section concludes, and highlights policy areas that are important to galvanise the synergy between growth and gender equality.

### **What matters for women’s economic empowerment?**

Sustainable Development Goal 5 calls for achieving gender equality and empowering all women and girls, and it targets ending all forms of discrimination against all women and girls, and eliminating all forms of violence against all women and girls.<sup>3</sup> Gender inequality exists in all spheres and of course has a range of indicators. The McKinsey report (2015) for example presents 15 indicators for 95 countries, and draws on three (labour force participation, hours worked,

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<sup>3</sup> “SDG 5: Achieve Gender Equality and Empower All Women and Girls,” *UN Women*, accessed 20 February, 2017. [www.unwomen.org/en/news/in-focus/women-and-the-sdgs/sdg-5-gender-equality](http://www.unwomen.org/en/news/in-focus/women-and-the-sdgs/sdg-5-gender-equality)

sectoral participation) for their calculation of gains from gender equality. A number of composite indicators also exist, as listed in Box 1.<sup>4</sup>

#### BOX 1. COMPOSITE GENDER EQUALITY INDICES

The UNDP (2015) presents two composite indices: the Gender Development Index (GDI) presents gender-disaggregated human development data; the Gender Inequality Index combines data on health (life expectancy at birth); education (years of schooling) and economic resources (estimated earned income, based on data on wage bills and female labour force participation).

The WEF (2016) Global Gender Gap Index (GGGI) is a composite measure of economic empowerment (also using expert surveys), education, health, and political participation; each is also presented as sub-index. The latest report presents data for 144 countries. Like the GDI, the GGGI shows a strong correlation with levels of GDP (see Figure 1).

The Economist Intelligence Unit (EIU 2012) created the Women's Economic Opportunity (WEO) Index focuses on factors affecting women's access to economic opportunity. It draws on a wide range of international organizations, and assesses the enabling environment for women's economic participation in 128 countries.<sup>5</sup>

The African Gender Equality Index (AfDB 2015) combines data on economic opportunities (measured through labour force participation), human development, and law and institutions.

The Gender Equality Index from the Indices of Social Development (undated) presents data for 200 countries, combining 20 different sources and wide-ranging indicators (ISD undated; van Staveren 2013).

The OECD Social Institutions and Gender Index (SIGI) measures discrimination in social institutions (formal and informal laws, social norms, practices) across 160 countries; economic empowerment measures included in this are access to land, non-land assets, and financial services (Ferrant et al. 2016; [http://www.genderindex.org/.](http://www.genderindex.org/))

IFPRI Women's Empowerment in Agriculture Index measures women's empowerment in five domains, and empowerment within the household. This is a critical measure for lower income countries but is collected in only a few countries (Malapit et al. 2014; FAO et al. 2010).

Our focus here is the economic aspect of empowerment and gender equality, acknowledging the inter-relationship with other aspects of empowerment, but also stressing that economic empowerment does not always move in tandem with equality in capabilities, as highlighted by Seguino and Braunstein (2012) for Latin America for example. To structure the discussion here, we build on the list of persistent gaps in women's economic opportunities used by the UN High Level Panel on Women's Economic Empowerment.<sup>6</sup>

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<sup>4</sup> See also Stotsky et al. (2016), and van Staveren (2013), which compares the extent to which these composite indicators overlap, and Mitra et al. (2015), which uses factor analysis to sort five indicators in clusters of opportunity and outcomes.

<sup>5</sup> See also <http://www.economist.com/blogs/graphicdetail/2017/03/daily-chart-0>

<sup>6</sup> Klugman and Tyson (2016). Besides this list of six gaps, the report highlights seven 'drivers' of empowerment. In terms of empowerment, Braga et al. (2017, unpublished, part of the Urban Institute GrOW-supported research) distinguishes (using DHS data) between condition, resources, and the actual wielding of power, highlighting different indicators showing different relations with growth in GDP.

**Labour force participation** is one of the most commonly-used indicators on women's economic empowerment. Internationally comparable data, used by WEF and World Bank for example, is available from the ILO Key Indicators of the Labour Market (KILM) database. Forty per cent of the global labour force are women. That percentage has crept up gradually,<sup>7</sup> and stagnated in the last decade. Regional and country differences are large, and persistent.<sup>8</sup> Data collected by Gallup (2017) indicates that a majority of women not in the labour force would like to have a paid job.

Women also work fewer hours in paid employment than men: according to the ILO (2016), while women make up 40 per cent of total employment, they form 57 per cent of those working part-time. While in many low-income countries female labour force participation is high, as they work in subsistence activities this is not universally the case and there are important regional differences.

While commonly used, it is important to highlight the limitations of labour force data. As highlighted by Fox et al. (2013) who used household surveys to estimate employment in Africa, much of the data published is over five years old, not collected regularly or comparable, and not publically available. Many countries have not published data on the structure of employment for a decade.<sup>9</sup> In particular, women's work can be under-reported, especially in contexts where there are social norms restricting women to work outside the household (potentially fueling the picture of regional differences mentioned in the previous paragraph), when surveyors are men, and – as data tends to focus on the formal sector – when employment is in small-scale agricultural and informal activities.

A number of critical indicators refer to the **type of, and rewards for work**.<sup>10</sup> Global data (ILO 2016) indicate that women earn 77 per cent of what men earn. This is partly caused by the fact that women work fewer hours, accounting for about half of the gender disparity in earned income, and in part by occupational and sectoral segregation, alongside differences in pay for similar jobs. Employment-related social protection often adds to the penalty women pay because of their disadvantaged position in the labour market (Ulrichs 2016). As with labour force participation data, global wage data also needs to be interpreted with care.<sup>11</sup>

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<sup>7</sup> OECD countries have witnessed a secular trend of increasing women's labour force participation; see for example Eckstein and Lifshitz (2011).

<sup>8</sup> World Bank, "Labour Force, female (% of total labour force),"

<http://data.worldbank.org/indicator/SL.TLF.TOTL.FE.ZS>; ILO, *Women at Work* (ILO: Geneva, 2016);.

<sup>9</sup> See also Gindling et al. (2016), which uses the World Bank International Income Distribution Database, based on harmonised household surveys (combining labour force, budget and living standards surveys).

<sup>10</sup> The UNDP Gender Inequality Index combines data on labour force participation and wage inequalities; WEF draws on similar data.

<sup>11</sup> See ILO discussion on methodology ([http://www.ilo.org/ilostat-files/Documents/description\\_EAR\\_EN.pdf](http://www.ilo.org/ilostat-files/Documents/description_EAR_EN.pdf)) noting that both establishment and household surveys are or can be used. The ILO Global Wage Report (<http://www.ilo.ch/global/research/global-reports/global-wage-report/2016/lang--en/index.htm>: Table A4, A5) notes that wage data is available for between half and 71 % of African countries).

ILO data on sectoral and occupational segregation show consistent gender gaps:<sup>12</sup>

- i. Women are over-represented in agricultural occupation, with relatively low productivity and rewards.
- ii. Analysis shows that women tend to move out of agriculture more slowly than men do (Fox 2015).
- iii. As the labour force shifts away from agriculture, women are increasingly concentrated in the service sectors, particularly in the lower-paid occupations.
- iv. While women form a minority in manufacturing jobs, they often form the majority in textiles and garments sectors.
- v. Women continue to be under-represented in senior positions, such as legislators, senior officials, managers, and machine operators. Women tend to be over-represented in health, education, retail and cleaning occupations.
- vi. Women are over-represented in the informal sector. In 2015, 586 million women were ‘own-account’ or ‘contributing family workers’, and they are particularly over-represented as contributing family workers.<sup>13</sup>
- vii. As gender gaps in basic education have been closing, increasing attention is paid to how these translate into labour market opportunities, through analysis of school-to-work transitions.<sup>14</sup>

Where employment data collected by governments has been limited – particularly in Sub-Saharan Africa – a body of evidence has resorted to use of household surveys.<sup>15</sup> Further, Demographic and Health Surveys (DHS) are being used in, for example, analysis of school-to-work transitions – even though labour market information is not the focus of the DHS.<sup>16</sup>

There is a rapidly expanding body of knowledge on women entrepreneurs, as the academic interest in entrepreneurship generally has been growing, and the number of public and private sector

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<sup>12</sup> Panel data by occupation are available for 142 countries (ILO 2016). Data on gender gaps in wages and careers now allow for global estimates about how long it will take for the gaps to close. (<https://www.weforum.org/focus/women-and-work>). Borrowman and Klasen (2017) using household surveys in developing countries explore the extent to which occupational and sectoral segregation changes with income growth, and find less positive change than might have been expected.

<sup>13</sup> ILO (2016: xii-xiii); ILO (2017). The latter shows a continued growth of ‘vulnerable employment’ in developing countries. See also, for example, Chen (2012).

<sup>14</sup> <https://www.idrc.ca/en/project/examining-womens-early-labour-market-transitions-sub-saharan-africa>; ILO (2014).

<sup>15</sup> Fox et al. (2013), Gindling et al. (2016), Arbace et al. (2010). Census data can sometimes be used particularly for locally disaggregated information.

<sup>16</sup> See, for example <https://www.idrc.ca/en/project/examining-womens-early-labour-market-transitions-sub-saharan-africa>

initiatives has expanded.<sup>17</sup> While one-third of businesses globally are owned by women, they are concentrated in smaller businesses, in sectors with least growth potential, and constraints they face are manifold. Data on financial access has been growing,<sup>18</sup> as has been the knowledge on legal constraints. However, knowledge on many aspects of female entrepreneurs' constraints remains limited, by lack of data on access to training and procurement for example, and the fact that most women in developing countries work in the informal sector which (by definition) is poorly covered in statistics.

A critical aspect of, and mostly constraint to women's economic empowerment is the unequal **distribution of unpaid work**.<sup>19</sup> According to the OECD, women spend two to ten times more time on unpaid care work than men, and materializing the gender dividend depends on public reducing women's household workload and increase quality jobs opportunities.<sup>20</sup> According to Braunstein et al. (2017), the literature on the role of gender in the economy still lacks "an explicit exploration of the role of .... social reproduction ... [as] ... a driver of employment and other macro-level outcomes."<sup>21</sup>

This highlights a major factor that determines the link between gender equality or empowerment and economic growth. Many of the aspects of women's economic empowerment discussed above are inter-related.<sup>22</sup> For example, there is evidence of interaction between education and labour force participation in the impact on growth.<sup>23</sup> As we will see below, questions of endogeneity and directions of causality are critical to many if not all the studies on the subject. It also points to the importance of clarifying definitions of women's empowerment, in its multi-dimensionality – and with that the limitations of much of the global data that exists. We will come back to this in the conclusion; we will now turn to the evidence on the extent to which and how empowerment promotes economic growth.

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<sup>17</sup> Discussed in de Haan (2016). A major research initiative that has contribute to this growing knowledge has been PEDL (with gender as cross-cutting theme). Initiatives supporting women-owned enterprises are described in for example Nelson et al. (2015).

<sup>18</sup> The McKinsey Global Institute (2015), using the World Bank's Global Findex database estimates that, globally, women have 77 per cent of men's access to bank accounts, credit and mobile banking.

<sup>19</sup> The work by Braunstein et al. (2017: 2) highlights "how accounting for care illuminates the promise and pitfalls of increasing gender equality in the labour market through wages or employment participation". See [http://www.cww-dpru.uct.ac.za/about\\_cww](http://www.cww-dpru.uct.ac.za/about_cww).

<sup>20</sup> [https://www.oecd.org/dev/development-gender/Unpaid\\_care\\_work.pdf](https://www.oecd.org/dev/development-gender/Unpaid_care_work.pdf); also for example Samman (2016), Budlender (2008), Folbre (2012). Liz Peters (pers. comm.) highlighted the variance is large and would benefit from better explanation.

<sup>21</sup> Folbre (2012) with a focus on Africa emphasises we know little about the interaction between the unpaid care sector and the market economy.

<sup>22</sup> A literature review for the Donor Committee for Enterprise Development highlights that sustained improvements in women's entrepreneurship and economic empowerment hinges on shifts across domains – agency, institutional environment, social relations, economic advancement – of empowerment (Wu 2013: 8).

<sup>23</sup> Moreover, IMF analysis (Gonzales et al. 2015b) highlights interactions between gender and (household) income inequalities, both potentially influencing growth.



## The win-win case of gender equality: half a dozen channels

A growing number of publications highlight the potential gain of gender equality for broader economic growth.<sup>24</sup> The McKinsey Global Institute (2015) calculates that equal economic participation would add 26 per cent of annual global GDP by 2025.<sup>25</sup> UNDP's 2016 Africa Human Development Report concludes gender inequality costs sub-Saharan Africa \$US95 billion a year, six percent of the region's GDP.

The impact of gender inequality on economic growth can work through several channels, including demographic factors, education, and access to jobs and productive resources.<sup>26</sup> It is likely that different channels, or combinations of these, have different impacts at different stages of development (e.g. Mitra et al. 2015; see also the next section, where for example links between economic transformation and gender are discussed). Some of these mirror the arguments brought forward around inequality (more broadly) and growth.<sup>28</sup> The arguments on links from gender inequalities and incomes more broadly are compared in Table 1.

**Gender gaps in education** imply that society's human capital is below its potential. Exclusion of women on the basis of gender implies that women with higher potential may be substituted by less talented men. Reducing these gaps and addressing exclusion would thus potentially enhance growth. This argument builds on endogenous growth theory which holds that investment in human capital, innovation, and knowledge are significant contributors to economic growth.<sup>29</sup> Klasen found that gender equality in education had a significant and positive impact, in a sample of 109 countries with data between 1960 and 1992. He compared East Asia and South Asia, and found that a quarter of the differences in annual growth could be attributed to gender gaps in education. Like Klasen, Seguino's (2000) analysis of twenty semi-industrialized export-oriented economies (1975-1995) found that both men's and women's education were positively associated with economic growth, and that female education exerted a stronger impact over time.

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<sup>24</sup> A systematic review is undertaken with the GrOW project <https://www.uni-goettingen.de/en/systematic-review/535087.html>.

<sup>25</sup> McKinsey Global Institute (2015). The World Economic Forum (2015) also highlights the positive link, "consistent with the theory and mounting evidence that empowering women means a more efficient use of a nation's human capital endowment".

<sup>26</sup> A recent paper by Roncolato et al. (2017) discusses this in the context of a growth diagnostics framework, a tool to identify how gender inequalities hinder economic growth. This also provides a short genealogy of the work in this area: Klasen (1999, 2002) pioneered empirical research on impact gender equality on other development outcomes.

<sup>28</sup> Literature on income inequality and growth includes Barro (2000), Ostry et al. (2014). This literature was partly motivated by findings that the Asian economic miracle was on the basis of relatively low inequalities. An IMF paper (Hakura et al. 2016) analyses the *combined* impact of income and gender inequalities, concluding growth in Africa would be 0.9% higher if inequality was reduced to East Asian levels.

<sup>29</sup> Empirical studies that demonstrate a positive association between gender parity in education and growth (often defined as income per capita growth), include Dollar and Gatti (1999), Klasen (1999, 2002), Knowles et al. (2002), Klasen and Lamanna (2009), and Thévenon and del Pero (2015) for OECD countries.

TABLE 1 – HOW DIFFERENT INEQUALITIES CAN IMPACT GROWTH

|                      | <b>Inter-household inequalities</b>   | <b>Gender inequalities</b>   |
|----------------------|---|--|
| Human capital        | Reduced ability to invest in education and health   | Education and health gaps reduce quality labour force<br>Education impacts fertility which impacts labour force participation<br>Intergenerational effect: women's investment in children<br>Care burden reduces potential contribution market economy |
| Economic resources   | Income inequality reduces average propensity to invest                                    | Gaps in labour force participation reduces economic growth<br>Differences in access to land / productive resources impact investment, productivity, growth   |
| Political/governance | Social and political instability reduces investments, increased pressures to redistribute | Women's representation in public bodies impact investment decisions  |
| Institutional/legal  | Discrimination (caste, race) limit productive potential                                   | Legal barriers impacting women's labour force participation, labour market segmentation  |

Klasen's analysis also highlighted the importance of gender disparities in **health**. When the fertility and child mortality rates were included in the growth equation, the association between women's education and growth weakened. A variety of intermediating factors can play a role.<sup>30</sup> First, education's impact on growth can be through reduced fertility (and vice versa), as this can impact women labour force participation, and dependency ratios. Second, improved health and nutrition can positively impact the quality of the labour force (as well as reducing fertility). And there is a possible inter-generational and thus long-term economic impact, as women empowerment is likely to lead to better educated and healthier children.

Micro-studies show that women's increased **bargaining power** within the household has been associated with a range of positive development outcomes, which in turn can have a positive impact on growth (Roncolato et al. 2017). Empowerment including in levels of education is associated with control over own fertility and influence over investments in (the human capital of) children. Control over fertility can enhance women's opportunities for employment outside the house, and for longer periods of time throughout the life cycle – which in turn may help reduce fertility.

As described, **gender gaps in labour force participation** are common, even though with important variations, and these form a key part of the gender equality and growth discussions.<sup>31</sup> The exclusion of women from the labour market can reduce the productivity of the total labour force by substituting more productive female workers with male workers of relatively lower

<sup>30</sup> Klasen (1999); see also Amin et al. (2015), Ferrant (2015), Mitra et al. (2015).

<sup>31</sup> The question whether labour force participation shows a u-shaped curve with economic growth is pertinent to this discussion, and will be taken up in the next section.

productivity.<sup>32</sup> The potential economic benefits of gender equality can be particularly high in rapidly aging societies, where boosting women's labour force participation could help offset the impact of a shrinking workforce. Main studies on this question include a 2013 IMF report concluded that closing gender gaps in the labour market would raise GDP in the United States by 5 percent, in the United Arab Emirates by 12 percent, and in Egypt by 34 percent.<sup>33</sup> Klasen (1999) likewise found that growth in female share of the working age population in formal employment has a large and positive impact on economic growth. Lastly, Klasen and Lamanna (2009) explore the impact of changes in women's share of the total labour force and the ratio of female-to-male activity rates on economic growth over 1960–2000. Rising female share of the total labour force had a positive and significant impact on economic growth (the gender gap in education only proved significant when sub-Saharan Africa and Latin America in the 1990s were excluded from the estimates).

Bandara (2015) analyzes the combined effect of the gender gaps in labour force participation and education (called 'effective labour') on economic output per worker. A 1 percent increase in the gender gap was associated with reduced output of about 0.30 percent, and close to 0.50 per cent in Africa (on average). The latter leads to an estimated economic loss for Africa of US\$255 billion due to this gender gap.<sup>34</sup>

The causes of this employment gap have been shown to be varied. On the demand side, employers' preferences can play a role.<sup>35</sup> Restrictions on women's rights to inheritance and property and legal impediments to undertaking economic activities have been shown to be associated with gender gaps in labour force participation (Gonzales et al. 2015a). Women's role in the care economy, lack of available child care, and social norms – which can push female labour force participation rates in different directions (as discussed below) – are important causes or sources of this gap.

The role of **wages** in the empowerment-growth relationship has received some attention in the literature. As mentioned, Seguino (2000) showed that both men's and women's education were positively associated with economic growth. She further showed that the gender gap in manufacturing earnings (controlling for gender differences in education, and over different time periods) was positively associated with lower unit labour costs and export prices, thus positively impacting profits, investment and export demand. While Seguino's study finds a positive impact of gender wage inequality on economic growth, Schober and Winter-Ebmer's (2011) analysis of

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<sup>32</sup> Cuberes and Teigner (2015); Esteve-Volart (2004).

<sup>33</sup> Elborgh-Woytek et al. (2013). Gender gaps in labour markets are associated with income losses of 27% in the Middle East and North Africa and 19% in South Asia (Cuberes and Teigner 2013).

<sup>34</sup> "... the economic costs of gender disparity in labour market in Sub-Saharan Africa and finds that women and African economies will benefit immensely if women's pay and their access to paid works were equal to those of men. The region has been losing billions of dollars over the years (Table 4.5) – peaking at about \$105 billion in 2014. On average, between 2010 and 2014, the region lost about \$95 billion annually - equivalent of about 6.0 percent of GDP" (UNDP 2016).

<sup>35</sup> For example, Anker and Hein (1985), Joeke (1985). Khera's (2017) presentation at the IMF conference highlights the importance of labour market rigidities.

micro-level wage data (with improved comparability) fails to confirm the result, and finds the impact of gender inequality is negative for growth (see also Seguino 2011 for a response). The different findings may not be surprising, and gender inequalities differ by occupation and industry, in turn being associated differently with economic growth.

**Occupational segregation** along gender lines is strong in most sectors and across economies, and analysis has indicated the potential economic cost. Esteve-Volart (2009) developed a model of occupational choice and talent heterogeneity, using panel data regressions across Indian states over the 1961–1991. Exclusion of women from managerial positions (as well as the labour market more generally) leads to lower average entrepreneurial talent and slower female human capital accumulation, which in turn has a negative impact on technology adoption and innovation. Being in the ‘informal sector’ – where women are over-represented, and gender gaps are significant – also might imply potential economic costs.

Studies have attempted to use broader measures of gender inequality in outcomes and find that gender disparities not only in education, health and employment, but also in political participation have an adverse effect on economic growth.<sup>36</sup> Gender-based discrimination in **social institutions** is found to reduce countries’ income levels, beyond the negative effect of gender inequality in outcomes, according to Ferrant and Nowacka (2015), highlighting a case for including social norm policies and programmes in growth strategies, and to go beyond a focus on addressing inequalities in law and formal institutions.<sup>37</sup>

Moreover, women’s participation in public and private **institutions** has been shown to be associated with, for example, increased confidence in institutions and provision of public services, which in turn is a precondition for investment climate and business development. A study in India found evidence that women’s entrepreneurship increased with implementation of political reservations that guaranteed women seats in village councils.<sup>38</sup> Mitra, Bang, and Biswas (2015) report that that greater presence of women in legislative bodies may alter the composition of public expenditure in favor of health and education, which can raise growth over the medium to long run.

The argument about gender equality promoting economic growth is also increasingly made at **company level**, and there is growing evidence that investing in women’s employment and gender

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<sup>36</sup> Amin, Kuntchev and Schmidt, (2015); Ferrant (2015). Masciandaro et al. (2017) analyse the impact of women’s representation in central banks on monetary policy. A GrOW project on women’s political participation Africa explores how women’s role in political institutions shapes their economic empowerment and how they benefit from growth (<https://www.idrc.ca/en/project/impact-womens-political-representation-economic-growth-and-womens-economic-empowerment>).

<sup>37</sup> Klasen (2016 and 2017). McDevitt and Irwin (2017) describes changes in gender wealth gaps in 19<sup>th</sup> century US, highlighting the interplay between changes in social norms and (formal) institutions. Fernández (2014) analyses the link between progress in rights and economic empowerment.

<sup>38</sup> Quoted in Roncolato et al. (2017); Ghani et al. for the study in India (2014); also Chattopadhyay and Duflo (2004); World Bank (2011).

equality can benefit a company's bottom line. For example, an IFC report (2013)<sup>39</sup> finds that better employment opportunities for women can contribute to increased profitability and productivity in the private sector, and improved relations with local communities. The following channels have been highlighted:

- i. **Recruitment and access to talents.** Inclusive recruitment and training policies have helped companies (including in emerging economies) become an employer of choice for women, expand the pool of job candidates.
- ii. **Staff retention.** Programs that promote work-life balance and health benefits have been found to reduce staff turnover and absenteeism.
- iii. **Innovation.** Enhancing diversity can help increase productivity and innovation,<sup>40</sup> introduce new ways of working, improve team performance, and decision-making processes.
- iv. **Market knowledge.** Hiring more women can help ensure better insights into consumer preferences, as women make or influence most of buying decisions.<sup>41</sup>

Similarly, a growing literature has developed around **women entrepreneurship**, and the economic losses caused by gender gaps in entrepreneurship.<sup>42</sup> The IFC (2011) estimates there is a credit gap of \$285 billion and 70 per cent of women-owned business are either not served or under-served. Based on these numbers, Goldman Sachs (2014) estimated that closing the credit gap for women-owned small and medium enterprises (SMEs) across the developing world as a whole could boost income per capita growth rates by over 1.1 per cent on average. Aidis et al. (2015) estimate that millions of jobs could be created if women started businesses as often as men. The constraints women entrepreneurs face are manifold, including in ownership of assets, access to finance, training and mentorship, networks, trade and supply chains.<sup>43</sup>

Finally, a growing literature shows how gender gaps constrain productivity and growth in agriculture (World Bank 2014). Gaps between male and female farmers in access to productive resources, such as land, credit and technology have been found to reduce yields in farms and productivity of firms, lowering overall output.

Thus, the arguments that promoting gender equality is good for economic growth have become increasingly powerful. Our review confirms the conclusion of Esther Duflo.<sup>44</sup> Enhancing parity in

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<sup>39</sup> The IFC partnered with global companies (in the WINvest coalition), including Anglo American, Mriya, Odebrecht, and Rio Tinto, to promote women's employment in their firms. See also IMF (2013).

<sup>40</sup> <https://www.cgdev.org/publication/expanding-womens-role-developing-technology>; Deloitte research (Bourke et al. 2017) shows a growing number of CEOs see inclusion (ie broader than gender equality) as a top priority.

<sup>41</sup> Polman <http://globalcompact.ca/paul-polman-interview/>

<sup>42</sup> This is reviewed in detail in de Haan (2016). The ILO (2016a) estimates that fifty per cent of women's productive potential is underused, compared to 22 per cent of men's.

<sup>43</sup> Walmart (2016) highlights that less than 5 per cent of the supply base is formed by women-owned businesses.

<sup>44</sup> Duflo (2012) infers that continuous policy commitment to equality for its own sake may be needed to bring about equality between men and women; also World Bank (2012a), Kabeer and Natali (2013).

human capital (education, health) and employment (labour force participation, occupational segregation, wages) are likely to be good for economic growth. There is also growing evidence that promoting gender equality at company level is good for the businesses bottom line.

The quality of the evidence varies. The studies in the private sector sphere, in general do not have the same academic rigour. The strongest evidence exists for the argument that gender equality in education can help growth. The impact of equality in labour force participation has not been demonstrated equally forcefully. Particularly in low-income contexts this is not surprising as measurement problems are large.

Findings for the question on the effect of empowerment on growth, unsurprisingly, depend on a range of issues: the choice of indicator for gender inequality or empowerment, how different indicators interact, the impact of broader inequalities, the construction of the sample, and analytical techniques. There are also considerable differences across contexts on both gender disparities and the extent to which women's empowerment can enhance growth.

Studies on the impact of labour force participation and education on growth, of course indicate *potential* gains of enhanced empowerment and equality. The realization of those gains depend on a number of mediating factors.<sup>46</sup> Enhanced human development does not automatically enhance economic growth. While there is strong evidence on how to improve human capital, much less is known about how these gains can enhance economic gains. While there is relatively strong evidence on the impact of labour force participation, estimates how much GDP would increase if more women work might be overestimates if they do not consider whether there are jobs for them (or whether male participation might fall). Also, little is known (except perhaps with respect to demographic factors, particularly fertility) on options to increase this, and disruptions and backlash if enhancing women's participation was a zero sum game. We will come back to the question of levers and policies in the concluding section, we now turn to the reverse link, the impact on empowerment of growth, and of patterns of growth.

### **The diverse effects of growth on gender equality**

Some economic theories predict that economic growth – and for example trade liberalization – would make it more costly to discriminate, and thus gender inequalities would diminish. Indeed, as we discuss below, there are strong (bi-variate) associations between indicators of economic growth and gender equality.

Historical studies have identified circumstances where gender equality has improved. In South Korea and Taiwan, economic growth contributed to a decline in the gender wage gap: it was *accompanied by* increasing levels of female education relative to male, an increase in women's

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<sup>46</sup> As Bandiera and Natraj (2013) highlight, to be useful for policy making, cross-country studies need to be complemented by micro-or case-studies.

share of professional/technical jobs and, in the case of South Korea, increasing rates of female labour force participation relative to male.<sup>47</sup>

On the other hand, some fast-growing developing countries show the least signs of progress in gender equality in terms of labour force participation and in wage disparities between men and women (and of course there are large outliers including many oil-producing rich countries). China's economic transformation over the past three decades, for example, has created new economic opportunities for men and women, but also new challenges, including as a result of changes in maternity leave and child and elderly care.<sup>48</sup>

This section reviews what we know about how economic growth contributes to gender equality.<sup>49</sup> This starts with some simple correlations between GDP and indicators of gender equality, demonstrating an overall positive relationship, and continued debates over the existence of U-curves. We then discuss aspects of growth, particularly agricultural intensification, transformation or sectoral shifts, and trade and trade liberalization.

### *Secular trends*

For many indicators of gender equality, there is a broad positive association with levels of economic growth.<sup>50</sup> This is particularly the case for indicators of HDI, reflecting a global trend of narrowing gaps in health and education in particular. In a similar vein, global data shows a broad positive correlation between levels of GNI/GDP and access to finance.

Data on female labour force participation (reproduced in Figures 4, 5 and 6) also shows a positive correlation. As countries grow richer, women participate more often in formal labour markets (this in turn is likely to promote growth).<sup>51</sup> However, this correlation is weak, and as Figure 6 suggests the gap between FLFP and overall FLP does not appear to be lower at higher levels of national income. There are large outliers, and as discussed earlier large regional differences (see Figure 2). Of particular relevance for the discussion here is the variation across low income countries. Plotting levels of female labour force participation (FLFP) for low-income countries, in fact suggest a slightly negative relationship – though data is particularly weak in those contexts, both

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<sup>47</sup> Kabeer and Natali (2013); and see further below on the role of export industries and policies including wage legislation.

<sup>48</sup> Berik, Dong and Summerfield (2007), Cook and Dong (2011), Jian and Dong (2012), and the on-going research led by Dong and Zhao, <https://www.idrc.ca/en/project/care-economy-womens-economic-empowerment-and-chinas-inclusive-growth-agenda>.

<sup>49</sup> World Bank (2012a), Duflo (2012), Kabeer and Natali (2013).

<sup>50</sup> Kleven and Landais (2017), WEF (2015), Dollar and Gatti (1999). Arora (2012) shows that states within India with higher per capita income have lower gender inequality – though with substantial outliers.

<sup>51</sup> Goldin (2014) emphasises the 'grand convergence', with specific recommendations for closing the last part of the gap, in a North American context; her Richard T. Ely Lecture describes four phases of transformation of women's involvement in the economy (Goldin 2006).

because of lack of regular surveys, and difficulty of measuring labour force participation in contexts where subsistence activities dominate.

Part of the literature has focused on the question whether there is a U-shaped relationship between economic growth and FLFP.<sup>52</sup> The hypothesis suggest that female participation is high in poor countries, where women are engaged in subsistence activities, and fall in middle-income countries because of the transition to industrial jobs, which historically have been dominated by men. As education levels improve and fertility rates fall, and demand for labour in the service sector grows, women would join the labour force. Of course, rates of male labour force participation can vary as well, for example with processes of de-industrialization, but generally not as much.

Some research supports this hypotheses, but recent reviews indicate that this ‘stylized fact’ is not robust to different data sets and methodologies. Gaddis and Klasen (2014) reject the broad hypothesis, and highlight the importance of historical cross-country differences in level of female labour force participation. Their analysis uses sector-specific growth rates, to identify effects of structural change, and this shows most of the changes are driven by sectoral change rather than growth itself.

Similarly, there is research on the existence of a U-shaped pattern in terms of wage inequality, partly inspired by the idea of the Kuznets curve that posited such a pattern with respect to overall inequality. Eastin and Prakash (2013) find evidence of this pattern in a panel of 146 developing countries for 1980–2005. Haas (2006) finds evidence of declining wage inequality at higher levels of economic development (using 2005 Human Development Report data), but with very large variation among the poorest countries.

It is important to stress that many of the conclusions above (and the Graphs in the Annex) are based on bivariate relations. While indicative, these do of course not prove correlation, and even less causality.<sup>53</sup>

### *Sectoral shifts*

To a large extent, and discussed in studies like Haas’ and the classic work of Boserup, the changes in labour force participation and wage inequalities are related to changes in economic structures. However, even at such more disaggregate level these changes are by no means straightforward.<sup>54</sup>

The ‘classic’ pattern of transformation has been conceptualised as a move from subsistence agricultural or rural activities, to a ‘modern’ urban and mostly industrial sector. Historically, this

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<sup>52</sup> See for example Cagatay and Ozler 1995, Goldin 1995, Mammen and Paxson 2000 for India and Thailand, Klasen and Pieters (2012) with respect to India’s economic boom.

<sup>53</sup> Lenze and Klasen (2017): while initial analysis of data in Jordan (without taking endogeneity into account) showed that women’s employment increased domestic violence, using instrumental variable techniques made that correlation disappear and if anything show the opposite result.

<sup>54</sup> This is also the subject of the paper María Enchautegui in the GrOW program.



has meant a male-dominated industrial work force, with women increasingly being confined to a role in the care economy (under-valued in statistics and policy), and finding it difficult to combine labour market activities with their domestic duties.<sup>55</sup>

In many developing countries, this pattern seems to be reproduced. First, there is evidence that men benefit more from agricultural commercialization.<sup>56</sup> Women tend to be over-represented in low returns, subsistence agriculture. With economic growth and increased demand for cash crops, men tend to gain more than women from new market opportunities. Agro-processing companies (and power relations and norms within households) may favour male smallholders over female household heads. There are exceptions to these general trends: for example, women's earnings in Senegal increased with the expansion of large commercial horticulture farms (Maertens and Swinnen, in Fox 2015, 14).

Second, as mentioned earlier, women move out of agriculture more slowly than men do (Slavchevska et al. 2016). The share of women in agriculture remained high in much of Africa, and increased in some cases: for example, in North Africa the share of women in agriculture increased from about 30 per cent in 1980 to 43 per cent in 2010. In Nepal their share increased from 35 per cent in 1980 to about 50 per cent in 2010.

Third, in new non-agricultural opportunities, women tend to be disadvantaged compared to men. Women in Sub-Saharan Africa are almost two times more likely to be in the informal sector and about two times less likely to be in the public and private wage employment.<sup>57</sup> While rates of female entrepreneurship tend to be high, women are almost always disadvantaged, operating smaller enterprises which are less often formally registered, having less access to finance, etc.<sup>58</sup>

In middle-income countries too, research shows gender disparities in modern sectors of employment. For example, Brazil has seen big gains in women's education, and female labour force participation rose by 20 percentage points over 20 years. But gender gaps in market income persist. In 2008, women's wages were 84 per cent of men's and the gap increases at higher levels of education: among those with 12 or more years of schooling, women earned merely 58 per cent of men's salaries. Unemployment for women consistently exceeds that of men by an average of 4–5 percentage points; the gap is up to twice as high for those aged 15–24.<sup>59</sup>

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<sup>55</sup> Demand deficits in the labour market has been identified as a factor in explaining the widespread absence of educated women from labour market in South Asia, their concentration in self-employment in Ghana, their unsuccessful search for full time jobs in Honduras (Kabeer 2012).

<sup>56</sup> But see Dolan and Sorby (2003),

<sup>57</sup> Arbache, Kolev and Filipiak (2010); DFID and CIDA (2009) for Nigeria. Panizza et al. find a wage premium for women in the public sector in 13 Latin American countries, but this premium does not compensate for the wide gender wage gap.

<sup>58</sup> In <http://www.enterprise-development.org/wp-content/uploads/11-PSDHub-Women-entrepreneurs-web.pdf> ; World Bank (2011) reports that 30% of MFI clients are women; Tsegaye and Tsega (2010) report 47%.

<sup>59</sup> Brazilian women, even those working full-time, continue to bear the brunt of time allocated to family chores: 25 hours per week compared to men's 10 hours (Agénor and Canuto 2013).

Fourth, there are strongly gendered sectoral patterns of employment. Many low-skill industrial jobs have been characterized as women's job. The patterns and causes of such segmentation, and stereotyping has been documented in many studies, including in the early work by Richard Anker and co-authors.<sup>60</sup> The impact on women's economic empowerment is complex, as has been demonstrated by Kabeer (2011) and others: while on the one hand these jobs provide opportunities for young women, often from rural areas, on the other hand they are poorly paid, often dangerous, and with few prospects of advancement.

More capital intensive form of exports, including of oil and other mineral resources, create fewer jobs, particularly for women. Seguino and Were (2012, Table 3) calculate employment elasticities for oil, mineral and non-oil non-mineral economies in Africa, and Seguino and Braunstein (2012) analyze these (as well as the impact of socio-economic policies) for Latin America.<sup>61</sup>

Sectoral shift to services have important gender implications, and this is increasingly important given the 'premature de-industrialization' observed by Rodrik (2015) in particular. The service sector is generally expected to create more employment opportunities for women. However, the service sector is diverse, and women tend to concentrate in service-sector jobs with low pay and status. This differentiation within the sector also means economic and public policies tend to have gendered impacts: austerity measures in health and education services, for example, can disproportionately impact women's employment (Lipowiecka and Kiriti-Nganga 2016).

Technological change play a key role, but impacts can vary, as the literature on agriculture shows for example. A World Economic Forum (2016) publication discusses the Fourth Industrial Revolution as an opportunity for more equal women's participation. However, recent ODI research (Hunt and Manchigura 2016) documents the impact of technology (particularly 'uberization') on women's domestic work, suggesting the risk of gender and other forms of inequalities in opportunities may be reinforced with new technologies.

### *Trade and liberalization*

The impact of globalization and trade (particularly exports) on women's economic empowerment has been the subject of debate and a number of studies, as well as policy guidance.<sup>62</sup> In the extensive overview for World Development Report 2012, Aguayo-Tellez (2011) suggested overall

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<sup>60</sup> Anker and Hein (1985), Anker et al. (2003).

<sup>61</sup> GrOW-supported research compares women's role in extractives in Ghana and Côte d'Ivoire (<https://www.idrc.ca/en/project/bringing-light-role-extractive-industry-womens-economic-opportunities-cote-divoire-and-ghana>).

<sup>62</sup> Wacker et al. (2017). See Seguino and Grown (2006) and Klugman (2016) who discuss the constraints African women face in trade. Higgins (2012) provides practical guidance. In the GrOW program, the link between trade and gender is focus of work in the research led by Gottingen University (<https://www.uni-goettingen.de/en/532926.html>) and the Urban Institute (<http://www.urban.org/making-growth-work-women-low-income-countries>); Braga 2017. An important overview from an anthropological perspective is Mills (2003).

trade liberalization has had positive effects, but that this was often not the case, and evidence was limited. Here we discuss studies on the different aspects of this equation.

First, as trade increases competition, discrimination would be more costly. Some studies suggest this may be the case, for example Black and Brainerd (2004) show this with respect to gender wage gaps. Villareal and Yu (2007) show that in Mexico, foreign manufacturing firms employ more female workers (with differences unexplained by skill differences etc.), and discriminate less than national firms in terms of wages.

Second, trade and foreign direct investment can favour sectors with high levels of women's employment, and reinforce sector and occupational segregation (Pieters 2015). Export-oriented manufacturing has resulted in increased opportunities and higher wages for women, particularly in South-east Asia – though the share of women has been declining as industry in the region moves to higher technologies (Tejani and Milberg 2010). Aguayo, Airola, and Juhn (2010) find overall beneficial gender effects of NAFTA and trade liberalization in Mexico.<sup>63</sup> In the GrOW program, Kis-Katos, Pieters and Sparrow (2017) describe positive effects of trade liberalization in Indonesia. However, trade liberalization in Brazil was related to declining labour force participation of men and women, and increasing the gender gap, and suggesting some displacement of women by men (Gaddis and Pieters 2016, using micro-region data).

Third, trade is likely to impact production technologies, and as a result change gender composition of labour demand and work force, as well as wage differentials. Reduction in tariffs can lead to modernising production technology, thus changing skill demands. Juhn et al. (2013, 2014) analyses the impact of tariff reductions on firms and gender wage differences in Mexico, showing reduced inequalities in blue-collar but not white-collar jobs.

Wamboye and Seguino (2015) show the differential impact of trade in Africa, differentiating oil, minerals and non-minerals. Sauré and Zoabi (2014) show that if trade enhanced capital-intensive sectors, where men dominate, gender gaps in labour force participation increases. Oostendorp (2009) finds that growth and trade lead to decreased occupation wage gap in richer countries, but not in less developed ones.

Wacker et al., at a recent IMF conference, showed how impacts of trade (and FDI) varied across regions, and depending on sectoral structure of economies. The initial positive impact of globalization on female labour force participation may have waned, and women may be leaving the labour force after initial gains. They thus “question the generalization of their results into an overarching globalization tale concerning female labour force participation” (Wacker et al. 2017, 1).

Where growth in manufacturing industries took advantage of the gap in wages between women and men, in some cases this had the effect of pressure to increase women's wages.<sup>64</sup> In East Asia,

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<sup>63</sup> See also <http://voxeu.org/article/does-trade-liberalisation-empower-women-evidence-1990s-mexico>.

<sup>64</sup> Cuberes and Teignier (2014).

growth did help reduce gender inequalities (Kabeer and Natali 2013), though in Taiwan the positive association was partly offset by the impact of capital mobility on women's bargaining power in export industries. Taiwan and South Korea passed legislation favoring workers: Taiwan's protective legislation for female workers served to make them more costly, while wage legislation in South Korea helped close the gender wage gap.

It is thus unlikely that generalizations on the trade-empowerment linkage will hold. Different changes in investment and trade are likely to affect sectors differently, and hence the impact depends on both existing structures of production, and the social and political responses to investment and trade.

### *Economic restructuring*

Economic growth, including through opening up to trade and investment, typically involves economic restructuring, and – as in the case of globalization and trade liberalization – this can have significant gendered impacts.

As mentioned, China is an example of a fast-growing economy, which created many new economic opportunities for both men and women, but few signs of progress in gender equality in terms of labour force participation and in wage disparities, and widening gender gaps in earnings in urban areas.<sup>65</sup> While China's female labour force participation rate has remained high, women were more likely than men to be laid off in the process of restructuring of State-Owned Enterprises, less likely to be re-employed, and have become increasingly concentrated in lower-paid and informal jobs.<sup>66</sup>

In general, wage gaps tend to be smaller in public sector, as shown for example by Anjum (2016) for Bangladesh. However, Bradley et al. (2015) attribute this in part to the dominant influence of large 'feminized' groups in health care and teaching which have low job variance. In any case, given gendered occupational segregation, economic restructuring – and changes in public investments are likely to have gendered impacts.

### *Economic growth and gender norms*

As economic roles change for women and men, changes in gender relations and reductions in gender-based constraints can follow. As women gain employment (and education), women's bargaining power in the home and workplace may improve.

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<sup>65</sup> Zhang et al. (2008); Jia and Dong (2012).

<sup>66</sup> New challenges have included pressure on women in playing dual roles as caregivers and income-earners (more challenging when workplaces are away from home), cutbacks in government and employer support for child care and elder care, and insufficient policy attention to the provision of care and its effects on gender equality. Cook and Dong (2011); Berik, Dong and Summerfield (2007).

Globalization can be associated with diffusion of ideas and norms. Gray et al. (2006) shows that international conventions and membership, alongside trade and investment help improve women's conditions. Hogarth (2010) describes the impact of globalization in South Korea, and how the globalization wave of the 1980s was followed in the early 1990s by an equal inheritance law. Klasen (2017) on the other hand highlights the backlash globalization or westernization can lead to.

The World Values Survey suggests that an increase in women's share of employment over time, and economic growth can lead to the weakening of restrictive gender stereotypes and gender norms (Seguino and Lovinski 2009). However, this is not always the case. As described above, sectoral and occupational segregation continues to be strong. Barriers that women face often decrease only with a time lag, and social attitudes are only slow to change.<sup>67</sup> In some cases, gendered constraints may actually be reinforced under rapid socio-economic change. For example, because of social norms and fears for safety, urbanisation can lead to reduced women's physical mobility outside the household. Historically, upward social mobility – including with the employment of domestic helps – has also been associated with the creation of new norms hindering women to find employment outside the home (Cruea 2005).

### **Conclusion and need for understanding policy not just outcomes**

This overview of the literature has presented the knowledge on links between gender equality, in particular women's economic empowerment, and economic growth. This section summarizes the main conclusions, and suggests the need for more applied research on policies that promote these links.

While there is a growing supply of data, and expansion of numbers of indicators, women's economic empowerment remains poorly covered in statistics across the globe. Composite indicators do little to address this. Data on labour market participation in low-income contexts is not easily available, and continues to be hampered by conceptual problems as well. The improvement in data on the informal sector and women owned businesses is helping to better understand the extent of gender equality, as is data on women entrepreneurs, and on time use. But better measurement and ensuring the data informs public policies remain priorities.

Conceptual problems remain significant. Aspects of women's economic empowerment are inter-related, and how these inter-relationship manifests itself may be different for different socio-economic groups, and social norms are critical. Questions of endogeneity and directions of causality are critical to many if not all the studies on the subject. As the 'gold standard' of randomization or controlled experiments are not available for most of the analyses discussed here, methods using instrumental variables are commonly used. These are not mere academic concerns:

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<sup>67</sup> Gendered constraints may actually be reinforced under socio-economic change. For example, Sen (1999) describes the role of women in 19<sup>th</sup> – 20<sup>th</sup> century Indian industries.

potentials of enhancing labour force participation and entrepreneurship, or why gains in equality in human capital are not translating sufficiently in more equal economic opportunities cannot be seen in isolation from women's role in the care economy.

The evidence on the positive impact of enhancing gender equality on economic growth is not as strong as is sometimes claimed. While there is a broad overarching relationship between growth and some gender inequality indicators, this is less the case for economic empowerment ones. There is strong evidence on the impact of gender equality in education, confirming hypotheses of human capital theory. The impact of equality in labour force participation is less strong. The evidence emerging from private sector actors is compelling but does not meet the same standards of academic rigour, and endogeneity seems central to the relationship: it is likely that the commitment to gender equality is critical to making the positive relationship work.

Studies on whether economic growth promotes gender equality also show a mixed picture. Indeed, some of the fastest growing developing countries show least progress in gender equality outcomes. Economic growth on its own is not sufficient to promote gender equality. Women's ability to benefit economically from the gains of growth does not always occur automatically. Women may not be able to take up new economic opportunities to the same extent as men. Structural transformation is a particularly important component of growth where gender relations change in significant ways – even though the hypothesis of a U-shaped relation between growth and for example female labour force participation does not hold. Globalization and trade liberalization, existing studies suggest, can have diverse impacts on gender equality.

The win-win case, thus, is contingent, and dependent on accompanying policies and agency. First, macro-economic policies are not gender neutral.<sup>68</sup> Monetary policies matter: inflation, and thus inflation targeting can have gendered impacts. Fiscal policies are critically important, and gender budgets are gradually becoming more popular to assess (potential) impacts of a wide set of macro-economic policies.<sup>69</sup> Trade policy, exchange rate regimes, capital flow regulation and public sector restructuring all can impact gender outcomes.

Greater attention to employment-centered growth strategies, as promoted in *World Development Report 2013*, may help create a hospitable macro-economic environment for achieving the empowerment of women. Support to informal sector workers, where women are over-represented, can be particularly helpful, to enhance legal and social protection while promoting potentials for growth and productivity. Gendered sectoral patterns, and the complex reasons behind these, also need attention, to ensure growth in employment contributes to empowerment.

Similarly, sectoral policies play a key role in promoting beneficial gender equality-growth linkages. Equal educational opportunities are the strongest long-term driver of equal economic

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<sup>68</sup> Discussed for example in publications by Elson and Cagatay (2000), Heintz (2006), Seguino and Grown (2006), Anderson (2016), Roncolato et al. (2017).

<sup>69</sup> <https://www.imf.org/en/News/Events/Conference-on-Fiscal-Policies-Gender-Equality>.

opportunities, and these need to be supported by policies that help turn educational gains into gains in the labour market. Social protection policies are key: cash transfers have shown to have the potential to support women`s economic roles as well as directly benefit them and their families. The provision of infrastructure (and labour-saving technologies) can play a critical role.<sup>70</sup>

Finally, policies that directly support women are key, not only from a justice perspective, but also to support beneficial links between empowerment and growth.<sup>71</sup> Expansions in employment may not, on their own, overcome the various gender-related constraints that have curtailed women`s capacity to take advantage of existing employment opportunities on fairer terms. Explicit policies to reduce disparities in the labour market will be key to reduce gender gaps and through this promote economic growth. Policies that reduce women`s care burden may be the most important one, for labour force participation as well as women`s entrepreneurship.

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<sup>70</sup> Econometric modeling for Brazil indicates that the positive impact of gender equality on growth may be contingent upon infrastructure changing women`s time allocation (Agénor and Canuto 2013); the role of infrastructure and empowerment is further explored in Ahoure and Mbiekop (2017).

<sup>71</sup> World Bank (2011a, 2012a); Seguino and Were (2012).

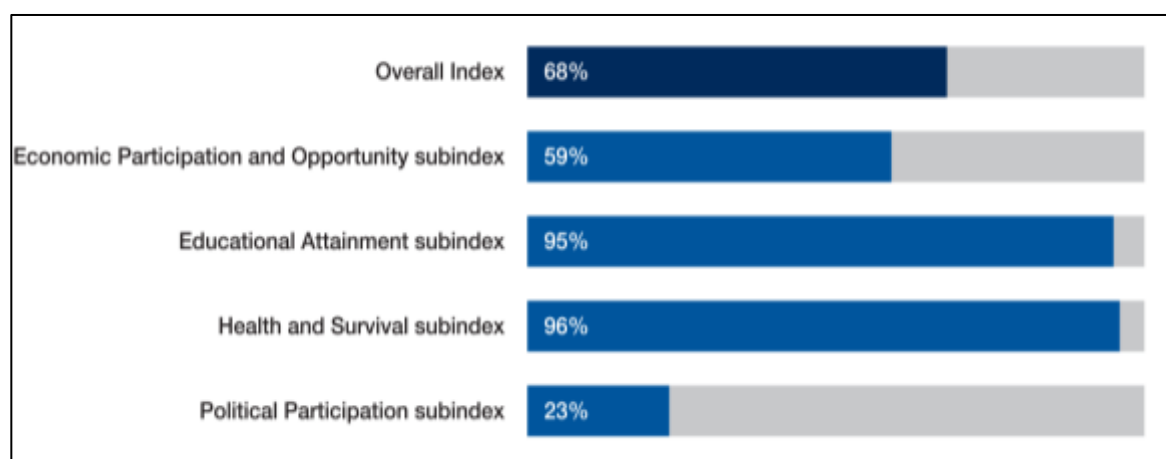
## Figures and Tables

TABLE 2 – LABOUR FORCE, FEMALE % OF TOTAL LABOUR FORCE

|   | 1990  | 2004  | 2014  |
|---|-------|-------|-------|
| World   | 39.47 | 40.16 | 39.60 |
| <i>By region</i>                              |       |       |       |
| East Asia & Pacific                           | 44.11 | 43.74 | 43.46 |
| Europe & Central Asia (excluding high income) | 45.31 | 44.99 | 44.72 |
| European Union                                | 41.63 | 44.30 | 45.57 |
| Latin America & Caribbean                     | 33.73 | 39.95 | 41.49 |
| Middle East & North Africa                    | 18.45 | 20.53 | 21.27 |
| North America                                 | 44.39 | 45.85 | 45.98 |
| Sub-Saharan Africa                            | 43.16 | 45.82 | 45.90 |
| South Asia (IDA & IBRD)                       | 28.24 | 29.50 | 26.54 |
| <i>By income level</i>                        |       |       |       |
| High income                                   | 41.49 | 43.38 | 43.84 |
| Middle income                                 | 38.39 | 38.78 | 37.83 |
| Low income                                    | 46.49 | 46.95 | 47.17 |
| Least developed countries: UN classification  | 44.25 | 44.35 | 44.96 |
| Fragile and conflict affected situations      | 39.82 | 40.46 | 40.69 |

Source: World Bank's World Development Indicators online database, accessed December 2016

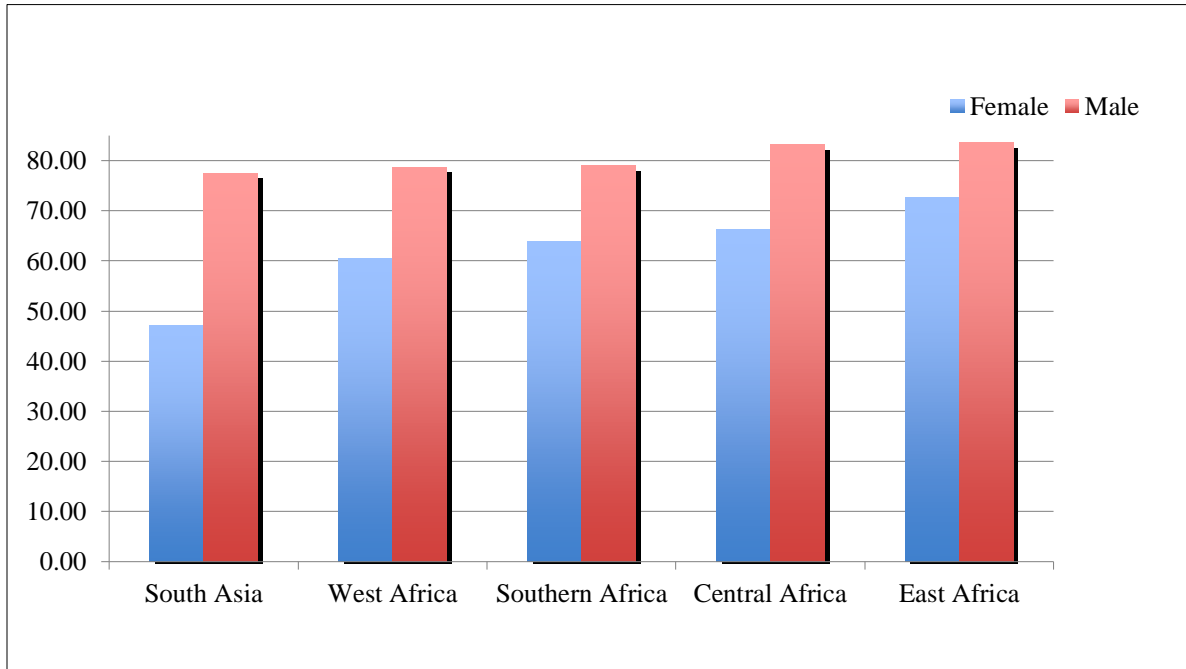
FIGURE 1. GLOBAL PERFORMANCE, 2016



Source: Global Gender Gap Index (2016)

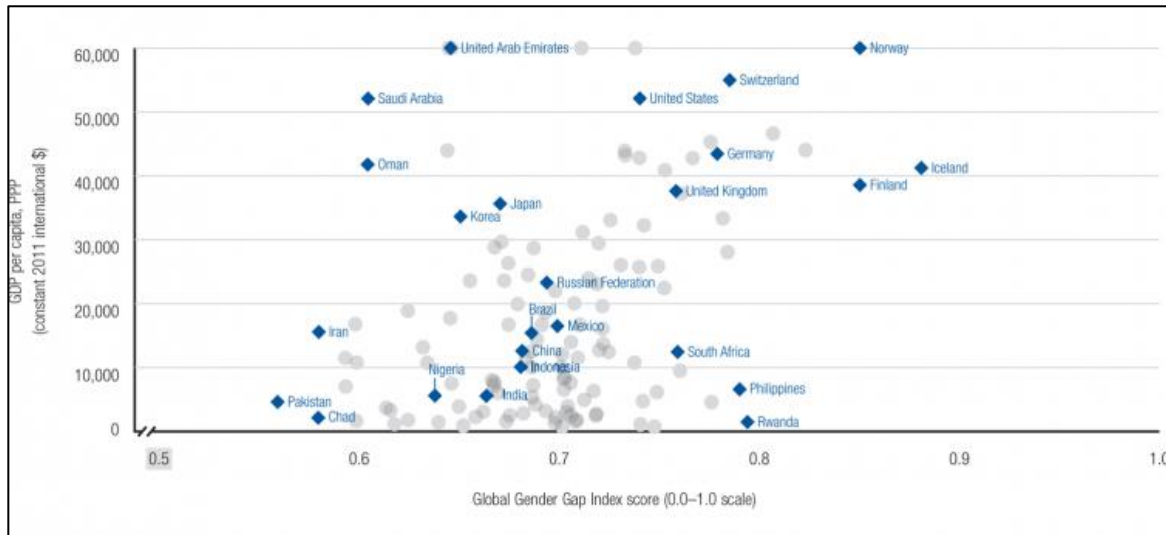


FIGURE 2. LABOUR FORCE PARTICIPATION RATE (% OF POPULATION AGES 15-64)



Source: World Bank's World Development Index (2011)

FIGURE 3. GDP PER CAPITA VS. GLOBAL GENDER GAP INDEX, 2015



Source: Global Gender Gap Index (2015) and the World Bank's World Development Indicators online database, accessed July 2015

FIGURE 4. GLOBAL LABOUR FORCE PARTICIPATION RATE (% OF POPULATION AGES 15-64)

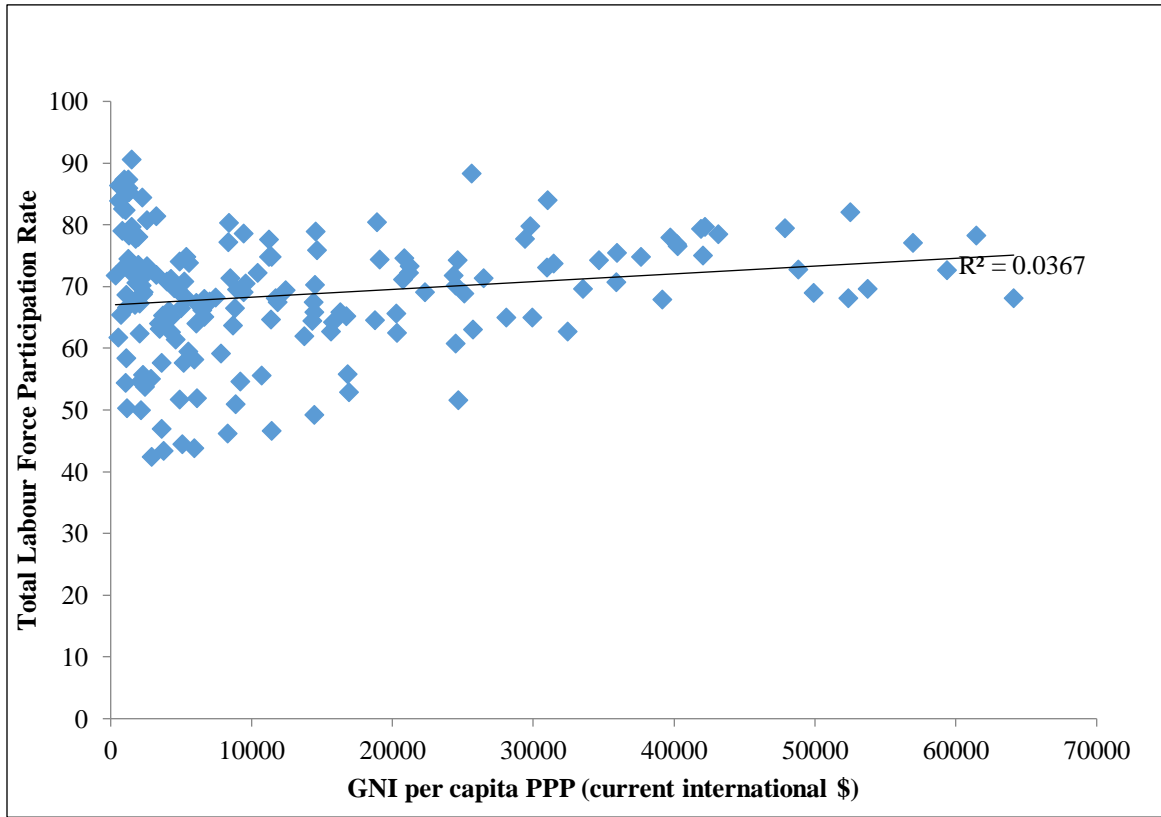


FIGURE 5. GNI AND GLOBAL FEMALE LABOUR FORCE PARTICIPATION RATE (% OF FEMALE POPULATION AGES 15-64)

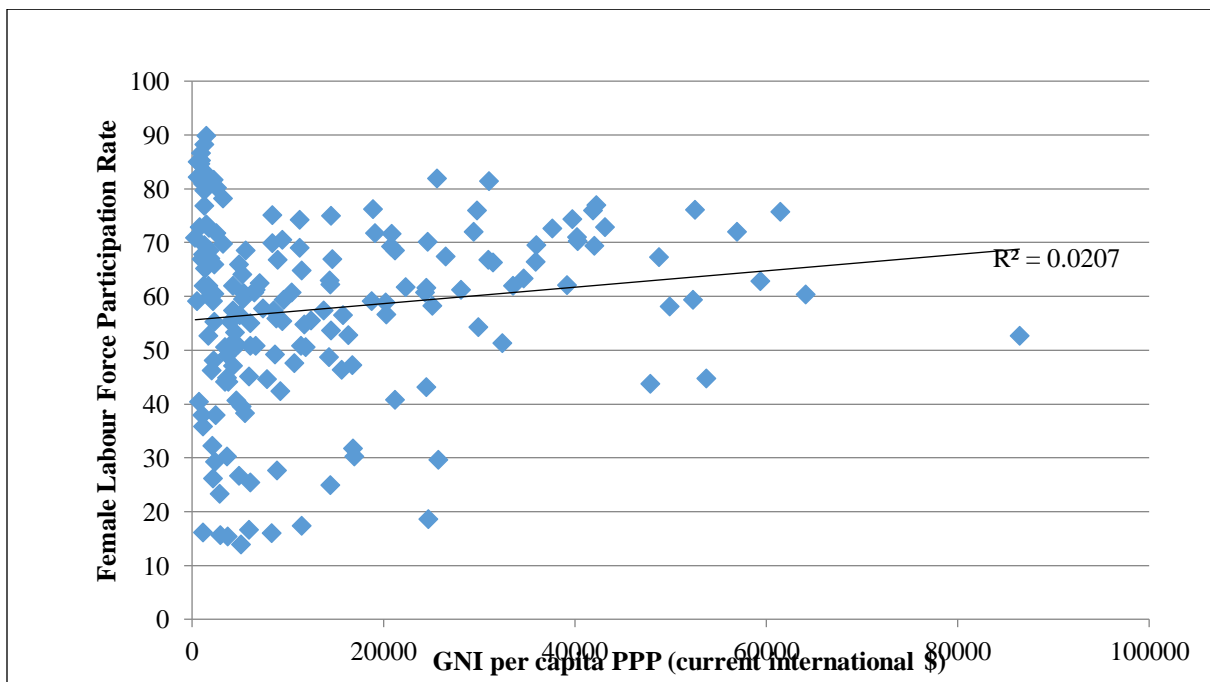


FIGURE 6. GAP OF FEMALE LABOUR FORCE PARTICIPATION VS. OVERALL LABOUR FORCE PARTICIPATION

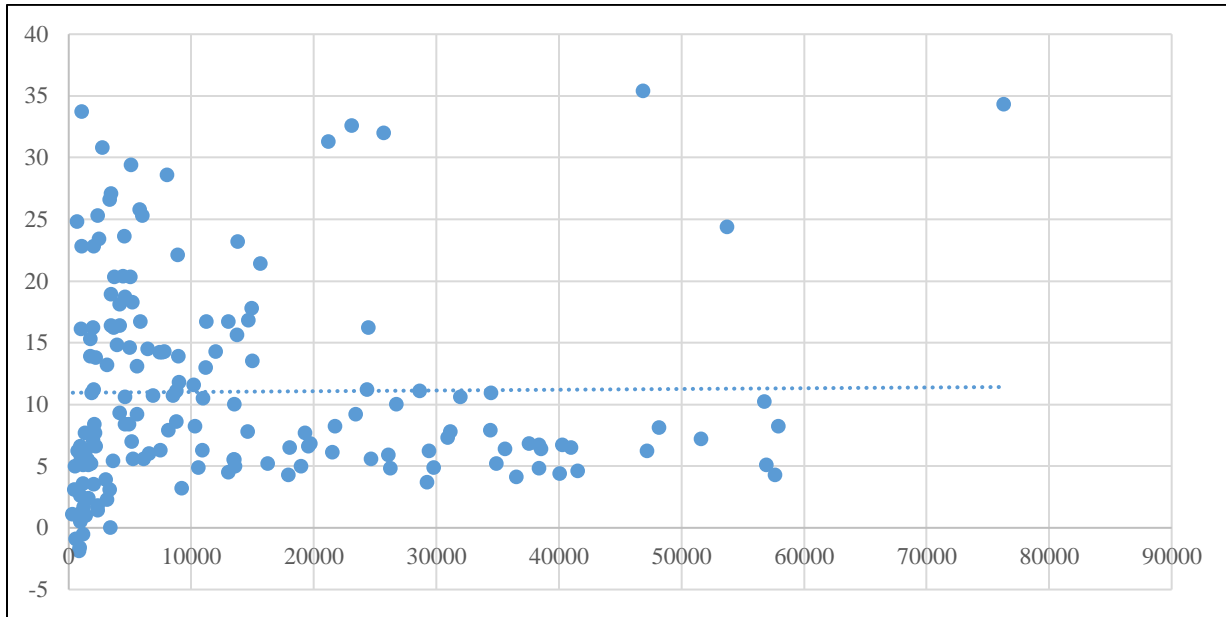
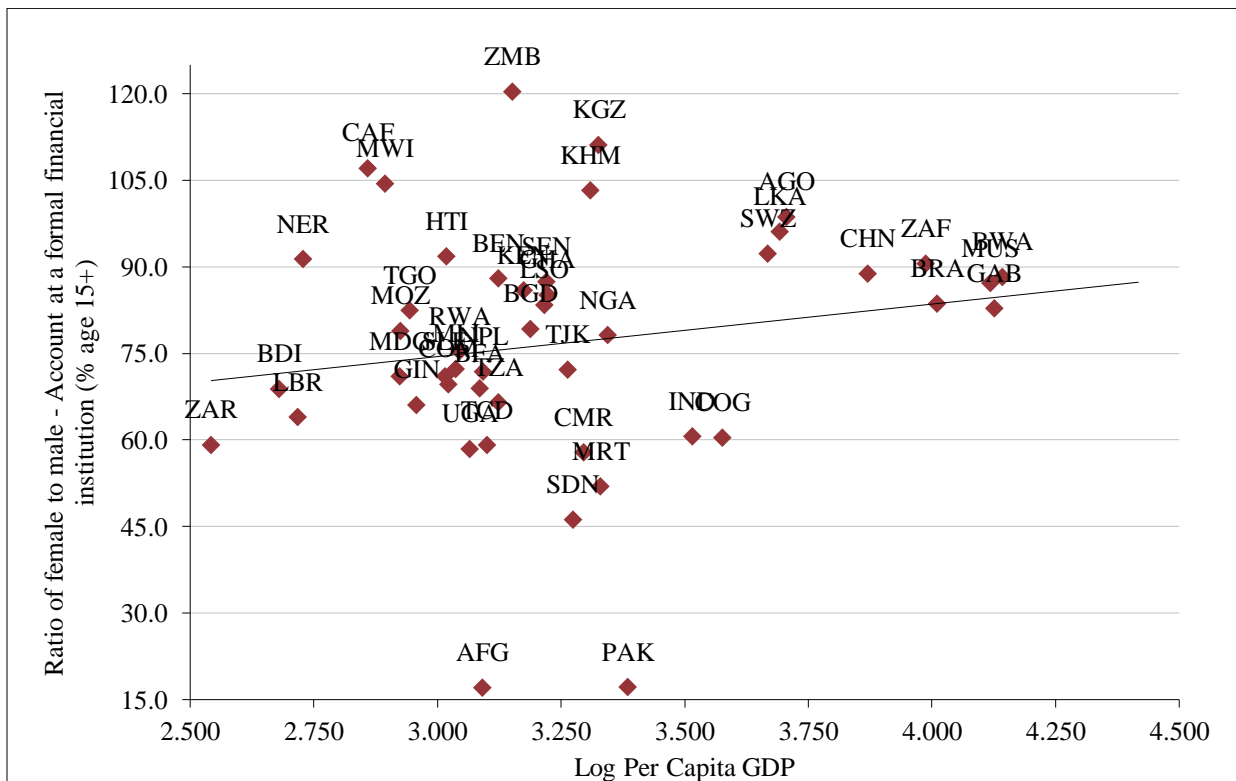


FIGURE 7. ECONOMIC DEVELOPER AND GENDER EQUALITY IN LICs: ACCESS TO FINANCE



Source: World Bank's World Development Index (2011)

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