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Economic growth and gender equality

Does economic growth benefit women and men equally? If not, how can gender inequalities be addressed? And the other way around, can gender equality promote economic growth? What win-win solutions exist, promoting gender equality and economic growth simultaneously?

WHAT'S AT STAKE?

Whether economic growth equally benefits the entire population, including men and women remains a key policy and research question. Despite consistent economic growth over the last decades including in low-income countries, significant gender inequalities persist.

Those persistent inequalities are not only relevant from a rights and justice point of view, but there is also increasing attention to the reverse link, the impact of gender inequality on economic growth. The exclusion of women from opportunities to participate in and contribute to growth implies that the overall talent pool is less than what it could be. High fertility rates can also hold women back from developing their human capital and investing in that of their children, impeding growth potential.

KEY MESSAGES

- Reducing gender inequality can promote growth, but evidence for this is limited beyond education inequalities.
- As economies grow, women's say over household decision-making is shown to increase. Discriminatory attitudes towards domestic violence and experience of domestic violence are more persistent.
- Economic growth has no robust effect on female employment in developing countries. Labour market segmentation hinders women's empowerment.

RECOMMENDATIONS

- As links between economic growth and women's empowerment are not well understood, gender equality should continue to be advocated for as goal in itself.
- Research and policy should further explore how links can be leveraged. GrOW research suggests the following priority areas: education, affirmative action, financial inclusion, infrastructure, child care, and the role of social norms.

Promoting gender equality through targeted policies and programs, thus, can imply a win-win for gender equality and economic growth simultaneously. This can strengthen arguments for public investments in gender equality, just as some private companies promote gender equality also because it can be profitable. Public policies can promote such a win-win. This policy brief describes specific examples, and the levers that can promote gender equality and growth.

APPROACH

This brief is based on a synthesis of research on the linkages between economic growth and women's economic empowerment, conducted to expand knowledge base and distill key messages. The authors reviewed 30 original studies supported by the Growth and Economic Opportunities for Women (GrOW) program and Canada's International Development Research Centre (IDRC), using evidence from 50 countries. The review was carried out by Sophia Kan and Stephan Klasen at the University of Göttingen.

The studies reviewed used a variety of methods. Ten of the studies were cross-country analyses. Seven studies were country cases focusing on Africa, and six focused on South Asia. Some of the studies looked specifically at ways of addressing barriers to women's contribution to economic growth. The studies did not include short term macro-economic policies, which do have important potential, and may be a priority for future research.

KEY FINDINGS

Reducing gender inequalities can promote economic growth

Research shows that reducing certain forms of gender inequality can promote economic growth. In particular, most studies show that reductions in gender gaps in education typically have had an economic pay-off.

Addressing other forms of gender inequalities – in employment, access to farm work, credit, and bargaining power – also can promote economic growth, but the evidence is much less clear than in the case of education, and more research is needed.

Evidence shows how interventions to enhance women's economic empowerment have promoted income, education and subjective well-being – some examples are provided in the above box. The effects, however, are not very large and it is not clear whether the effects would be similar if men had been targeted in the interventions. Also, the evidence does not show whether these interventions, if implemented at scale, would promote economic growth.

Examples of successful empowerment interventions:

- In Bangladesh, a long-term randomized control trial demonstrated that sizable transfers of assets and skills enable the poorest women to shift out of agricultural labour and into running small businesses, and to earning higher incomes (Bandiera et al. 2013).
- A study in India found that exposure to self-help groups (SHGs) increases women's participation in group savings programs as well as the non-agricultural labour force. Women who were part of this study were also more likely to participate in household decisions and engage in civic activities (Desai and Joshi 2014).
- In the Philippines, an impact evaluation of a microfinance program showed an increase in female decision-making power within the household, and a shift toward female-oriented durable goods purchased (Asharaf, Karlan & Yin 2010).

Source: Ibanez, Sahoo, Balasubramanian, & Khan, 2018.

Economic growth can reduce gender inequalities, but not sufficiently

Similarly, the review shows evidence that as economies grow, women become more empowered. In particular, a cross-country analysis shows that on average women's involvement in household decision-making increases with economic growth.

At the same time, attitudes towards domestic violence and experience of domestic violence are much more persistent. The same cross-country analysis shows that on average these indicators do not improve as countries' economies grow.

Economic growth alone has no robust effect on female employment in developing countries. As it draws some women into the labour force, rising family incomes can cause others to leave employment. Studies on links between economic growth and women's economic empowerment tend to focus on female employment, which neglects the nature and quality of jobs. Getting out of bad jobs that were only taken to make ends meet can improve women's welfare and empowerment. It also neglects women's double burden. The challenge is to recognize women's constraints when deciding about employment.

A wide range of factors are responsible for the continued gender gap in employment. Access to training and

vocational education remains important, even though overall gender gaps in education have been decreasing. GrOW-supported research shows that distance can hinder women's access to employment as well as training, partly because of women's household responsibilities, and partly because of concerns about safety and social limitations on women's movements. Research in South Africa showed that women are more likely to migrate to places where public services are more readily available, and women's double burden and care responsibilities are a critical factor, as described in another GrOW Policy Brief. Across all those factors, social norms – about suitability of jobs, travelling, and responsibility for care work – can play an important role.

The role of mobility of women's economic empowerment in Pakistan

- Researchers found that women in rural Punjab were not taking up a skills training program, even when travel stipends were provided. In response, they arranged group transport for women, which increased participation by 2.5 times. Offering in-village training increased participation by 4.5 times. Financial constraints were less significant than social constraints on women's ability to access training (Cheema et al. 2018).
- Women who use public transit in urban Lahore were found to be highly fearful of harassment at various stages of their commute and times of the day. This creates a picture of the challenge women have in moving independently, and many report that they prefer to travel in groups (Irvin-Erickson et al. 2018).

Gender segregation persists despite economic growth.

Various rigorous studies show that economic growth on its own does little to reduce occupational and sectoral segregation. In poor and rich countries alike, women and men tend to concentrate in different sectors and types of jobs. This partly explains persistent gender wage gaps. Segregation changes little over time as economies grow. There is little evidence on the causes of this segregation, but laws, institutions, social norms and stereotypes all can play a role.

Patterns of growth and employment dynamics matter for women's economic opportunities. Growth based on natural resources does little to promote female employment opportunities. Export-oriented manufacturing has been more successful in promoting employment of women, particularly

those with medium levels of education. Service sectors such as health, education, and public administration also tend to create more employment opportunities for women.

Similarly, trade dynamics and trade policy can have a significant impact. There are cases, such as in Indonesia, where trade policies that have promoted female-intensive sectors tended to enhance women's economic opportunities and empowerment. There are also cases where trade liberalization led to job losses, which were sometimes larger for men (in Brazil), and sometimes larger for women (in South Africa). In India, trade liberalization led women to engage in more distress employment.

Similar questions arise with respect to technological change. While economic models suggest that exogenous technological change will erode gender gaps in the long run, there is little empirical evidence for this, and impacts may well be as diverse as the impact of trade dynamics. Policies will be important to ensure technological change successfully promotes gender equity and economic performance.

POLICY INSIGHTS

Women's economic empowerment has been recognized increasingly as a key development priority by governments and policy and research institutions. It has received increasing attention because it is not only an end in itself to promote women's wellbeing, but can simultaneously promote economic growth.

Despite a growing body of evidence, including the 30 papers produced in the GrOW program, the linkages between growth and women's economic empowerment, and hence opportunities to create win-wins are still not well understood. The clearest evidence on win-wins is regarding education: reducing gender gaps in education is likely to promote economic growth.

In other policy areas the evidence is less clear. Women's economic empowerment and employment initiatives improve well-being and income and are valuable by themselves, but there is little evidence that this enhances growth. Employment, by itself, also is not a straightforward outcome, and needs be accompanied by objectives around decent work and recognition of women's double burden.

Conversely, economic growth by itself does not necessarily reduce gender inequalities. Growth is not reducing gender gaps in labour force participation, and is not creating sufficient job opportunities overall. It is also not reducing gender segregation in labour markets or wages gaps, limiting women's opportunities.



Photo: Lakshman Nadaraja / World Bank

The evidence highlights the importance of leveraging potential win-wins and the following areas in which this can be done:

Education is the clearest example of possible win-wins. Vocational education can play a particularly important role to bring women into the labour force. The evidence on persistent labour market segregation suggest that it will continue to be important that education systems address the barriers for women – including possible stereotypes and access to technology.

Affirmative action policies also can help facilitate growth-equality linkages. An impact evaluation of the Broad-Based Black Economic Empowerment program in South Africa found that well-designed affirmative action policies can help bring women into the labour force and into top occupations, and reduce occupational segregation.

Financial inclusion: GrOW research in South Africa showed that access to formal bank services can increase women’s decision making in the household, which in turn can lead to increased likelihood that they will participate in the labour market.

Investments in infrastructure: Use of transportation and public services differs by gender. Safe transport and street lighting may help increase the possibility for women to travel alone, and for commuting to work. Investments in electrification and water supply, as well as roads will help to reduce the time burden of women in low-income contexts, thus enabling them to access economic opportunities as well as improve the quality of time for care work.

Child care: As described in another GrOW Policy Brief, the provision of child care can be a cost-effective intervention, and can leverage equality and growth links. It can enhance labour force participation and women’s income, and has other positive externalities that can support economic growth, including improvements in children’s learning and job creation in the childcare sector.

Social norms and attitudes often have a powerful role in preventing women from entering the labour market and accessing better jobs. Research in India shows that income growth and infrastructure investments are often not sufficient to allow women to enter the labour force. There is an urgent need to understand social norms as they relate to economic empowerment, and whether and how these can be changed.

The brief was prepared by Boubou Housseini, Gillian Dowie and Arjan de Haan, based on findings from an evidence review written by Sophia Kan and Stephan Klasen.



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