

# **Women's Empowerment in the Labor Market: Why Is it Smart Economics?**

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**Abstract:** This chapter focuses on the structural drivers and constraints associated with the transition of women from unremunerated or low-paid production to higher-value work in three important labor-market domains: entrepreneurship, agriculture, and wage employment. Understanding the drivers behind these types of employment and the constraints that women face can help to develop new policies that better support workers and their families, stimulate employment generation in countries with rapid labor-force growth, and promote entrepreneurial activities that spur innovation and progress. In the spirit of these objectives, this chapter examines best practices in transforming women to be successful entrepreneurs, farmers, and wage workers. The chapter closes with the links between gender equality and economic growth, concluding that promoting gender equality can be a ‘gender-smart’ way to achieve sustained economic development.

**Key words:** Gender, Women, Development, Employment, Equality, Entrepreneurship, Agriculture, Wages, Growth

## I. Introduction

Women's economic empowerment can make the process of development more inclusive through a number of channels. For example, improving educational attainment for women and girls can strengthen the ability of household members to engage in productive activities and improve the efficacy of the labor force, thereby bolstering the economy's growth potential. Yet at the same time, structural changes that accompany the development process – as a result of technological change, international competition, or policy liberalization – can substantially alter the constraints that women face as they encounter new economic opportunities. The extent to which these forces lead to greater gender equality or inequality influences the inclusiveness of future growth.

Policy and scholarly discourse offer alternative interpretations of what it means to improve women's economic empowerment and move toward gender equality, with varying degrees of emphasis on equality of opportunities and equality of outcomes. Equality of opportunities is most often associated with formal, legal equality in access to education, health services, and employment. It is also associated with equal chances for men and women to participate in decision-making and to have a voice within and outside of the household. In contrast, equality of outcomes commonly refers to gender parity in income, wealth, assets, market-based work, and household work. The two concepts are closely related and mutually reinforcing. Giving women greater opportunities can improve their economic outcomes, while more equal outcomes can foster more balanced gender relations that in turn help to level the playing field in terms of opportunities (Berik *et al.* 2009).

A wide range of interventions – from investing in public infrastructure to providing women with improved access to child care, credit, and business training – can potentially create

new opportunities for women, thus spurring their economic empowerment. This chapter explores interventions that seek to strengthen women's economic agency by eliminating constraints they face and increasing their income. Structural barriers, social norms, and institutionalized constraints can undermine women's ability to engage in paid labor, as well as their ability to participate in decision-making within and beyond the household. This chapter focuses on the structural drivers and constraints associated with the transition of women from unremunerated or low-paid production to higher-value work in three important labor-market domains: entrepreneurship, agriculture, and wage employment. In the case of entrepreneurship this transition is usually out of unpaid family work into viable small-scale businesses, in agriculture the shift is often from subsistence farming to commercial farming, and in wage employment the transition occurs from low-wage insecure work to well-paid jobs with long-term contracts.

Understanding the drivers behind these types of employment and the constraints that women face can help to develop new policies that better support workers and their families, stimulate employment generation in countries with rapid labor-force growth, and promote entrepreneurial activities that spur innovation and progress. In the spirit of these objectives, this chapter examines best practices in empowering women as entrepreneurs, farmers, and wage workers in order to achieve gender equality in outcomes. There are other issues that are important to achieving gender parity in outcomes, including policies related to fertility and education. In the interest of presenting a cohesive argument related to transitions in women's labor-market activities, we do not focus on these other issues.

Removing barriers and alleviating the constraints that women face can yield benefits at multiple levels within the household, in the labor market, and in the broader macroeconomy. In the era of smart phones and smart cards, promoting gender equality can be a 'gender-smart' way

to achieve economy-wide gains (Berik and Rodgers 2012). Just as addressing gender differences in education and labor market outcomes can have macro-level impacts, the macroeconomy has repercussions for gender equality. Hence the channels between gender equality and economic development are complex; there could be both reverse causality and adverse effects. For example, macroeconomic forces associated with economic growth, including greater global competition from international trade and industrial restructuring from technological upgrades, have the potential to aggravate gender inequalities that weaken women's agency. Given these complexities, the final part of this chapter explores the links between gender equality and economic growth, considering both the direction of causality and whether the effects are harmful or beneficial for gender-equitable economic development. Even though we sometimes need to generalize our research findings, solutions are often contextually and regionally relevant, so we have highlighted specific examples to the extent possible.

## **II. Women's Entrepreneurship**

Around the globe, small-scale entrepreneurship provides an important vehicle for income generation for women and men. People initiate microenterprises because they need flexibility in their employment, they have innovative ideas that warrant starting a new business, or they seek upward mobility in the labor market. Other people, often those at the lower end of the income scale, have little choice but to engage in self-employment when paid employment opportunities are scarce. A substantial proportion of the poor around the world rely on self-employment as a source of income as they navigate a host of constraints that include a lack of affordable loans from formal sources, restricted access to reliable savings accounts, few formal sources of insurance, insecure land rights, and insufficient access to public infrastructure such as piped water and electricity. More broadly, diversification of economic activities and the growth of non-

farm self-employment endeavors serve not only as a means of survival for the very poor but also contribute to reducing poverty (Lanjouw and Murgai 2009).

### ***Gender differences in entrepreneurship across countries***

An attractive feature of self-employment is that it allows parents, especially mothers, to combine labor market participation with child care responsibilities. Self-employment can be particularly beneficial in regions with limited paid-employment opportunities for women due to labor markets characterized by discrimination, imperfect information, or insufficient labor demand.<sup>1</sup> In these contexts, employment in home-based enterprises can reduce women's vulnerability, providing them with earnings potential and increasing their incomes, savings and assets. When women do face constraints in finding sufficient opportunities for wage employment – as is the case in many conservative developing countries – they may be willing to borrow in order to start their own small business. Even though such household businesses tend to be small, they employ a large share of the female labor force in both agriculture and non-agriculture in many countries of Sub-Saharan Africa, East Asia, the Middle East and North Africa (FAO/IFAD/ILO 2010).

Self-employment rates vary across countries at different stages of development and with different institutional structures. As seen from cross-country evidence in Rodgers and Menon (2013), self-employment shares in total employment are generally very high in low-income economies, especially in Sub-Saharan Africa. Moreover, in all low-income countries but one (Kyrgyzstan), self-employment shares are noticeably higher for women than they are for men. On average in low-income economies, 86 percent of women are self-employed compared to 79

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<sup>1</sup> See Karlan and Morduch (2009) for more discussion.

percent of men. The highest rates of self-employment are found in Sierra Leone and Tanzania, where 96 percent of women are engaged in agricultural self-employment. Moreover, in Nepal, about three quarters of working women have no cash earnings at all. The dominance of unpaid agricultural self-employment and the limited opportunities for compensated labor have been associated with Nepal's persistent problems of high poverty rates and income inequality. This conclusion regarding a greater incidence of self-employment among women compared to men also holds for lower-middle-income economies, but the overall importance of self-employment as a source of employment declines markedly in this group. On average, 52 percent of women and 46 percent of men in lower-middle-income economies are self-employed (Rodgers and Menon 2013).

Self-employment shares are substantially lower in upper-middle-income economies and high income economies, and men demonstrate a greater incidence of self-employment compared to women in these countries. Not only does the importance of self-employment decline with national income levels, but the dominant form of self-employment also varies with the overall level of economic development. In particular, countries at the beginning stages of their structural transformation are characterized by "survivalist" self-employment activities – where "survivalist" activities include those in the traditional sector that are undertaken out of necessity or are informal in nature – while countries further along the development ladder have created the right conditions for "opportunity-driven" entrepreneurship – activities in the modern sector such as in specialized manufacturing (Gries and Naudé 2010).

Hence even within the population of self-employed workers, there are marked variations along gender lines. In contrast to higher-income countries, proportionately more women than men are self-employed in lower-income countries, with the implication that women have

relatively less job security and more unstable incomes. Moreover, in lower-income countries, self-employment commonly takes the form of household enterprise work, and women-owned household enterprises, for specific reasons, are often smaller in scale than those owned by men (FAO/IFAD/ILO 2010, Rodgers and Menon 2013). These reasons vary by region but in general include land, credit and technology constraints which work against women and which can have feedback effects. For example, land is often used as collateral for loans from formal sources, so inequalities in land ownership translate into limited access to credit for many women.

### ***Strategies to promote women's entrepreneurship***

A growing body of evidence indicates that an effective policy intervention in promoting self-employment is improving women's access to capital through loans and grants, often mediated via microfinance initiatives, rural banking reforms, and cash transfer programs. Such initiatives target individuals who have difficulty obtaining conventional loans through commercial banks. Women in particular have faced such difficulties due to their lack of collateral, a problem that is exacerbated by weak or nonexistent property rights for women in many developing countries. Without access to formal loans, low-income individuals have often had to rely on informal sector money lenders and other expensive sources of credit. By offering an array of pecuniary resources and financial services to the poor, both microfinance and rural banks have helped to extend credit in a number of countries with a variety of impacts (Burgess and Pande 2005, Cull *et al.* 2009, Banerjee *et al.* 2015b).

Previous research suggests that the targeted provision of small-scale loans through microfinance initiatives can support and incentivize women's labor market activities and promote economic welfare. As the first microfinance program of its kind, Bangladesh's Grameen Bank has been the subject of numerous studies that have generally found positive results. For

example, Pitt and Khandker (1998) notes that credit given to women participants through the Grameen Bank had a strong positive effect on household consumption and women's labor supply. Other research has shown that credit and non-credit services made available by participation in Grameen programs has contributed to positive profits from self-employment and to improvements in women's bargaining positions within the home in Bangladesh, and that the presence of village-level microfinance has boosted asset growth and occupational mobility in Thailand.<sup>2</sup>

Such success has in turn contributed to the proliferation of microfinance initiatives across countries and regions throughout the world. This movement has provided approximately 65 million low-income individuals around the globe with access to small loans without collateral and with opportunities to acquire assets and purchase insurance.<sup>3</sup> This movement has also demonstrated the extent of the unmet need for credit among poor women and men and the potential for commercial banks to play a bigger role by improving access of marginalized individuals to formal credit. Microfinance, in turn, has contributed to a substantial increase in self-employment activities worldwide.

Not all previous research, however, has viewed microfinance favorably. Several studies have found that microloans may bring only modest advantages to women (Banerjee *et al.* 2015b).<sup>4</sup> Moreover, some have argued that because most microfinance schemes are not public programs, their proliferation has shifted the burden of poverty reduction away from governments

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<sup>2</sup> See especially results in McKernan (2002), Kaboski and Townsend (2005), and Porter (2016).

<sup>3</sup> See de Aghion and Morduch (2005) for more discussion of the background and prevalence of microfinance programs.

<sup>4</sup> For more discussion of the benefits and drawbacks of microfinance see Hudon and Sandberg (2013) and Banerjee (2013).



to the poor themselves. Moreover, the small loans provided by microfinance programs can act like a trap that prevents women entrepreneurs from raising their income levels beyond a poverty threshold. Another gender-related argument is that in some cases, husbands have taken control of the borrowed funds and the loans have contributed to increased domestic violence. This perverse effect is particularly true in socio-cultural models where violence against women can increase with their incomes as males feel that their traditional “bread-winner” role in society is threatened (Aizer 2010). Critics also argue that microfinance has become a magnet for large financial-sector firms who view the relatively high interest rates as profitable. This development can signal hardship for the poor and subvert the intended goal of poverty reduction (Nair 2010).

Another means of improving women’s access to financial capital is reforms that expand the reach of commercial banks to locations with thin or nonexistent financial markets. An important example in this area is India’s rural social banking program, which focused primarily on opening new bank branches in previously unbanked rural locations. Evidence in Menon and Rodgers (2011) indicates that India’s rural banking program increased the likelihood of women engaging in gainful self-employment beyond unpaid family work while having little effect on men’s self-employment work as owner-operators. A likely explanation is that women have restricted access to formal employment in developing countries such as India, so when a household obtains a loan, it is rational for women to become self-employed and to earn a livelihood from their own trade or home-based businesses.

Women have also gained access to financial capital through various types of conditional cash transfer (CCT) and other types of cash grant programs. CCT’s are prevalent across developing regions and are used as a poverty reduction tool in which cash disbursements are made conditional on households undertaking certain actions, usually related to children’s school

enrollment and visits to healthcare providers for checkups and vaccinations. Some programs have included support for women's education, training, and employment. An example is Chile's Solidario program, and evidence in Scarlato *et al.* (2016) indicates that this program had a positive effect on women's self-employment and their wage-employment, but only after the program's conditions had been satisfied. Positive effects were also found by Aker *et al.* (2011) in the case of an unconditional cash transfer program in Niger in which women received the disbursements through mobile telephones. The ease of transferring the cash and the privacy that women experienced in receiving the cash contributed to an increase in cash-crop production for women farmers. Mexico's Progresa – which later became Oportunidades – is another example of a successful conditional cash transfer program that benefitted women, especially by increasing prenatal care among beneficiaries (IFPRI 2002, Molyneaux 2006).

Despite the appeal of microfinance and other programs providing women with greater access to financial capital and cash, not all studies have been able to identify impacts on measures of women's entrepreneurship and empowerment, where the latter is usually considered to mean strengthened voice and agency for women in making decisions on matters that impact them. For example, de Mel *et al.* (2008) demonstrated that small grants in the form of cash or in-kind support given to a randomly-selected group of small businesses in Sri Lanka resulted in high rates of return for men, on the order of about 5 percent per month, while women-owned microenterprises had rates of return that were essentially zero. Moreover, group-lending programs for women in Northeast Thailand examined in Coleman (1999) had no statistically significant impact on indicators of economic activity that included production, sales, and time spent working. Furthermore, Kevane and Wydick (2001) showed that women entrepreneurs who borrowed from microenterprise lending institutions in Guatemala did not create new employment

with their businesses as compared to other entrepreneurs. More recent randomized control trials have similarly found increased borrowing activity among women without identifiable impacts on their empowerment or entrepreneurial activities in Morocco (Crépon *et al.* 2015), India (Banerjee *et al.* 2015a), and Ethiopia (Tarozzi *et al.* 2015).

A growing number of studies on microenterprises and finance in developing countries find that simply providing greater access to capital is not sufficient to help microenterprises grow. Rather, additional policies that improve business training, offer business-development services, and assist in the shift toward more profitable activities are more effective in strengthening the impact of credit on such work. A comprehensive review of this research in Buvinić and Furst-Nichols (2016) indicates that on balance, modest cash transfers in isolation, whether such transfers take the form of loans or grants, are less effective in helping very small subsistence-level enterprises owned by women to grow than they are in enhancing the performance of women-owned businesses that are already established and operating at scale. What works for transforming the livelihoods of low-income women business owners is capital bundled with training and financial services.

Social norms related to gender can limit the relative responsiveness of women's entrepreneurship; in particular, patriarchal and traditional cultural values may outweigh the positive impact of loans, grants and training programs that target women. For example, loans and grants by themselves may have a limited "flypaper effect" such that the transfer does not stick to the objective for which it was provided. Evidence on the existence of this flypaper effect has been found in the case of Ghana, where only capital in the form of in-kind grants caused a growth in profits for women while cash did not (Fafchamps *et al.* 2014); and in Bangladesh, where women retained control over capital transfers in the form of livestock but not over new

investments generated by the income earned from these transfers (Roy *et al.* 2015). The reasons for this flypaper effect include a lack of self-control related to high discount rates associated with holding liquid assets, as well as external pressure, usually from husbands and other family members, to take control over the assets.

These constraints are not insurmountable and may be tackled with relatively low-cost modifications to program design. Examples of such adjustments include changing the mode of capital transfers so that women receive them in-kind or through their own mobile phones; setting up secure savings accounts to which other family members have restricted access; and instituting commitment savings programs in which withdrawals can only be made once a certain savings goal is reached so as to curtail diversions of business income towards personal consumption (Buvinić and Furst-Nichols 2016).

### **III. Gender and Agriculture**

Women's labor force participation rates in agriculture have risen in recent decades and agricultural export markets in developing countries have seen a feminization of foreign exchange earnings (Lastarria-Cornhiel 2006). For example, women's participation has increased in high-value agricultural export markets, such as those producing cut flowers, fruits and vegetables. Their production work in these sectors has been an important source of foreign exchange earnings for developing countries such as Kenya (FAO/IFAD/ILO 2010). Yet the division of labor in the agricultural sector remains highly segmented along gender lines within and across the market and non-market economies. Salient features of this gendered division of labor are women's relatively greater burdens of unpaid housework and caring labor; agricultural productivity gaps that arise not from lower female efficiency but from inequitable access to land and to agricultural inputs; and market economies characterized by relatively lower proportions of

women in high-paying full-time jobs. These inefficiencies have negative repercussions for agricultural output and sustained economic progress.

### ***Gendered division of labor in agriculture***

In terms of characterizing time-use, women in developing countries generally report working more hours in a day as compared to men, but these working hours are primarily in unpaid housework rather than paid market work (Berniell and Sánchez-Páramo 2011). Moreover, men tend to experience a fairly stable time use profile over their lifetimes, whereas women experience more variable paid and unpaid work-loads as family structures change. Differences between men and women are largest during the prime child-bearing and child-rearing ages. Women's relatively heavier unpaid work-loads can serve as a major constraint in their labor force participation, as evidenced in Figure 1, which shows the male-female difference in labor force participation rates by age cohorts across regions in 1990 and 2013. Not only have men's labor force participation rates remained higher than those of women over time and across regions, but the gender gaps in labor force participation are usually the biggest when women's reproductive work demands are the greatest (ages 25-34 and 35-54), while the gaps are smaller in the younger and older cohorts. For example, the male-female difference in labor force participation rates in South Asia is highest in the 25-34 years group in both 1990 and 2013. Figure 1 shows that this difference was close to 60 percent in 1990 and actually increased over time. However, among young adults under age 25 in South Asia, the difference is almost half that, at approximately 33 percent in 2013. Comparing the estimates for 1990 and 2013, South Asia is not the only region in which the male-female difference in labor force participation rates actually increased over time for prime-working age adults ages 25-54; the same pattern occurred in Central and Eastern Europe/Central Asia, as well as in East Asia and the Pacific. In the other

regions however, the gender gap in labor force participation rates has generally decreased over time and across age groups.

Even when women work, a large part of their time is spent in uncompensated labor. Poor infrastructure plays a major role in determining women's time in unremunerated work. For example, in Burkina Faso, various organizations have started initiatives to construct wells, supply carts to villages for hauling wood, build fuel-efficient ovens, and introduce hullers and grain mills to convert grain into flour. Evidence in Kompaoré *et al.* (2007) suggests that the introduction of these new technologies reduced women's workloads and helped them to use their freed-up time to create new businesses. Absence of infrastructure, especially in rural areas, is an important determinant of the relatively high burden of domestic housework borne by women.

Another salient feature of the agricultural sector is substantial gender differentials in agricultural productivity that have been linked to inequitable access to agricultural inputs and to women's relatively insecure land rights. The main reason for the gender gap in agricultural productivity is not that women are less efficient cultivators; rather, households allocate land, labor and fertilizer inefficiently. For example, the gender gap in agricultural productivity—defined as the value of agricultural output for each unit of cultivated land—is estimated to be \$100 million in Malawi, \$105 million in Tanzania, and \$67 million in Uganda per year (UN Women *et al.* 2015). These gaps are explained mostly by women's limited access to inputs and support services. Among the imbalances, gender differences in the use of implements and machinery explain 18 percent of the gender gap in Malawi, 8 percent in Tanzania, and 9 percent in Uganda. These gaps in agricultural productivity are large, and the potential economic gains from eliminating them result in substantial reductions in poverty and improvements in nutritional outcomes. UN Women *et al.* (2015) estimates that as many as 238,000 people in Malawi, 80,000

people in Tanzania, and 119,000 people in Uganda could be lifted out of poverty by the closing of the gender gap in agricultural productivity within each country.

Studies across developing regions have documented that once access to inputs is taken into account, women are as productive as men (Udry 1996). With respect to land, across developing regions, women own and control considerably less land than men (FAO 2016). The implications of these gender inequities in land holdings for agricultural investments and output are enormous given that, among other things, insecure land tenure reduces the incentive of farmers to invest in their land. For example, in rural Ghana, Goldstein and Udry (2008) found that women have relatively less social and political power in villages, are less likely to have secure land rights, and consequently, are less likely to invest in improving land fertility. The authors attribute women's substantially lower profits per hectare compared to men primarily to women's insecure land tenure and the heightened risk that women face of having their land expropriated. Similar results were found for Burkina Faso where plots controlled by women were farmed less intensively than similar plots planted with the same crop but controlled by men within the same household. Results indicate that reallocating factors of production in a more efficient manner could increase output by 6 percent (Udry 1996).

Another salient feature of the gendered division of labor in agriculture is men's relatively greater participation in rural wage employment and better access to high-paying secure jobs compared to women. For example, data in SOFA and Doss (2011) indicate that in Guatemala, just 8 percent of women hold wage jobs in the rural labor market compared to 31 percent of men, and this gap is of a comparable size in Ecuador, Nicaragua, and Panama. Moreover, men are more likely to have a full-time contract rather than a part-time contract. For example, in Nepal, 54 percent of male wage laborers in the rural sector have full-time contracts (with the remainder

holding part-time contracts), compared to just 28 percent of female wage laborers. Women are also over-represented in seasonal jobs instead of annual jobs. This imposes a penalty on women since seasonal jobs tend to be lower paid and they exclude benefits (SOFA and Doss 2011).

Market-oriented economic reforms and trade liberalization policies in developing regions have been accompanied by strong growth in the production of cash crops along with increasing segmentation and gender segregation of the agricultural labor force. Female participation in the cultivation and sale of cash crops is particularly important given the positive welfare benefits this type of farming brings. Across developing regions, integration into world markets has brought new job opportunities for rural women in high-value agricultural export goods such as cut flowers, fruits, and vegetables (Lastarria-Cornhiel 2006). The horticultural export sector is not the only area where women have seen new paid employment opportunities; livestock keeping, fisheries, and aquaculture have also become important drivers of job creation for women (SOFA and Doss 2011).

### ***Strategies to promote women's improved agency in agriculture***

The gender gaps in labor inputs and agricultural productivity can have sizable negative consequences. A growing body of literature shows that the marginalization of women's labor impedes poverty reduction efforts, dampens productivity, and reduces economic growth (DFID *et al.* 2013). In agricultural economies, gender equality in access to land, technology, and agricultural inputs holds the key to increasing productivity in food production. In this context, dismantling a structure of constraints that prevent women from having full access to agricultural resources and productive paid employment is crucial for reducing women's work burdens, raising their labor returns, and facilitating meaningful income generation options. The means toward these ends include the development of infrastructure that reduces women's time in unpaid



work, initiatives that promote gender-aware agricultural extension services and improved access to information, and meaningful reforms of land laws and property rights.

With regards to infrastructure development, in a study of time use by gender in Tanzania, Fontana and Natali (2008) find that planners and policy makers do not adequately recognize the role of improving infrastructure in transforming the market economy to work more effectively. Policies that would save (unremunerated) time for women include infrastructure improvement in the water sector, electrification, road construction, better transportation options, and sanitation services. These needs are especially stark in rural areas.

Another critical intervention in the agricultural sector is the formalization of women's land ownership and property rights. When female farmers have more formal control over land, their productivity increases. Land rights ought to be guaranteed in such a way that women can bequeath or use their land as collateral in an enforceable manner. This objective can be achieved through improved documentation, stronger communal rights, constitutional revisions to inheritance rights, and land titling programs. A number of countries have revised their land inheritance rights in recent years to guarantee equal inheritance of land to sons and daughters and to ensure joint land ownership between husband and wives. A case in point is Nepal, which had several constitutional amendments in the 2000s that improved women's land access and resulted in an increase in women's economic empowerment (Mishra and Sam 2016).

A growing number of governments have implemented large-scale land titling programs, with results indicating that joint titling of land for married couples serves as an effective way for women to gain legal land rights. Mandatory joint titling in particular raises the likelihood of women gaining secure land rights, with voluntary joint titling somewhat less effective in providing large proportions of women with secure rights, especially in countries with strong

patriarchal social norms. For example, Menon *et al.* (2016) found that following Vietnam's large-scale land-law reform in 1993, there was an increase in women's ownership of land, and land-use rights held exclusively by women or jointly by couples resulted in several beneficial effects including increased household expenditures, greater self-employment for women, and lower household vulnerability to poverty. As a second example of a successful large-scale titling program, Rwanda's Land Tenure Regularization (LTR) program resulted in greater land tenure security and large positive effects on agricultural investment, especially in female-headed households (Ali *et al.* 2014). The program clarified land rights, reduced tribal conflicts, and reduced gender discrimination in land access, each of which contributed to increased land access for married women and improved documentation of inheritance rights.

#### **IV. Wage Employment**

Gender differences in wage employment around the world typically encompass a number of areas including labor force participation rates, wage differentials, working conditions, and segregation by occupation and industry. The remainder of this section examines those differences, why they persist, and strategies for change.

##### ***Gendered patterns in the wage labor market***

In terms of labor force participation, the relationship between economic development and women's rates of participation exhibits a fairly predictable and well-documented relationship. In low-income countries that still have relatively large agricultural sectors and an emphasis on household farm production, the female labor force participation rate is high. In such economies, the distinction between paid work and subsistence farm production is blurred, artificially inflating the number of women who are considered economically active. As countries industrialize, female labor force participation rates decline as the household farm model becomes

less common and more women engage exclusively in non-market activities such as child care and housework. In more advanced economies, participation rates rise again as women combine working in the labor market with raising a family. This trend in women's labor force participation rates as countries industrialize generates a U-shaped function that fits time-series and cross-sectional data for a number of countries at different stages of development (Mammen and Paxson 2000).

Having a job does not always imply receipt of wages. Estimates indicate that there are wide variations in nonwage work by gender and region of the world, where self-employment and farming constitute the major components of nonwage work (World Bank 2012). These variations are clear from Figure 2, which shows that while over 80 percent of women work in nonwage jobs in Sub-Saharan Africa, fewer than 20 percent of women are similarly engaged in Europe and Central Asia. Wage employment for women is highest in Europe and Central Asia (where it slightly exceeds rates for men) and Latin America and the Caribbean (where it is on par with men) and lowest in the Middle East and North Africa and Sub-Saharan Africa. In the Middle East and North Africa, the difference between men and women in terms of wage employment is about 35 percent, while this differential is close to 20 percent in Sub-Saharan Africa.

Moreover, structural transformation that accompanies development implies that market participation rates increase among women, yet women tend to devote a larger share of time than men to activities that are not directly remunerated. This pattern is evident from time use surveys in the four countries depicted in Figure 3. The three categories of time use include income-generating activities (time spent in wage or salaried work, farming, work as owner-operators, self-employment with hired labor, and unpaid family labor in home-based enterprises);

investment (time spent in education, health care, and job search); and other activities (time spent in child care or housework). Across India, Guatemala, Spain and the United States, markedly more women than men are engaged in work that is classified outside the system of national accounts (home-based and care work). Across all four countries, men are more likely to be engaged in income-generating and investment activities, especially in India and Guatemala.

Even when women engage in paid work, they earn less than men on average. Gender differences in wages are an international phenomenon, and the male advantage in wages often persists over time. Gender wage gaps at the economy-wide level tend to be smaller than wage gaps in the manufacturing sector alone, a common pattern evident internationally that largely reflects intense pressures in global manufacturing markets to reduce labor costs, with disproportionate downward pressure on women's wages. Gender wage gaps for full-time workers tend to be smaller than overall wage gaps, a pattern that reflects women's relatively greater representation among those employed part-time (Berik and Rodgers 2010, 2012; Blau *et al.* 2014).

A variety of decomposition techniques have been used to explain these gender wage gaps. A fairly standard approach is to decompose the gender wage gap into a portion explained by differences in observed skill characteristics, and a residual portion commonly attributed to wage discrimination by gender.<sup>5</sup> This residual portion is surprisingly large across industrialized and developing countries. Several studies have used more elaborate decomposition techniques that exploit differences over time or across countries in order to separate characteristics related to the economy's overall wage structure and returns to skill - which have little to do with discrimination - from the residual gap (Juhn *et al.* 1993; Yun 2009). These procedures do not

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<sup>5</sup> This approach was first developed in Oaxaca (1973) and Blinder (1973).

drive the unexplained gender-specific component to zero, suggesting that pay differentials based on unobservable characteristics persist in the labor market.

Global evidence on trends in gender wage gaps is mixed. Some evidence indicates that gender wage gaps have been closing, in part due to narrowing educational gaps.<sup>6</sup> For a number of developing countries including several in Asia, the discriminatory portion of the gender wage gap has increased. Competition from international trade appears to play a pivotal role in increasing wage discrimination against female workers in some countries, an argument that is supported with empirical evidence for South Korea, Taiwan, and India (Berik *et al.* 2004, Menon and Rodgers 2009). These results are contextualized in a framework in which employers pay their female workers relatively low wages, which contributes to a total wage bill that is less than the wage bill of non-discriminatory employers. Competitive forces drive out non-discriminatory employers from the market, leading to the perverse consequence of rising labor market discrimination as economies liberalize trade in sectors in which women workers have low bargaining power and are segregated into certain occupations (Berik *et al.* 2004, Menon and Rodgers 2009).

Gender differences in occupational distributions can play a major role in explaining gender earnings gaps; if women are concentrated in relatively low-paying occupations or if pay structures within occupations are inequitable across gender, then women have lower average earnings than men. With economic development, the distribution of workers across occupations generally changes markedly, with a pronounced shift out of production work into professional and service occupations. This shift reflects people who switch jobs as well as (and more commonly) individuals who move into and out of the labor force. However, as shown in Figure

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<sup>6</sup> For a review of the evidence on changes in gender wage gaps around the world, see Blau *et al.* (2014).

4, the gender distribution of workers across occupations is still noticeably different and occupational segregation has remained a persistent facet of labor markets in developing and developed economies. The figure shows that men are over-represented among skilled agriculture and fishery jobs and skilled craft and trade workers, while women tend to be clustered in clerical jobs and also have a relatively strong presence among service and sales workers and among low-skilled production workers. More importantly, the high-paying legislative and managerial posts are male-dominated across most countries. This occupational segregation is quite similar across developed and developing regions. Women's low representation in the more skilled and higher-status occupations comes at a cost because women possess a distinct set of skills, work styles, and attitudes that could potentially improve productivity at all levels.

Recent evidence indicates that the labor market is becoming more "polarized" in the developing world due to the increasing role of technological change (World Bank 2015). That is, the share of employment in both high-paying high-skilled jobs and low-paying low-skilled jobs is increasing, while the share of employment in mid-level jobs is decreasing. While this polarization may be beneficial globally in terms of increasing overall productivity, individuals with few skills and limited access to technology are likely to suffer disproportionately (World Bank 2015). Women are most likely to fall in this group, both in developed and developing countries.

Increased openness to trade and foreign direct investment in many countries have given women greater access to employment in export-oriented labor-intensive manufacturing. However, women have not benefitted on net from these new paid employment opportunities in cases when employment gains have been accompanied by precarious working conditions and an informalization of work in which jobs have lacked basic legal and social protections. Pressure

from international markets to keep production costs low have increasingly induced firms to offer insecure jobs that are temporary, casual, and flexible.<sup>7</sup> For example, Bhaumik (2003) finds that following India's sweeping trade liberalization in the early nineties, the share of the workforce classified as casual rose relatively more for women workers than men in both rural and urban areas.

Across countries, increases in the proportion of the workforce classified as informal may be partly explained by the growing tendency of final-goods producers to subcontract smaller-scale, home-based operations (Carr *et al.* 2000, Carr and Chen 2002, Gwynne and Cristobal 2014). Home-based workers are predominantly women who work for lower pay (often on a piece-rate basis), receive few (if any) fringe benefits, pay their own utility costs, and work long hours. In view of their informal status, most home-based workers remain uncovered by labor regulations that are expensive and impose costs on producers. They are predominantly new labor-market entrants, women who have lost their formal-sector jobs, or women who need to combine paid work with child care obligations.

Moreover, a large body of evidence across sources from academia, the media, multinational organizations and non-governmental organizations has documented poor working conditions, worker abuses, lack of union rights and discrimination by gender in developing countries in the post-1980 period.<sup>8</sup> Consider Bangladesh - which ranked as the lowest cost producer of garments in a recent survey of 38 countries - in 2006, only 11 per cent of the 190 garment factories surveyed by Bangladesh's Centre for Policy Dialogue were "highly compliant"

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<sup>7</sup> See especially Barrientos *et al.* (2004); Benería (2007); and Barrientos (2013) for more support of these arguments.

<sup>8</sup> On the poor working conditions in developing countries and how they affect female workers, see, for example, Singh and Zammit (2004) and Berik and Rodgers (2010).

with national labor laws, where compliance was measured by a multi-dimensional indicator. This poor compliance outcome in Bangladeshi garment factories was determined to be the product of pressure from brand-name buyers, who are often the principal mechanism of enforcement. Despite these drawbacks, some researchers have argued that jobs in the export sector offer better pay as compared to many other alternatives for women (Kabeer 2004).

### ***Strategies to promote women's agency through wage employment***

Key objectives for achieving gender equality in the labor market include increasing women's wages, greater job security, improvements in terms of employment, closing any remaining gender gaps in schooling, and the creation of new formal-sector jobs. To eliminate discrimination in employment and pay against women, most countries have adopted policies that promote equal treatment in the workplace. In particular, "equal pay for equal work" requires employers to provide equal remuneration for workers performing the same job with equal efficiency, regardless of gender. Moreover, governments have tackled occupational segregation through equal opportunity provisions that prohibit sex-based discrimination in hiring, training, promotion, and firing. Enforcing anti-discrimination measures will provide women with more rewarding career opportunities, and it will also promote essential workforce training that meets growth objectives. Moreover, such measures may aid in eliminating workplace biases that counteract improvements in education and experience that women have achieved. Although issues such as gender segregation in the workforce still need to be addressed separately, designing and implementing policies of this nature should serve to sustain and improve women's labor force participation. Examples include antidiscrimination laws that were implemented in South Africa and Ghana (Barrientos *et al.* 2003, Chen 2009).



Measures such as safe workplace conditions, overtime pay and paid benefits, although potentially costly to implement, promote lower turnover rates, improve well-being for workers, and contribute to extended firm-specific tenure (Lawler and Atmiyanandana 2000, Selwyn 2007). These measures need to be provided to a broader range of workers by removing exemptions (which may apply disproportionately to women if part-time workers are exempt, for example), promoting awareness of benefit availability, and strengthening enforcement efforts, where enforcement is often difficult in the context of a developing country. With this pressure and the negative consequences of media exposure in the case of poor working conditions, corporations are paying more attention to labor standards in the countries where they produce or buy their products. Most major retailers and manufacturers now have their own compliance programs, with each program establishing a set of guidelines under which a factory must operate. Programs are administered by company-employed inspectors or by independent audit companies. The prevalence of these codes of conduct and firms' efforts to enforce them in the factories from which they source may go a long way towards improving working conditions and towards reducing the incidence of forced labor in textiles and clothing. Even if consumer-led corporate codes of conduct are proliferating, relying on companies to self-regulate compliance is insufficient, especially in light of strong consumer demand for low-cost clothing, the lack of agreement among corporations and monitoring groups over a common set of labor standards, and the large number of factories and subcontractors that remain outside the scope of private monitoring efforts. Rather than codes of conduct, efforts to improve working conditions ought to focus on government enforcement and the strengthening of women's labor rights through collective bargaining.

Crucial to bolstering women's progress toward equality in the formal sector, maternity leave benefits allow women to keep their position with a particular employer while they take time off to care for a newborn.<sup>9</sup> In terms of labor market impacts, studies on maternity and parental leaves have generally found that these policies have a positive impact on women's employment, although these impacts are not always statistically significant.<sup>10</sup> This positive employment effect is interpreted as an indication that women value the financial benefits of paid leave and the opportunity to return to their current employers after childbirth. These studies have generally found maternity benefits to have a negative wage effect reflecting variations in such factors as mandated versus voluntary provision by firms, financing by national insurance, maternity leave duration, and the wage compensation rate. If public funding covers beneficiary payments, then wages will not decline as much if at all. In addition to supporting women's efforts to remain and advance in the labor market, maternity benefits can contribute to the health of an infant by allowing women in the labor force to spend more time at home following child birth.

In addition, public support of out-of-home child care services helps to relieve the time and budgetary constraints that women experience. Public support of child care also helps women to compete on a relatively more level playing field in the labor market, given that women's greater work burdens at home make it more difficult for them to maintain labor force attachment levels equal to those of men. Public support for early education programs also benefits those

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<sup>9</sup> Parental leave policies have similar terms, except that new fathers are also eligible to use the benefits. In most countries, however, parental leave is predominantly taken up by women.

<sup>10</sup> Developing country studies on the employment and wage effects of maternity leave benefits include Zveglic and Rodgers (2003) for Taiwan, and see Kim (2011) for South Korea. For a review of industrialized country parental leave effects, see Ferrarini and Norström (2010) and Betcherman (2012). Betcherman also cites the dearth of empirical work for developing countries on maternity and parental leave benefits.

children who otherwise would receive inferior-quality care from alternative providers, as well as children who otherwise might have to accompany their mothers to work, possibly in unhealthy environments. For example, Attanasio *et al.* (2013) find that community nurseries in Columbia, which made it easier for mothers to be employed, increased child height (a long term measure of child development). Public support of child care services also promotes higher levels of educational attainment among older children, especially girls, who may otherwise be withdrawn from school to care for younger siblings. There was some evidence for this schooling effect in the earliest generation of micro-finance programs where loans were found to have a positive impact on boys schooling but only weak effects on girls schooling. For example, Pitt and Khandker (1998) find that a one percent increase in credit from the Grameen Bank to women participants increases the school attendance of girls aged 5-17 years by almost two percentage points, but loans from other microfinance organizations such as the Bangladesh Rural Advancement Committee or the Bangladesh Rural Development Board's RD-12 program have no effect. The authors hypothesize that this effect arises from the close substitutability of women's and girl's time in household production; girls may now be more responsible for home-based work when their mothers become participants of these programs.

Depending on the types of activities in which women choose to engage, public support of vocational training can be useful in preparing women for better-paying jobs. For instance, Attanasio *et al.* (2011) find that a training program in Columbia was successful in increasing women's work and earnings. This publicly-funded program targeted both young men and women ages 18 to 25 and coupled classroom training in administrative and hands-on occupations with on-the-job training for three months. The trainees received a stipend for attending the program, with individuals having child care responsibilities receiving a slightly larger sum.

Results indicate that women in the program earned about 20 percent more and had about a one percent greater probability of being gainfully employed, particularly in formal sector jobs. Other studies targeting women in developing countries have found that when both training and cash grants are provided, cash grants generally have little effect on outcomes such as profitability mainly because cash is fungible. Training however does have a significant effect, but this effect may not be long-lasting (de Mel *et al.* 2014, Fafchamps *et al.* 2014).

Closely related is the need for training programs built around women's labor market intermittency due to child care, to help promote their employability upon re-entry into the workforce. Women may also face more barriers than men when they first enter the labor market, thus providing a rationale for policies that facilitate the transition of women from school to their first job. Finally, to better reach women in the informal sector and in remote areas, specially-designed training programs, such as those that are community-based or geographically mobile, can provide training opportunities to women who otherwise remain isolated from standard education and training initiatives. As Glewwe and Kremer (2006) and World Bank (2011) note, most of the curricula in schools in developing countries are tailored to the elite, which means that most individuals – especially girls and women – gain very little from schooling. Gains would be limited even if their enrollment rates were to increase.

Gender-sensitive policies to increase educational attainment and promote skill development for women and girls help to meet current economic needs and also build the capacity of the labor force to satisfy future demands. For example, cross-country evidence in Islam and Amin (2016) indicates that developing countries that have relatively higher school enrollment rates at the primary, secondary, and tertiary levels also have a higher proportion of women among the top management positions in corporate boards. Not only do these higher

enrollment rates mean a greater supply of qualified women to attain management positions in private firms, they also help to change deeply entrenched social norms about gender roles in school and in the labor market. As demonstrated in Alesina *et al.* (2013), attitudes about gender roles can indeed be deeply engrained and be passed along from one generation to the next. Moreover, relevant policies focus on identifying and tackling gender norms that lead to the clustering of girls in what are considered appropriate fields. This clustering in turn constrains their employability. Such policies also include initiating mentoring programs in which women who have successfully broken the glass ceiling serve as mentors to younger women in the labor market. Promoting skills development also includes improving the quality of education.

Although many developing countries have increased educational enrollment – especially in primary schools – there are still substantial disparities by gender. For example, UNESCO (2002) reports that around 56 percent of the 113 million school-age children who are not enrolled in school are girls. Further, in poor countries, while gross enrollment in primary school is about 107 percent for boys (where the gross enrollment rate measures the number of enrolled children in a specific level of school, regardless of age, as a proportion of the population in the usual age range associated with that level), it is lower at 98 percent for girls (Glewwe and Kremer 2006).<sup>11</sup> The gender gap is even wider in secondary school. For example, there were 79 African girls for every 100 African boys in secondary school in 2008 (World Bank 2011). Further, the quality of education in these countries is sub-standard and in general, primary and secondary school students in many developing countries learn far less than their direct comparison group in developed countries (Glewwe and Kremer 2006). Combined with their relatively low enrollment

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<sup>11</sup> Gross enrollment rates of over 100 percent do not indicate that every school-aged child is in school. Factors that can increase the enrollment rate include grade repetition, delayed enrollment, and inflation of numbers of children actually attending school by teachers and principals (which can often happen in developing countries given misaligned incentives).

rates, girls in less developed countries are at a significant disadvantage when it comes to both the quantity and quality of schooling.

## **V. Gender Equality and Economic Development**

A better understanding of the linkages between gender inequality and economic development will help to devise win-win policy strategies that strengthen women's agency and promote economic growth at the same time, yet the relationship is complex. Considerable debate has emerged regarding both the direction of causality and the distributional consequences. Economic development can empower women and reduce gender inequality in health, schooling, labor-market outcomes, rights, and political voice, just as shrinking gender gaps in these measures of well-being can contribute to economic development (Duflo 2012). Theoretically, rising income levels can narrow gender inequality through such channels as the demise of traditional structures that reinforce human capital differences between men and women, the increase in opportunity cost of women's time outside of the labor force, the strengthening of women's economic and property rights, and the introduction of labor-saving consumer durables that technological progress embodies.

Yet economic growth does not necessarily mean inequality will decline, especially if unpaid work burdens, biased laws, differential access to resources, and social norms continue to constrain women's ability to take advantage of new opportunities. Gender differences in the drivers of labor market opportunities play a crucial role in constraining women's advancement in the labor market and in achieving gender equality in the labor market (World Bank 2011; Rodgers and Zveglic 2014). These drivers include household dynamics (especially women's relatively greater time burdens in performing unpaid household work); formal institutions (including land laws geared toward household heads who tend to be men); markets (particularly

unequal access to credit, agricultural inputs, and investments in human capital); and informal institutions (such as employers' misinformed attitudes toward women workers and social norms that restrict women from engaging in market-based work). These drivers are reinforcing and can generate persistent obstacles that limit women's advancement in the labor market.

In the reverse direction, gender inequality can harm economic growth through a complex set of channels including relatively poor health and educational attainment for women, inefficient allocation of resources, suboptimal governance in business and governments, and reduced aggregate productivity. Yet some aspects of gender inequality may well induce more rapid economic growth especially in the short term when women's concentration in low-paid jobs helps to keep labor costs low and improves competitiveness in world markets. Given these complexities, ultimately the question of how gender equality and development interact comes down to the empirical evidence, and there has been a growing body of work that substantiates the different arguments.

### ***Growth affects gender inequality***

A number of studies have shown causal links between economic growth and gender inequality, with inequality improving or worsening depending on the gendered indicator under consideration. Evidence indicates that economic development reduces the disadvantages faced by women, especially in educational attainment, life expectancy, and labor force participation (World Bank 2011, Duflo 2012). Economic development brings higher incomes and improved service delivery which helps to close gender gaps in educational attainment, health outcomes, and employment. In some countries, technological improvements work to women's relative advantage as the returns to cognitive skills rise relative to the returns to manual skills.

Economic growth has also provided opportunities for girls and women to embark on education and labor market tracks from which they had previously been hindered by traditional institutions. For example, low-caste girls in India have increased their enrollment in English language schools, thus preparing them for a broader range of jobs in the global economy, while traditional networks have still channeled low-caste boys into local language schools (Munshi and Rosenzweig 2006).

A way in which growth can mediate women's welfare is by creating the need for structural changes that indirectly benefit women. For example, economic growth is associated with greater public investment in infrastructure that saves women time from collecting water and fuel, thus freeing up their time and other resources to engage in paid work or alternate remunerated activities. This type of transformation has been documented in countries like South Africa, where the mass roll-out of electricity to rural areas caused women's employment to rise by as much as 9.5 percentage points while men's employment did not change (Dinkelman 2011). And in Morocco, while women's employment did not change as a result of providing credit to households to finance connections to piped water, households reported greater leisure time and less stress and conflict over water-related issues (Devoto *et al.* 2012). Conclusions about economic development freeing up women's time hold not only for infrastructure, but also for labor-saving appliances and devices. Development brings technological innovations that result in the creation and dissemination of labor-saving machines. Historically, in the United States, the availability of household appliances that reduced time devoted to household chores played an important role in boosting women's labor force participation in the past century (Greenwood *et al.* 2005).



More generally, growth can improve multiple dimensions of women's well-being. Forsythe *et al.* (2000) found that economic growth from 1970 to 1992 led to improvements in overall women's status as measured by the United Nations Development Program's Gender-related Development Index. And in the area of economic rights, economic growth is strongly associated with legal reforms that have brought women stronger rights in the area of family law, reproductive health, protective legislation in the labor market, domestic violence, and ownership of assets such as land. Women have gained these rights for a number of reasons, including pressure from multinational agencies such as the International Labor Organization, increased capacity of national governments to legislate and enforce women's rights, and persistent advocacy and organizing efforts by women's rights groups around the world (Htun and Weldon 2012; World Bank 2011).

Yet economic growth may not be sufficient to improve gendered well-being in all its dimensions. A case in point is technological change, a key driver of economic growth, which can sometimes work to women's disadvantage. Several studies have shown that in middle- and higher-income economies, women have experienced displacement from low-paying jobs in manufacturing industries that have begun to upgrade their technologies, reduce the size of their workforce, and move production to lower-wage countries. In particular, Tejani and Milberg (2016) find that in Southeast Asia and Latin America, the capital intensity of production has a negative effect on the percent of workers in manufacturing who are female, even more so than export growth. The authors interpret this result as a shift in labor demand away from women as a result of industrial upgrading. Looking at specific countries, in the case of Mexico, technological upgrading and rising capital intensity of export-oriented manufacturing has been linked to a relative decline in employment opportunities for women (Fussell 2000). Even in

lower-income countries, women can experience job displacement when technological change makes traditional female jobs redundant and when women face barriers to training for new jobs. For example, the adoption of new rice-husking equipment in India's food processing industry and new technologies in India's textiles and garment industry led to job losses for women (Jhabvala and Sinha 2002).

Without generation of employment opportunities that actually support decent livelihoods, pursuing policy priorities such as increased access to child care services may be insufficient to promote gender-equitable well-being. Employment generation left to the devices of the market in a context of an ultra-competitive global environment, labor-displacing technological change, and in some countries, austere macroeconomic policies, is likely to result in insufficient high quality jobs that women can access. If successful, public action to improve the quality of labor may simply increase the educated unemployed and erode the returns to skilled labor, especially in environments where it is difficult to credibly monitor and enforce international labor standards that would create circumstances where high-quality labor may be appropriately compensated. Hence, to achieve gender-equitable well-being, both micro- and macro-oriented interventions may be necessary.

### ***Gender inequality affects growth***

In the reverse direction, gender inequality can also have a causal impact on economic growth. A growing body of empirical evidence indicates that gender inequality can promote certain macroeconomic aggregates when considering shorter-term effects, while gender inequality serves as a drag on growth when considering longer-term effects.<sup>12</sup> In particular, gender inequality in wages and employment can actually stimulate export growth in the shorter

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<sup>12</sup> This discussion on gender inequality and economic growth is based on a comprehensive review in Berik *et al.* (2009).

term. Since the 1970s, women's jobs in highly competitive export industries (especially garments, textiles, and electronics) have been important in generating foreign exchange, resulting in an increasing feminization of foreign currency earnings in a number of countries (Seguino 2010). Reliance on women workers in labor-intensive, export-oriented manufacturing has become a common pattern across high-growth economies as women's share of manufacturing employment rose during their export drives. While the concentration of women in export manufacturing has received the most attention, even in agriculture, women's seasonal or daily wage labor on farms has proven critical to keeping costs low and export demand high.

In the longer term, gender inequality in education and employment can act as a drag on development. Educational inequality can contribute to women's unequal household bargaining power which could potentially reallocate household spending away from children's needs, thereby reducing the quality of the future labor supply and long-run productivity growth. Systematic differences in investments in girls' and boys' education can be inefficient due to distortions in skill levels that channel men and women into gendered occupations. Social norms can influence gender-specific educational choices, which in turn can result in a suboptimal allocation of skills. These arguments are supported with cross-country evidence in Boschini (2003) showing that the presence of gender stereotypes reduces skill acquisition, technological change, and economic growth. Moreover, Klasen and Lamanna (2009) also found a substantial negative effect of gender gaps on growth. Their analysis of 93 countries over a 40-year period indicates that countries with wider gender differences in labor force participation rates grow more slowly, with simulations showing lower growth in the Middle East, Northern Africa, and South Asia due to this effect. Closely related, greater equality in education can help to boost

Foreign Direct Investment (FDI) by expanding the pool of skilled labor, which, in turn, boosts economic growth (Busse and Nunnenkamp 2009).

Yet the empirical evidence is not conclusive and in a meta-analysis of studies that use regression analysis of cross-country datasets, Bandiera and Natraj (2013) conclude that this body of work cannot definitively demonstrate a causal link from gender inequality to economic growth. This failure is mostly due to the difficulties inherent in this methodology in identifying the direction of causality, the underlying mechanisms linking inequality and growth, and the impact of legislative changes. Another criticism is that cross-country regression analysis implicitly assumes that the role of gender inequality is similar across countries, ignoring the role of country-specific factors. These weaknesses can diminish the plausibility of claims that link gender inequality to growth. Although most cross-country regression analyses include controls for regional differences, the research strategy generally does not evaluate the effect of differences in economic structure among countries.

Bandiera and Natraj (2013) favor more emphasis on microeconomic analyses, especially those utilizing randomized-controlled trials and field experiments, to address these limitations in the literature. This recommendation is effectively taken up by Duflo's (2012) review of the literature on women's economic empowerment and economic growth which focuses primarily on such microeconomic analyses. Duflo concludes that in the face of persistent biases about women's abilities and the lack of a clearly documented virtuous circle between women's empowerment and economic development, gender-equitable policies continue to be necessary to actively promote equity in health, education, wages, employment, rights, and political voice.

## **VI. Conclusion**

Although globalization has been seen primarily as a positive development, women constitute the largest group who have not benefitted to the extent they might have. For many developing countries, the emphasis on maintaining competitiveness in the world market has meant staking a claim to the low-wage niche, resulting in downward pressure on women's wages and segregation into jobs characterized by insecurity and poor working conditions. At the micro level, women's labor market participation has risen without any relief from domestic obligations. In order to facilitate more inclusive growth, these structural drivers of women's employment call for policy reforms that promote decent and productive employment opportunities, an overall environment that supports their roles as income and care providers, and greater public investment in infrastructure and social services.

Economic growth alone is not sufficient to lead to complete closure of gender gaps in human capital, wages, rights, and voice; policy reforms are still required to ensure gender equality. The rationale for such policy actions is clear: not only do they enhance equity, which is an enormously important objective in and of itself, but they also contribute to overall economic development. Of particular importance is a transformative approach that boosts the remunerative value and security of women's jobs, improves the compatibility of women's market work with child care, and promotes women's economic empowerment so that women in the informal sector become less marginalized and more integrated in the labor market. Policies that promote economic empowerment include providing women with greater access to credit, strengthening women's property rights, improving the productivity of women farmers, promoting skills development for women beyond gender stereotypes, and implementing gender-responsive social protection measures. The bottom line of most of these reforms and programs is that more effective targeting can work to reallocate constrained resources in socially optimal ways.

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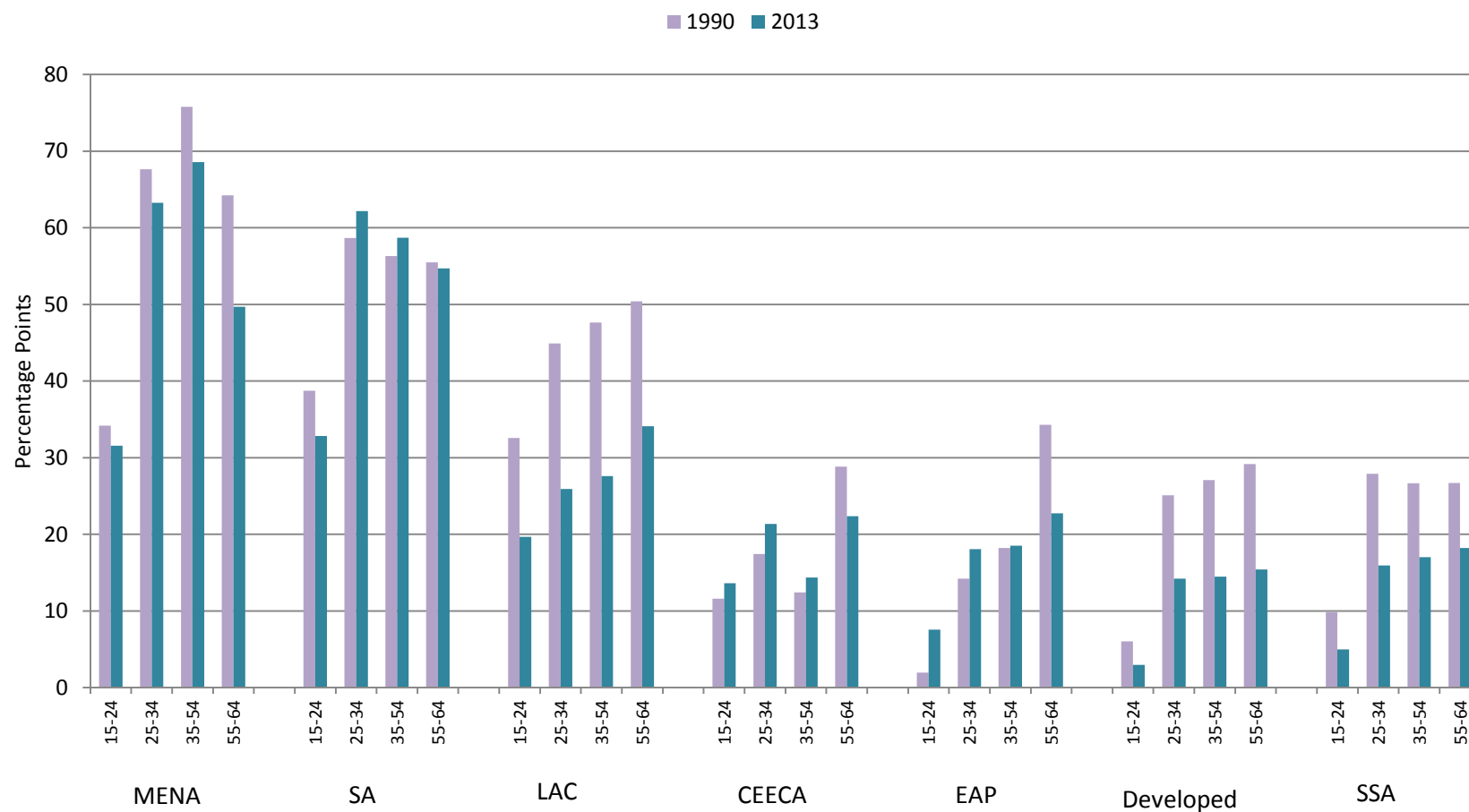


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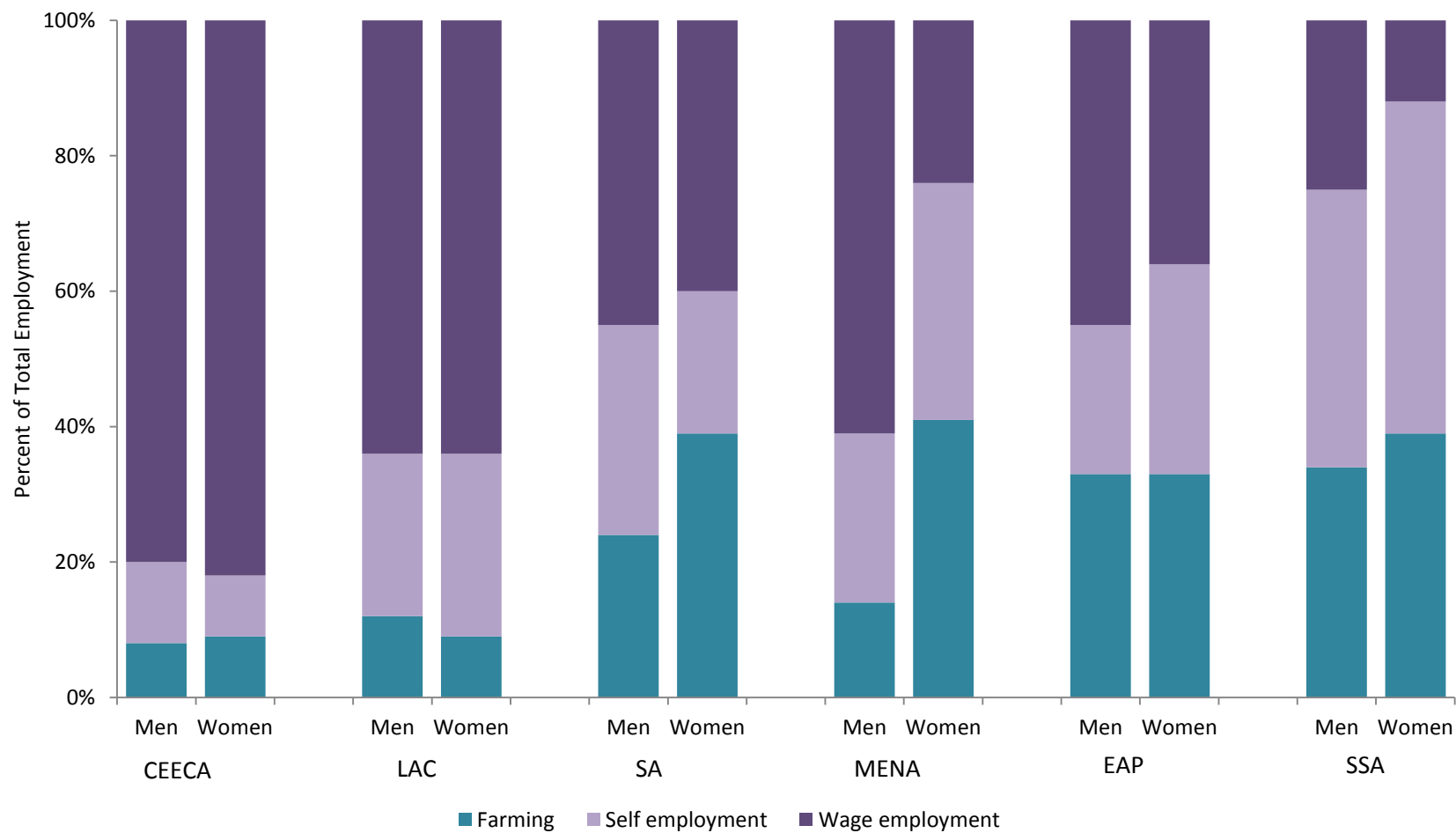
**Figure 1.** Male - Female Difference in Labor Force Participation Rates by Age and Region, 1990-2013



**Note:** MENA is Middle East and North Africa, SA is South Asia, LAC is Latin America and the Caribbean, CEECA is Central and Eastern Europe and Central Asia, EAP is East Asia and the Pacific, Developed is developed economies, and SSA is Sub-Saharan Africa. Countries in the regional groupings specified in UN Women (2015). All averages are weighted by population.

**Source:** Figure constructed from data publicly available in UN Women (2015).

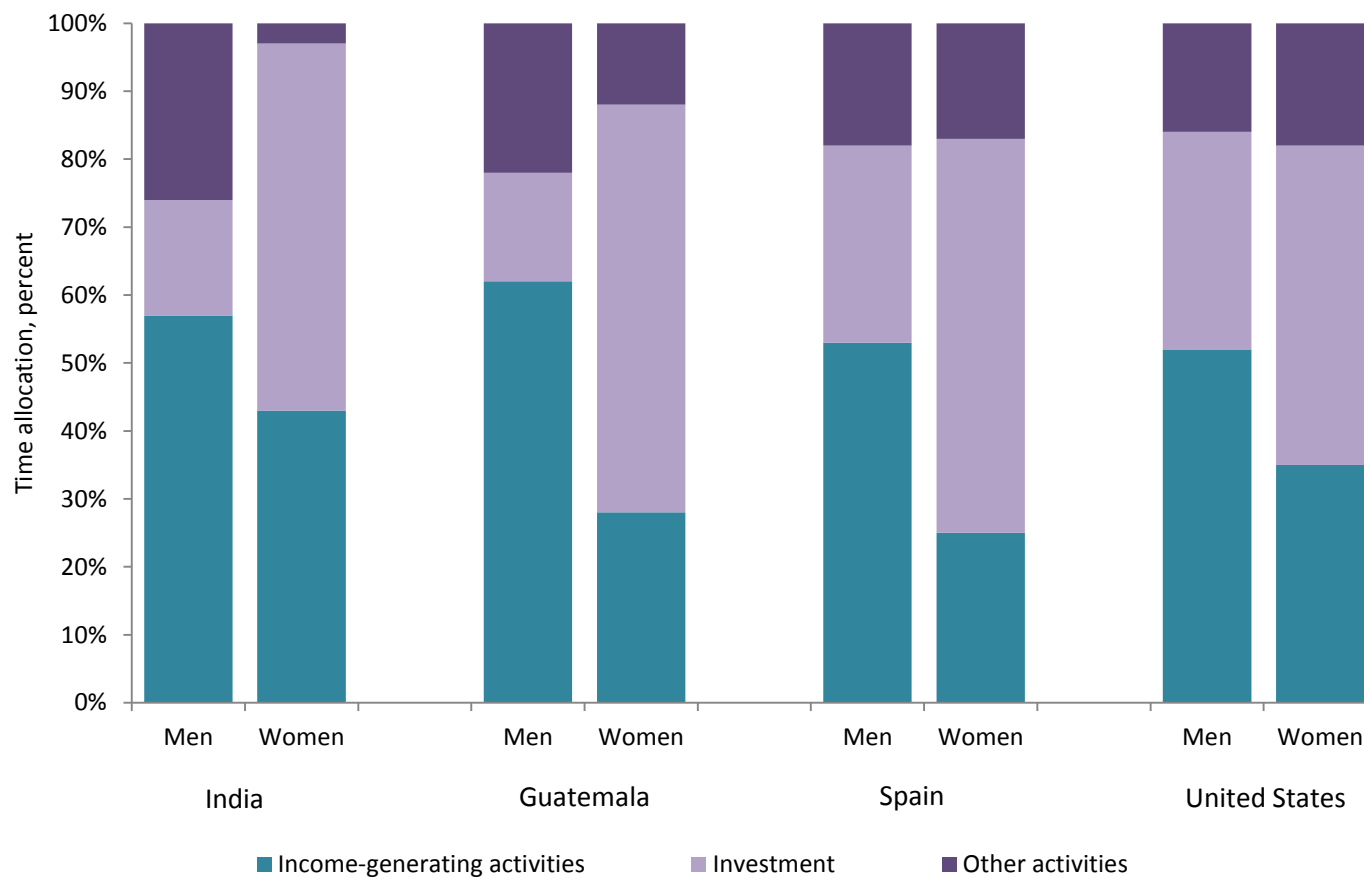
**Figure 2.** Percent Female in Wage and Nonwage Employment



**Note:** Data are for the most recent years available.

**Source:** Figure constructed from data publicly available in World Bank (2012).

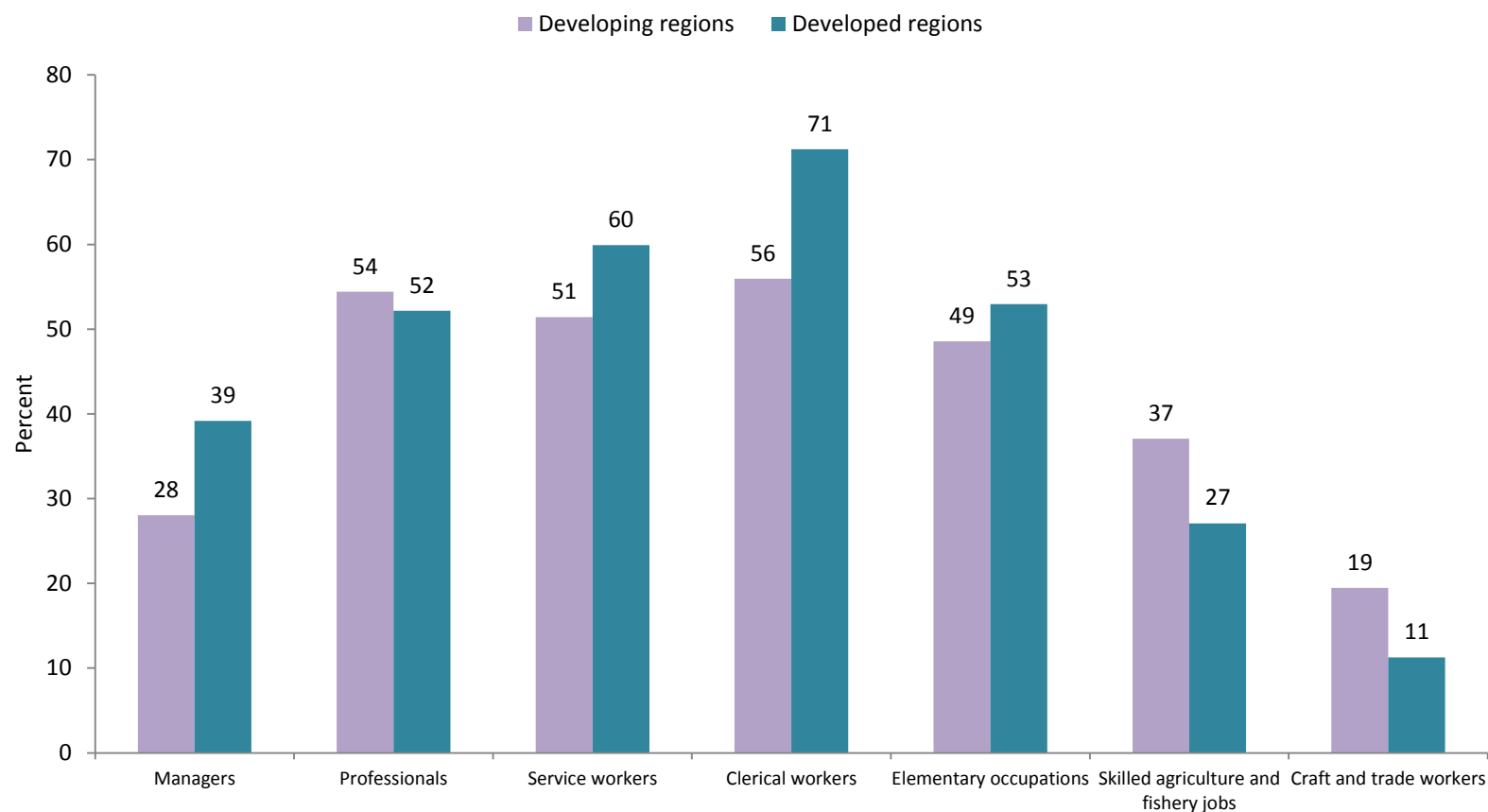
**Figure 3.** Distribution of Time Spent in Income-generating, Investment and Other Activities by Gender, Selected Countries



**Note:** Leisure and other activities involved in consumption such as shopping and social time is excluded, as is time spent in sleep.

**Source:** Figure constructed from data publicly available in World Bank (2012).

**Figure 4.** Percent Female in Major Occupation Categories by Level of Country Development, 2013



**Note:** Weighted averages for 74 developing countries and 25 developed countries.

**Source:** Figure constructed from data publicly available in UN Women (2015).