



### Priority policy research issue for the second PAGE II (2017) call for proposals

#### Gender and women's economic empowerment

In what follows, we introduce the priority thematic issue of **Gender and women's economic empowerment**, identified for the second round of PEP's call for research proposals for its PAGE II program.

To assist applicants in designing their research proposal, PEP resource persons have prepared a complete review of existing scientific literature on each of the priority themes. Follow this link to access the [recommended reading](#) lists online.

**IMPORTANT:** For all policy research issues identified for this round of funding, applicants are encouraged to explore impacts on inequality across gender, socio-demographic groups and age groups. Consideration of gender aspects should be included for all issues.

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## Motivation and situation analysis

Economic development and female empowerment are closely related. While economic development has the potential to reduce gender inequality, which is of intrinsic value, female empowerment also has instrumental value in its ability to benefit development. Three main areas of gender inequality are evident: (1) human capital endowments such as education and health; (2) access to economic opportunities and productive resources; and (3) agency, or the ability to make choices and take action. These aspects of inequality work together to prevent women from achieving economic empowerment on par with men (World Bank, 2012). Existing evidence indicates that continuous policy commitment is needed to bring about gender equality in these areas, and that policies need to focus not only individuals and households, but also on markets and institutions, both formal and informal (World Bank 2011; Duflo, 2012). This is especially the case when focusing on closing gender differences in access to economic opportunities and the ensuing earnings and productivity gaps (World Bank, 2011)

However, these achievements in improving women's health and education endowments have not necessarily translated into more equitable access to economic opportunities and productive resources. Women continue to have lower labour force participation and earn less than men when they do participate in the labour force, whether as employees, or as self-employed entrepreneurs. They also continue to have inequitable access to land, capital, and technology. In addition, women continue to bear disproportionate responsibility for domestic (unpaid family) work and they are over-represented in the informal and care economies. In many regions of the world, they have limited ability to make their own choices in important areas that determine their economic empowerment.

Gender disparities in the labour market are significant. ILO (2015) finds that the labour force participation rate is 77 percent for men and 50 percent for women. The disparity is even more acute in certain regions. For instance, in South Asia, the corresponding labour force participation rates are 81 and 32 percent, respectively. In North Africa, the corresponding figures are 75 and 22 percent. These huge disparities are carried over to employment rates. The employment rate in North Africa for men is 92 percent, much higher than the 81 percent for women. These rates reflect a general stagnation or decline in female labour force participation and employment in the last two decades in East Asia, South East Asia, South Asia, and Central and South Eastern Europe and slow growth in the same in Latin America, Middle East and Sub-Saharan Africa (ILO, 2015).

In addition to individual indicators, indicators of agency are few and imperfect, with political empowerment indicators of women in parliament being the most commonly used. Women are concentrated in informal and labour intensive work, often face particular risks and vulnerabilities (e.g. health risks, interrupted and insecure employment) and are less likely to be able to save or contribute to pensions.

While there are policies and programmes in place to foster women's empowerment, further enhancements are still needed particularly in terms of making them more responsive to women's needs in the context of a changing labour market environment. Further policy action is needed to improve women's capacities to achieve higher benefits from their work and to access financial services, as well as to promote gender-sensitive social protection policies (Kabeer, 2009). On the other hand, there is a need to further examine the influence of providing access to financial services on empowerment, as its impact also depends on other factors such as the individual's capacities (e.g. education, networking, political participation) and environmental characteristics (Cheston and Kuhn, 2002; Swain and Wallentin, 2008).

## Research issues

The analysis of policies for women's economic empowerment in this thematic area will address three broad areas: household labour supply decisions and female employment; the role of education in labour market opportunities and gender inequalities; and the linkage between economic growth, informality and labour market policies.<sup>1</sup>

### **a. Household labour supply decisions and female employment**

Gender roles have often determined that women spend more time in providing care, both for young children and aged parents. To design successful policy interventions, it is important to identify the key institutional barriers that prevent mothers, partners and daughters from engaging in the labour market. Institutional barriers may take the form of social norms or labour market policies (or their absence). In terms of social norms, a better understanding of the mechanisms that form, change, and transmit gender role attitudes is necessary.

In order to understand the dynamics of intra-household decisions regarding labour supply and female employment, some relevant research questions include:

- How do women make decisions on the type and location of and hours spent at work?
- How does this vary across their life cycle?
- What are the key institutional barriers for women to improve their capacity to balance their work decisions with their role as mothers, partners and daughters?

### **b. Education and labour market opportunities and inequalities**

In addition to formal education, business and job training programmes have been two of the main policy responses to foster women's labour force participation. Several rigorous evaluations of such programmes have been conducted to understand their role in promoting women's economic empowerment, suggesting mixed or poor results (see the Women's Roadmap Project Report, Buvinic et al., 2014, for a review).

Some key policy research questions to explore the influence of education on labour market opportunities and inequalities include:

- Is female education an effective tool to achieve gender equality in the labour market?
- Does reducing the gender gap in education lead to a lower gender gap in occupation?
- How can business and vocational training complement formal education to help women participate in labour markets?
- Does reducing the gender gap in cognitive and non-cognitive skills lead to lower gender wage and occupation gaps?

### **c. Economic growth, informality and labour market policies**

Development has the potential to create more and better jobs for women through structural change, as well as to increase their labour force participation through increased educational attainment and reduced fertility. However, the empirical evidence for this hypothesis is limited (Gaddis and Klasen 2013). Country-level studies indicate that, as development leads to the increase of male incomes, it may reduce female labour market participation.

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<sup>1</sup> Research issues discussed under youth employment are also pertinent to the research agenda for gender and women's economic empowerment. For example, both groups may be constrained to be in vulnerable employment for they may lack productive skills and experience.

Women also tend to work more in sectors such as home-based work, domestic work, construction and labour-intensive manufacturing, where labour regulations and social protection are usually inadequate.

Some relevant research questions that address the linkage between economic growth, informal employment and labour market policies include:

- Have the recent upsurges in economic growth in many developing countries led to the reduction in gender wage gaps or in sectoral segregation in female employment?
- Why do women usually land a job in the informal economy?
- What labour market and complementary policies can increase quality employment opportunities for women?

## Methodological approaches

### a. Microeconomic policy approaches (PMMA and field experiments)

Empirical studies examining women's economic empowerment and female labour force participation and employment, focus on (1) the relationship between education levels and the probability of labour force participation, including the hypothesised U-shaped curve (Verick, 2014) and (2) supply- and demand-side factors that promote or detract from female labour market participation, such as gender role attitudes, social norms and their transmission mechanisms (Campos-Vasquez and Velez-Grajales, 2013), marriage (Klasen and Pieters, 2013) childcare and eldercare (Eyal and Woolard, 2011; Maurer-Fazio et al., 2011), and labour market and economic conditions (Klasen and Pieters, 2012).

These issues are explored in the empirical literature using micro-econometric approaches (e.g. difference-in-difference, endogenous switching regression, instrumental variables) and micro-data from household and labour force surveys from central bureaus of statistics, as well as using firm-level data. Panel data enables the exploration of the effects of trends (e.g. increase in educational attainment over time, changes in cultural norms), as well as the effect of policy interventions (maternity or parental leave policies, childcare technology and prices/subsidies, child support grants) on the labour force participation and employment of women. See, for example, Farre and Vella (2013) on the intergenerational transmission of gender role attitudes. In the absence of panel data, micro-data from large household surveys are often used with appropriate identification strategies. See for example, Eyal and Woolard (2011), Maurer-Fazio et al. (2011), Campos-Vasquez and Velez-Grajales (2013), Klasen and Pieters (2012 and 2013).

The microeconomic evaluation tools presented above (and others) together with appropriate data can help to evaluate and provide policy recommendations about:

- Women's role in making decisions on where and how much to work and how this varies over their life cycle, and how specific policy interventions (e.g. cash transfers to mothers, easier access to credit for women) can remove barriers that affect and discriminate labour supply by women.
- Educational and occupational discrimination against women, and how educational (e.g. business and vocational training supporting formal education for women) and labour market (e.g. minimum wage and non-wage benefits) interventions can help achieve gender equality in the labour market.
- Changes in gender differences in wages and labour opportunities over time, and how overall and sectoral economic growth affect such differences.

Over the last years, many PEP-supported projects using different micro-modelling data and estimation techniques have covered gendered-focus issues. The table below provides some examples.

Research title	Authors
Minimum wage policies: wage, employment, and distributional impacts in Ecuador	Wong et al.
Non-Wage Benefits, Union "Facilitation Effect" and Labour Market Outcomes in Ghana	Owoo et al.
Risk Tolerance, Gender, and Entrepreneurship: The case of the occupied Palestinian territory (oPt)	Daoud et al.
Land Tenure Policy and Women's Off-farm Employment in Rural China	Hoang et al.
The impact of a rural microcredit and financial inclusion schemes targeting women on household vulnerability and economic empowerment: evidence from South West Nigeria	Ikenwilo et al.
Access to Credit and Women Entrepreneurship: Evidence from Bangladesh	Chowdhury et al.
Female Entrepreneurship, Access to Credit, and Firms' Productivity in Senegal	Seck et al.
Is there discrimination against women entrepreneurs in formal credit markets in Nigeria?	Nwosu et al.

## b. MPIA approaches

The MPIA approach can contribute to our understanding of the impact of policies and shocks on women's economic empowerment by considering both market and non-market spheres. At the market level, policies/shocks can contribute to narrowing or widening gender inequalities in terms of wages, labour market participation and contributions to the family income. At the non-market level, policies/shocks affect the gender division of labour within the household.

Gender inequalities and rigidities at the household level also affect the outcomes of macroeconomic policy by constraining labour mobility between the market and the non-market spheres. This is because women's market labour supply is highly constrained by their non-market activities, as women have primary responsibilities and spend most of their time in the unpaid economy (also called the domestic, social reproduction or reproductive economy<sup>2</sup>). In most developing countries, women are subject to "time poverty" as they have to combine their productive and reproductive roles.

An analysis of the gendered outcomes of economic reforms, policies and shocks therefore requires that we account for the interrelations and feedbacks between market and household economies (Beneria, 1995; Çagatay, 2003; Elson, 1995; Evers, 2003; Floro, 1995; Fontana and Wood 2000; Palmer 1995). It is therefore important to identify the transmission patterns from changes at the sectoral level to the rest of the market economy as a whole, and also to understand how these changes affect and are affected by constraints and rigidities at the reproductive level. The CGE approach allows for consideration of these dimensions and can be applied to address female economic empowerment concerns.

Addressing the issue of women's economic empowerment entails the analysis of changes in employment/unemployment rates of women, salary/wage differential between men and women, including time use and role-sharing of unpaid household work and domestic care activities between household members. CGE modelling is a valuable tool for a gender-based approach to macroeconomic policy impact analysis, as it can be adapted to reflect changes, by gender, in labour market participation, in income inequality and in the division of household chores.

By means of a gendered CGE model (e.g. Fontana, 2013), one could tackle the relation between the gender gaps in education and occupation. In order to do so, a standard CGE

<sup>2</sup> Reproductive work consists of managing the household, cooking, cleaning, gathering fuel and water and caring for other family members. In developing countries, unpaid work also includes subsistence production such as production for home use of goods and services that can be marketable. Reproductive work also includes community work. These activities are usually performed by women more than men.

should be extended in order to take into account the impact of education on “labour quality” and productivity. By disaggregating labour demand, a CGE model can capture policy impact on female employment and wages and in particular in female-intensive sectors. Existing gender wage and skill gaps can also be introduced in a CGE model. Furthermore, the non-market sphere, i.e. household production and leisure activities can be integrated.

In a more general approach, policy analysis could simply incorporate some gender dimensions to illustrate how women’s and men’s labour market participation and earnings are affected. This could be compared to the results of a model where labour would be considered as a composite factor and there is no wage differentiation between males and females.

In terms of data requirements, the Social Accounting Matrix (SAM) used to calibrate the CGE model will need to have gender aspects. Labour accounts must distinguish male and female labour demand and supply. Since women are more likely to be engaged in work qualified as vulnerable and low-skill employment, labour accounts can be further disaggregated into different skill levels or categories of workers. Finally, with available data on time allocation, the SAM can integrate household “non-economic, but productive” activities following the standard international system of national accounts (SNA) classification (UN, 1993). These activities (also called reproductive work) can be distinguished by gender for each household category and integrated into a SAM using satellite accounts.

In this context, CGE modelling and other macroeconomic modelling tools, together with appropriate data, can help to analyse and provide policy recommendations on the following issues:

- How can policies, and the choice of their financing mechanism, increase employment opportunities for women?
- What is the impact of policies on the sharing of unpaid household work and care tasks between household members?
- What is the impact of policies with and without accounting for the reproductive sector?
- How do constraints at the household level affect behaviour at the market level in terms of female/male labour responses to economic incentives?
- What would be the economy-wide impact of subsidising formal female employment in selected sectors under alternative financing mechanisms?
- What would be the economy-wide impact of subsidising formal female employment on the unpaid activities (reproductive work) performed by women?
- What is the impact of trade-offs governments may have to make regarding public expenditures in the face of declining revenue? Research has shown that, during economic shocks, and particularly in poor households, the time allocation of family members may be one of the major mechanisms available for adjustment. Budget cuts or policy reforms can create a shift of costs from the market to the reproductive sector when the provisioning of marketable goods and services is met through increased unpaid labour (Elson, 1995).

The table below shows a recent PEP-supported project with macro-modelling techniques focusing on some of the research issues proposed related to gender and women’s economic empowerment. While the project was conducted in French, an English translation of the working paper is available through the link provided.

Research title	Authors
<a href="#">Développement extractif et politiques de dépenses publiques au Niger: une approche en EGC dynamique</a>	Alkassoum et al.

### c. Field experiments

Please consult [Field experiments summary paper](#).

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