



The business case for gender equality:

Key findings from evidence for action paper

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This research finds critical evidence linking improving gender equality to many key factors for economic growth.

- DFID's eight key factors for economic growth have been used as a framework for prioritising and organising the evidence: human capital, physical capital, the rule of law, competitive markets, macroeconomic stability, infrastructure, openness to trade and investment and increased agricultural productivity.
- It also sets out how the achievement of the MDGs relating to gender equality will help secure achievement of the other MDGs and presents a set of strategic policy options and recommendations.
- A mini survey was conducted with global businesses to gauge their views on the business case for gender equality.
- Two case studies were developed to demonstrate the linkages.



Gender equality can contribute significantly to economic growth through increasing the stock of human capital, physical capital, market competitiveness and agricultural productivity (1)

1. Gender equality can provide a crucial increase to the stock of human capital in the economy.

More educated women can undertake higher value economic activity: MENA and SSA may have had appreciably higher growth if they had matched the level of gender equality in education achieved in East Asia and the Pacific

Women devote more household resources to the health and education of their children

Women with more control over their fertility, and who are more educated, will have fewer children allowing a demographic dividend to be exploited

Improved maternal health allows women to contribute to productive activities

2. Gender equality fosters higher labour productivity.

To maximise growth potential from educating women, they need to access productive employment.

As gaps in inequality in education have narrowed, the importance of gender inequality in employment has increased. For instance, while the gender gap in education in Sub-Saharan Africa has fallen by two-fifths, inequality in employment has remained constant.

Gender discrimination in employment may now be a larger drag on growth than discrimination in education.

Evidence from India shows that gender barriers that lower the talent of the labour market can have significant impacts: increasing the ratio of female to male managers by 10 per cent could lead to a 2 per cent increase in per capita output



Gender equality can contribute significantly to economic growth through increasing the stock of human capital, physical capital, market competitiveness and agricultural productivity (2)

3. Enhanced gender equality attracts investment in physical capital.

A more productive workforce, through greater equality in employment and education, increases expected rates of return, which in turn attracts investment, boosting growth.

A more equal distribution of income – through improving women’s wage rates – can also lead to higher formal savings, which can be channelled through the financial sector as capital for new investments.

Also some evidence that women make more productive investments than their male counterparts, although this remains contested.

4. Gender discrimination is inefficient & lowers agricultural productivity.

Unequal distributions of resources, including credit extension, labour and fertilizer, create inefficiencies such as significantly lower yields and subsequently lower profits which significantly reduce incomes in some countries.

This is especially true for those countries such as in sub-Saharan Africa where agriculture represents a large proportion of the total economy and where a high number of women participate in the sector.



There are possible linkages between gender and the other key factors for growth, but the evidence is inconclusive.

- **Rule of law** Improving gender equality is associated with lower levels of corruption. In particular, a higher share of women in the labour force and as members of parliament may lead to less corruption.
- **Macroeconomic stability** Enhanced female political participation can lead to a different role for government, with most studies suggesting that extension of female suffrage leads to the adoption of more redistributive policies and policies with a greater social insurance element. The links between government adoption of such policies and economic growth remains contested.
- **Provision of infrastructure** More political representation for women is associated with provision of a different mix of public goods. Female village council heads in India are found to have invested more in infrastructure directly relevant to the needs of their own gender than their male counterparts. Whether this infrastructure is more conducive to growth has not been established.
- **Openness to trade and investment** Trading opportunities will be enhanced by greater human and physical capital, thus improvements in these characteristics through gender equality can boost the potential for trade and economic growth. While women face barriers in small scale border trade, there are no estimates of the impact of this on economic growth.



Main lesson for policymakers: Understanding context-specific rather than general conditions can maximize the economic growth impact of gender-related investments.

Overall precondition

The key constraints on economic growth must be susceptible to influence by gender equality policies e.g lack of human capital. By contrast, if the key barrier to growth is, for instance, economic or financial instability, then gender equality will not lead to large growth dividend.

MDG 3 on gender equality

- cultural/legal barriers to female participation in workforce are low
- country is already industrialising with export focussed manufacturing sector
- education opportunities extended to secondary and tertiary education
- quality of education received is high

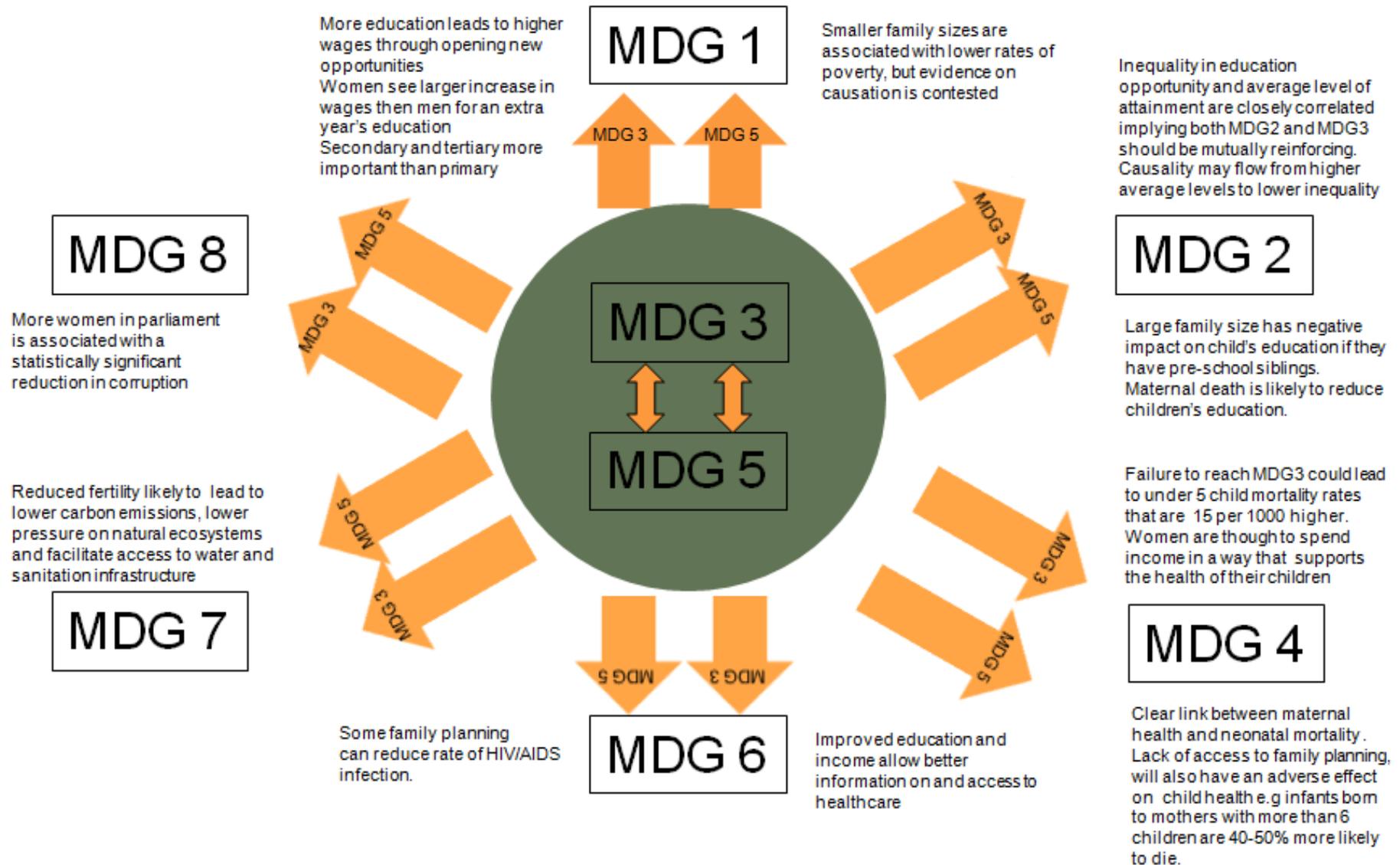
MDG 5 on maternal health

- death rates are low but birth rates are high

Removing gender discrimination in agriculture

- subsistence and small-scale agricultural holdings predominate
- reasons for gender bias in distribution of agricultural resources are addressed

Relationship between MDG 3 & 5 to other MDGs:





Recommendations (1) Increase targeted investments in gender equality

- Investments in gender equality can increase economic growth and contribute to the achievement of the MDGs, including those that are not explicitly gender related.
- National governments and development organisation should be considering gender equality as part of their policy toolkit to deliver growth in the same way that they consider, for instance, infrastructure development or microeconomic reform.
- Within the MDGS, increased investment in MDG3 should be used as a particularly important component of strategies to meet MDG1 (on eradicating poverty and hunger) and MDG4 on reducing child mortality while investments in MDG5 should be seen as an integral component of strategies to meet MDG4.



Recommendations (2) Target gender-equality investments to leverage the greatest development benefits

- It is critical to target investments through identifying the key drivers and constraints on growth as they relate to gender equality at national and sub-national level. The strength of these links will determine the impact of different types of gender-equality investment. For example:
- Investments in promoting education and employment opportunities (i.e. those associated with meeting MDG3) will deliver the largest growth benefits where there are low cultural barriers to female participation in economic life, in countries that are already industrialising and where the quality of education received by women is of sufficiently high quality.
- Investments in family planning (MDG5) are most likely to lead to significant economic growth where countries have low death rates but high birth rates.
- Investments in promoting gender equality in agriculture will see the largest economic benefits in countries where subsistence and small scale agricultural holdings predominate and the reason for this discrimination is understood.



Recommendations (3) Support the development and implementation of integrated strategies to maximise effect on women's incomes.

- Women can maximize benefits from equal access to education if they can capitalise on their skills in the labour market. As equality in education is improving in most countries, inequality in employment opportunity is becoming the greater drag on growth. Integrated strategies for education and employment have the potential to create virtuous circles: girls who receive greater education and can exploit these skills to gain employment will see increases in household income; if they retain control of this income it is more likely that a greater proportion will be spent on their children's health and education.
- A focus on employment opportunities appears to be particularly important in MENA. This region has experienced significantly lower growth than East Asia and Pacific: estimates suggest that 4 times as much of this gap is a result of lack of employment opportunities as it is a lack of education opportunities.



Recommendations (4) Expand investment in secondary and tertiary female education, especially in middle-income countries.

- More investments should be targeted at secondary and tertiary levels of education. Increasing education opportunity for women at these levels is more likely to have a greater impact on growth at the country level, especially in middle income countries.
- For instance, at a country level, it has been estimated that, where at least 10 per cent of females have secondary education, an increase of one percentage point in the share of adult women with secondary school education increases per capita income growth by 0.3 percentage points (Dollar and Gati, 1999).
- At an individual level, women typically see larger increases in wages for an additional year's schooling than men, and this effect appears particularly strong if girls complete secondary education. This recommendation is consistent with earlier evidence that DFID has collected on the importance of secondary and tertiary education.



Recommendations (5) Invest in creating the right conditions for gender equality to lead to growth.

- Where conditions in countries do not enable gender equality investments to generate economic growth, efforts should be focused on removing the barriers to the functioning of these transmission mechanisms. If these barriers can be successfully removed, it is more likely that national governments, and individuals within those countries, will take the lead on promoting gender equality for reasons of national-interest rather than because of extended pressure.
- For example, in Cambodia and Bangladesh, families have bucked conventional trends by focussing resources on educating girls recognising the income benefits they will receive from more educated girls entering into employment in the textiles sector. The key conditions under which different aspects greater gender equality are likely to promote economic growth are discussed above.



Recommendations (6) Accelerate access to comprehensive, culturally sensitive, family planning services and improving maternal health.

- These are highly cost effective medical interventions in themselves. One study has estimated that for every dollar spent on providing modern contraceptives, \$1.40 would be saved in medical care costs. The cost effectiveness of improving maternal health care is also high.
- They will also realise wider benefits
 - By reducing the unmet need for family planning, smaller family sizes can facilitate a reduction in household poverty and help ensure that children attend school rather than look after younger siblings or going to work.
 - Through reducing population pressure, it may enhance efforts to promote environmental sustainability.
 - Greater investment in maternal health will improve children's education opportunities: children with healthy mothers are both more likely to survive their infant years and then acquire formal schooling.



Recommendations (7) Develop high profile partnerships with emerging economies to promote gender equality.

- Emerging economies are increasingly involved in development cooperation with poorer countries.
- The evidence that gender equality enhances growth is most visible in industrialising, export oriented economies, especially in South Asia. Such an approach can provide opportunities for joint leadership to low income countries that are increasingly seeking to emulate the models of fast growing emerging economies.



Recommendations (8) Establish a high level panel with senior business figures to build and strengthen the commercial case for gender equality.

- A mini-survey conducted with major global businesses suggests that companies are not yet persuaded that gender equality is good for their bottom line. However, there is an increasing appreciation of gender equality as a component of future consumer demand and skilled labour development.
- Identifying how the macro-economic benefits of gender equality could flow to individual firms and their suppliers might stimulate private investment in gender equality along supply chains, especially in employment and training opportunities for women.
- The findings of this panel should be published in different formats including assessment tools for businesses as well as leaflets for engagement with national and local businesses. Businesses at different level – global, national and local – can be cultivated in this manner as effective advocates for gender equality.



The impact of gender equality on key factors for growth

Key factor	Transmission mechanism	Evidence
Human capital	More educated girls and women can undertake higher value economic activity	Context specific. Appears strongest where export focused manufacturing base and few cultural barriers. Secondary and tertiary education important
	Greater control for women in the domestic sphere (household resources and family size) augments the human capital of the next generation	Women are more likely to spend household income on children. Large family size may not always adversely impact education; strongest evidence is on effect of pre-school children on older siblings' education
	Greater access to family planning leads to declining fertility and a demographic dividend	Significant impact so long as other preconditions for growth in place
	Better maternal health increases the number of women who can participate in the labour force	Little evidence is available on the impact on economic growth and more specific studies are required
Competitive markets	Improving gender equality can make labour markets more competitive	Growing in importance over time. Often inequality in employment has larger effect on growth than inequality in education.
	Increasing the entrepreneurial opportunities for women increases the competitiveness of product markets	Well-documented evidence on legal barriers in some countries, but no empirical link made with growth
Physical capital	Higher domestic savings rates through more equal distribution of income allowing greater investment	Evidence focused in semi-industrialised countries
	Gender equality increases the profitability of investment	Small impact as higher skilled women raise expected rates of return
	Women make more productive investment decisions	Mixed evidence. Women may focus on using profits to purchase household goods rather than re-invest into business, especially during child-bearing years



The impact of gender equality on key factors for growth II

Key factor	Transmission mechanism	Evidence
Rule of law	Precise transmission mechanism unclear	Small but significant relationship between rising female participation and lower levels of corruption
Infrastructure	Women prioritise different public goods to men	Unclear whether alternative priorities generate higher growth
Agricultural productivity	Discrimination means resources are not allocated efficiently across household plots	Household income in Africa could increase by up to 25 per cent; conditional upon cultural context.
Openness to trade	Discrimination prevents women engaging in trade.	Significant localized evidence but no attempt to assess overall impact.
Macroeconomic stability	Female suffrage leads to different role of government in economic sphere	Limited evidence to suggest that women prefer redistributive policies and possibly lower deficits. Link to growth not yet established.