CHAPTER 6

Strengthening the Connection Between Gender and Growth

Growth Team, Policy and Research Division, DFID

Gender equality is 'at the heart of development', as the UK Department for International Development (DFID) puts it. Following recent evaluations across the development community, it has been established that a 'step change' is required in promoting gender equality. Such a move is necessary as gender mainstreaming initiatives often fall prey to 'policy evaporation', where good policy intentions fail to be followed through in practice.

This chapter, based on a recent briefing note,[1] sets out evidence linking gender equality and growth and looks at emerging issues for development agencies, including DFID policies and programmes.

Reducing Poverty Through Economic Growth

The UK 2006 White Paper *Eliminating World Poverty: Making Governance Work for the Poor* emphasises that economic development and growth are the single most important means by which poverty can be reduced worldwide. The most impressive examples of poverty reduction have been driven by economic development in countries such as China and Vietnam. While performance is less strong in Africa, it is still economic growth that is driving poverty reduction in many countries, such as Rwanda and the United Republic of Tanzania.

Evidence now points to the fact that gender equality is key to improving governance, ensuring environmental sustainability and meeting education and health objectives. Gender equality is both a cause and a consequence of economic growth. Yet many of our developing country partners continue to prioritise growth and economic development, seeing these goals in opposition or as alternatives to investment in issues such as gender equity. This chapter shows how pursuing gender equality is linked to accelerating growth.

Key Linkages

The evidence is clear that gender equality affects growth (Vershoor et al., 2006[2]). The following are the key links between gender and growth.

Gender equality improves overall growth

It has been estimated that between 0.9 and 1.7 per cent of the regional growth difference between the East Asia/Pacific region and the Middle East/North Africa region can be accounted for by gender gaps in education and employment (Klasen and Lamanna, 2003). Is this sufficient to worry about? Put into dollars lost it would seem that it is. If the countries of the Middle East and North Africa had the same level of gender equality in education as East Asia, their GDP would be between $5.8–7.4 billion (1996 prices) higher and their per capita GDP would be between $16–20 higher: for many of the poorer African countries this would be a considerable increase.

Investment in human capital and future generations increases

Improved gender equality significantly changes the welfare of the whole of society. There is good evidence that it improves children's lives, which in turn improves economic prospects. Higher female earnings and bargaining power translate into greater investment in children's education, heath and nutrition, which leads to economic growth in the long term (Thomas, 2002; Schultz, 2002). Investment in children's health, nutrition and education affects their future income-earning capacity. An increase in women's bargaining power in their households, their economic and social status, and the proportion of household assets and income that are under their control are all positive determinants of the human capital outcomes of their children,[3] and thus of future economic growth.

Education of women and girls reduces fertility rates

Less education of women and girls results in lower growth and is associated with low-income status. A number of factors are at work here that are difficult to separate, as the conditions that limit equality in education are often the same as those that that affect labour markets and women's economic participation.

Labour market participation increases growth

In many countries there are significant barriers to women's access to paid work. Labour market institutions – both formal, such as employment protection regulation, and informal, such as job information networks – often operate to limit and reduce female labour market participation. This has significant costs to economic development.

First, unequal participation has a direct labour market effect on overall growth. As noted above, there was a significant regional growth difference between the East Asia/Pacific region and the Middle East/North Africa region that could be accounted for by gender gaps in employment in addition to education. The effects on growth were considerably larger when employment was taken into account as gender-based barriers to women's entry into the labour market meant that they were effectively unable to contribute their skills to the economy (Klasen and Lamanna, 2003). Second, limited labour market participation of women seems to have an indirect effect through reduced productivity of firms and businesses.

Wage equality is good for savings, efficiency and productivity

Micro evidence shows that more equal wages are associated with higher levels of household savings. In developed countries there is evidence that higher women's incomes translate into high growth from domestic investment, though there have been few studies on this in developing countries (Seguino and Sagrario Floro, 2003).

Business and enterprise need women's involvement

Barriers to women's role in business are considerable in many countries and are costly to overall economic performance. Often women-run businesses are unable to respond to emerging economic opportunities as regulations concerning the right of women to own assets and operate businesses in their own name prevent them from doing so.

Rural productivity improves

Greater gender equality is associated with higher agricultural productivity. Two mechanisms seem to be at work here. First, unequal access to the basic resources for production limits the productivity of farm units. Second, greater bargaining power of women within rural households improves productivity and decision-making on the farm.

Moving On – Programmes, Policies and Interventions

This evidence points in a number of policy and programme directions, which are briefly outlined below. A key element in tackling gender and growth issues effectively is to understand the complex interactions between formal and informal institutions, market processes, social norms and culture. In general, successful interventions have approached combinations of issues and barriers to increased women's economic empowerment as opposed to single sector interventions. However, much of the evidence on policy effectiveness is at present impressionistic or based on small-scale programmes and limited data.

Closing the gender gap in human capital, providing incentives and opportunities for paid female work outside the household and reducing the time burden of female domestic activities should be pursued simultaneously. Knowing which incentives to provide and which public investments to promote requires an understanding of which domestic activities are responsible for women's time constraints, as well as both the informal and formal barriers to women's employment and entrepreneurship in the wider economy.

If development policy and practice are to respond to linking gender inequality and growth, an obvious first step is gendered growth analysis. But such analysis is dependent on appropriate information being available, and data availability and analytic coverage remain problematic in country level policy analysis and engagement.

Getting the best information and analysis possible considerably increases the chance of effective interventions – and this does not just imply quantitative data analysis. Linked to appropriate data is the need to combine statistics with the views of men and women, as well as taking into account their interpretation of causal relations and solutions.

A key part of the story, as we have seen from the evidence, is women's and girls' education. Progress has been impressive in this area and DFID is heavily engaged in girls' education around the world. Emerging lessons are that success in girls' education is linked to approaching enrolment and quality from a number of perspectives, including access, incentives, family politics and culture. While there has been considerable progress, there are signs that higher enrolment is not translating into marketable human capital and labour market participation to as high a degree as expected. Success in expanding universal primary education is putting pressure on secondary education, where educational attainment is actually falling. Drop-out rates in secondary education are rising, especially among girls.

Reducing the time burden of non-paid or domestic labour is key for economic empowerment in a number of settings. This frees up women's time to engage in paid employment, improve the productivity of farm labour or increase entrepreneurial activity. Key interventions in these areas are likely to be:

- targeted infrastructure such as wells, energy (stoves, lighting, etc.) that improve access, reduce time burdens and increase ease of use of domestic services;
- reduced cost of existing infrastructure and domestic services to increase usage; and
- childcare schemes, which are often essential for labour market participation.

A number of countries have taken advantage of the link between greater gender equality and its impact on fertility and growth. Counties usually achieve this by:

- raising educational attainment for women;
- providing free and easy access to reproductive health services;
- removing incentives to have large families by way of credits or social schemes; and
- reducing cultural barriers to family planning.

Establishing balanced labour market regulation and incentives to support growth, higher productivity, labour market expansion and increasing gender equality is difficult, particularly as many women work in the informal sector, which is hard to reach with labour regulation. Experience seems to suggest that combinations of measures are needed to improve prospects for women's employment and greater equality in the labour market. Successful interventions have focused on:

- promoting women's education;
- promoting export growth and foreign direct investment;
- recognising of new, informal sector workers' movements; and
- passing minimum pay legislation.

Changes in the welfare regime focused on directly encouraging women to engage in wage labour and market economies play a key role. If social protection and other schemes become more common in developing countries, this area will be increasingly important. The connection between welfare regimes and employment in Europe has been studied extensively. For developing countries, this is less well developed as yet.

In terms of reducing pay disparities there is also limited evidence. Legislation has had some effect in developed countries but the pay gap still ranges from 15 to 20 per cent in Europe.

To support women's businesses and entrepreneurship both formal rules and informal governance must be conducive. Getting the legal and regulatory structure right is critical, but state enforcement is often undermined by long-standing social norms and behaviours. Actions taken to address land titling bias in some countries have taken the form of the removal of regulatory impediments to women's land ownership, awareness raising among both men and women of women's right to own and register land, and the removal of administrative obstacles to women's land ownership.

Another key barrier to the expansion of women-owned businesses has been lack of finance. Access to financial services and credit is still very unequal and is a major issue for women's economic empowerment and development. It is widely argued that micro-finance schemes, frequently targeted at groups of poor women, can bring them out of poverty and enable women who would not otherwise be able to do so to start their own small enterprises. However, more recent analysis and evaluation has indicated that micro-finance has limited long-term impact on many of the barriers to women's empowerment. Deeper financial sector reform to extend the reach of banking to women and poor clients may be a more appropriate and sustainable intervention.

Moving Forward

DFID's policy agenda for 2007/08 consists of a mixture of gathering more evidence on the key linkages, testing core methodologies and approaches, and providing support to developing country governments and international partners to work on gender and growth. Specifically DFID will:

- Take forward its programme of gender and growth assessments with the International Finance Corporation (IFC), the World Bank and others. DFID is currently undertaking work in India and Nigeria, and will be expanding into new regions this year.
- Support the development and refinement of new tools and methods for gender and growth analysis. This will include work with the International Poverty Center (IPC), the World Bank, IFC and others, looking at more effective and appropriate methodology to analyse gender and growth linkages.
- Examine further evidence of how social policy, including gender issues, affects growth prospects, and specifically how appropriate social policy can help remove constraints on growth and economic development.

Notes

1. DFID Briefing Note: Gender and Growth Practice Paper, March 2007.
2. This section of the paper draws heavily on this review, commissioned by the Growth Team in DFID as part of its gender and growth work programme.
3. See Thomas and Chen (1994) for evidence for Taiwan; Quisumbing and de la Brière (2000) for Bangladesh; Quisumbing and Maluccio (2000) for Ethiopia, Indonesia, Bangladesh and South Africa; and Smith et al. (2003) for a comparative study of the regions South Asia, sub-Saharan Africa and Latin America and the Caribbean.

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