Strengthening Economic Growth Through Investments in Gender Equality

To promote economic growth, reduce poverty, and build healthy communities, women and girls must have greater access to and control of key resources and opportunities. Addressing the needs of women and girls as part of efforts to promote economic prosperity will have huge spillover benefits; it will foster economic security and stability for women and men, their families, and whole communities.

BENEFITS: How gender equality and women’s empowerment are critical to economic development

**Increasing women’s income can lead to higher consumption spending**
- Increased female labor force participation positively correlates with growing household income.
- Boston Consulting Group predicts that women worldwide will control $15 trillion in spending by the year 2014, and by 2028, women will be responsible for about two-thirds of global consumption spending.¹

**Facilitating women’s entrepreneurship benefits economic development**
- Women-owned firms represent a significant share of employment generation and economic growth potential. In East Asia and Pacific, Eastern Europe/Central Asia, and Latin America and the Caribbean women-owned enterprises are less than a quarter of all enterprises (20%, 24% and 20% respectively).² The percentage is lower in the Middle East/North Africa, Africa, and South Asia (13%, 10%, and 3% respectively).³ Women’s entrepreneurship is largely skewed towards smaller firms.iv
- Some research has shown that women-owned firms have significantly higher annual sales growth than men.⁵ Female-owned enterprises generate as least as much employment as male-owned enterprises.⁶,⁷ And women entrepreneurs tend to employ proportionately more females than male-headed firms.⁸

**Increasing gender equality correlates with less poverty**
- According to the World Bank, the poverty incidence tends to be lower in countries with greater gender equality. Countries with more gender equality rank higher on the UN human development index.ix
- Women account for one-half of the potential human capital in any economy; x where gender gaps are narrowing, economies are more competitive and prosperous.xi

**Augmenting women’s income fosters investments promoting family and community well-being**
- Women spend more of the income they control on food, healthcare, home improvement, and schooling for their families, which improves outcomes for children and contributes to long-term economic growth.xii It also results in better educated and healthier citizens and greater resiliency in the event of market downturns.
- A study in Brazil showed that the likelihood of a child’s survival increased by 20% when the mother controlled household income.xiii
- The greater the female share of household income in Cote d'Ivoire, the higher the spending on food.xiv

**Eliminating workplace discrimination against women can increase productivity**
- The World Bank finds that eliminating discrimination against female workers and managers could increase productivity per worker by as much as 25%.xv
- Reducing barriers preventing women from working in certain sectors would reduce the differences in male and female productivity by one-third to one-half in many countries.xvi

**Raising women’s income may increase economy-wide savings**
- Women have higher micro-loan repayment rates and tend to save more than men. They are also more willing to form groups to collect savings, decreasing the delivery costs on many small loans.xvii
- A study analyzing data from 20 semi-industrialized countries showed that for every one percentage point increase in the share of household income generated by women, national savings increased roughly 15 fold; and that a higher savings rate translated into a higher tax base.xviii
Increasing the presence of women leaders can strengthen company performance

- Several studies have found a positive correlation between women on boards and corporate performance. Catalyst, a nonprofit organization, found that companies with more female board directors outperform those with the least by 66% in terms of return on invested capital, 53% in terms of return on equity, and by 42% in terms of return on sales.\textsuperscript{xix}
- Some studies from other countries present mixed evidence depending upon whether women are elected or appointed as well as other factors.

BARRIERS: Key constraints to women’s economic participation

Limited access to “decent” work

- Women have a tendency to be disproportionately concentrated in vulnerable forms of work and face occupational segregation and low wages relative to men. The participation rates of women in the informal economy are high—80 percent in Lima, Peru; 65 percent in Indonesia; 72 percent in Zambia; and 41 percent in the Republic of Korea.\textsuperscript{xx}
- This often reflects women’s disadvantages: their lower rates of completion of secondary and higher levels of education; gender norms and stereotypes that track men and women into different fields of study; lack of organized voice and bargaining power; as well as economic constraints such as the lack of full-time employment, lack of access to care for children and dependents, lack of good transportation, constrained freedom of movement, the pressures of global competition that keep female wages down; and direct discrimination.\textsuperscript{xxi}

Limited access to access to finance, inputs, and markets

- Female entrepreneurs tend to have less access to finance than do male entrepreneurs, and frequently, conditions in the broader business environment – such as the legal and regulatory environment and the quality and availability of infrastructure may differentially affect women’s and men’s businesses.\textsuperscript{xxii}
- Women-managed businesses are less likely to receive loans, although the difference narrows depending on the size of the firm, with smaller informal microenterprises having more access to financial access than formal small and medium-sized enterprises.\textsuperscript{xxiii}
- Women entrepreneurs are more likely than male colleagues to be in the informal sector, running smaller firms mainly in service sectors and operating in the lower value added sectors. In addition, they operate more home-based businesses than do men.\textsuperscript{xxiv}

Inequality in expectations for caretaking in the home

- Women bear a far larger share of the responsibility for home and child care as well as other forms of unpaid work than do men. And while women have been increasing the time they spend in paid employment, men have not commensurately increased their time in unpaid work.\textsuperscript{xxv} This unequal division of labor makes it more difficult for women to thrive in the formal workplace and as entrepreneurs.
- Policy and institutional change are necessary to enable men and women with children to balance paid employment and care-giving.

Limited rights to ownership of physical and financial assets

- Women in many countries are far less likely than men to own or control key physical assets such as land, housing, large agricultural equipment, large livestock, vehicles, and some financial instruments like formal savings.\textsuperscript{xxvi}
- Women may not receive the benefits of assets held by men, even when they live in the same household. This has negative spillover effects on women’s ability to borrow money, to grow household assets and income, and on their decision-making power in the home.

Insufficient education and training

Education and work experience are valuable inputs into production. Less education and reduced access to business training among female entrepreneurs can reduce their productivity.\textsuperscript{xxvii}
Michael J. Silverstein and Kate Sayre (2009). The Female Economy. [Link to PDF]


* These simple correlations do not imply a causal relationship across countries; indeed, regression analysis that controlled for other confounding factors could not confirm causality.

The World Economic Forum (2011). The Women Leaders and Gender Parity. [Link to PDF]


Thomas, Duncan, Income, Expenditure and Health Outcomes: Evidence on IntraHousehold Resource Allocation. [Link to PDF]

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