Gender-based differences in each of these areas have a profound effect on economic opportunities for men and women, the productivity of men's and women's labor, the performance and potential of their businesses, and the incentives facing men and women as economic agents. These in turn affect the nature, pace, and impact of economic growth and poverty reduction. This appendix briefly reviews the evidence in each of these areas.

Human Capital: Building Economic Capability

Many studies find that gender-based inequalities in education reduce economic growth, because such inequalities decrease the overall human capital available within the country. Notwithstanding the methodological limitations alluded to earlier, Morrison, Raju, and Sinha (2007) report striking findings from work undertaken by Klasen (2002). Klasen estimates the effect of the gender gap in years of total schooling in the adult population on per capita income growth, using cross-country and panel regressions for the 1960–92 period for 109 industrial and developing countries. He finds that the direct and indirect effects of gender inequality in educational attainment account for 0.95 percentage points of the 2.5 percentage point gap in growth rates between South Asia and East Asia; 0.56 percentage points of the 3.3 percentage point gap between Sub-Saharan Africa and East Asia; and 0.85 percentage points of the 1.9 percentage point gap between the Middle East and North Africa and East Asia.

Many studies demonstrate the positive externalities of educating women and the important intergenerational effects of female education. Educated women contribute to the welfare of the next generation by reducing infant mortality, lowering fertility, and improving the nutritional status of children (World Bank 2005b, 2001a; Lagerlöf 2003; Klasen 1999; Smith and Haddad 1999).

Country studies confirm significant effects on health and educational outcomes. In India, children of literate mothers spend two hours more per day studying than children of illiterate mothers (Behrman and others 1999). In Guatemala and Nigeria, educated mothers are more likely to adopt health-seeking behaviors such as immunization (Pebley, Goldman, and Rodriguez 1996; Gage, Sommerfelt, and Piani 1997). In Brazil, income received by mothers has four times the impact on stunting indicators of children than the same amount received by fathers (Thomas 1990). Within the household, more educated women have a stronger bargaining position, which in turn contributes to better intra-household resource allocation. The long-term impact on adolescent girls is striking (box B.1).

Employment and Entrepreneurship: Building Economic Opportunity

Women's participation in the labor force has progressed over the years, and women are now estimated to comprise around 40 percent of the global labor force. Yet women still predominate in the informal sector (ILO 2002), and, despite improvements in education, women still earn less than men. Estimates of wage differences show marked Regional variations: in the Middle East and North Africa, women earn 93 percent of men's wages; in Sub-Saharan
Africa, 87 percent; in Latin America and the Caribbean, 78 percent; in Europe, 76 percent; and in high-income Asian countries, 74 percent (Tzannatos 2008; Buvinic and others 2008). There is also some evidence (although less robust at this stage) that, as is the case for education disparities, gender inequality in employment similarly reduces economic growth (for example, Klasen 1999; Klasen and Lamanna 2003).

Higher female labor force participation can be seen to have a positive impact on income growth. Recent microsimulations for eight countries in Latin America addressed dimensions of gender inequality in relation to four specific labor market issues: entry into the labor market; occupational status of men and women; wage discrimination between men and women; and differences in characteristic endowments of men and women. These simulations confirmed that removing gender inequality in labor market participation would lead to a significant reduction in poverty, growth in income, and decline in inequality. This is especially relevant in the countries concerned, as there is a marked gender gap in labor force participation; the average female participation rate is about 56 percent, whereas the male rate is greater than 80 percent (Costa, Silva, and Vaz 2009).

In the Middle East and North Africa, higher female labor force participation rates in the 1990s are estimated to have increased per capita gross domestic product growth rates by 0.7 percent (Klasen and Lamanna 2003). Analysis in India (Esteve-Volart 2004; Besley, Burgess, and Esteve-Volart 2005) indicates that a 10 percent increase in the female-to-male ratio of managers would increase real output per capita by 2 percent, and a 10 percent increase in the female-to-male ratio of total workers would increase real output per capita by 8 percent. The study by Besley, Burgess, and Esteve-Volart concludes that gender inequality in the access to labor markets acts as a brake on development. Moreover, the efficiency costs of such inequality are large.

It is important to bear in mind, however, that these relationships are not always one sided or universally positive. Country circumstances and institutions matter. For example, views on the impact of gender pay gaps on economic performance are mixed, with some studies suggesting that high gender inequality in wages, coupled with low gender gaps in education and employment, were a contributing factor to the growth experience of middle-income exporting countries. A study by Galor and Weil (1996) suggests that large gender pay gaps will reduce economic growth. Such pay gaps reduce female employment, increase fertility, and lower economic growth.

In contrast, Blecker and Seguino (2002) highlight a different mechanism, leading to contrasting results. They suggest that high gender pay gaps and associated low female wages increase the competitiveness of export-oriented industrializing economies and thus boost the growth performance of these countries.

Again, as with education, women’s greater labor force participation has important intrahousehold and intergenerational effects. For example, the development of the garment industry in Bangladesh has increased women’s access to a lucrative labor market and expanded their ability to influence household choices. A comparative study of the Philippines, Indonesia (Sumatra), and Ghana shows that changes in labor market opportunities for women can influence increasing equality in patterns of land inheritance and investments in schooling.

An increasing share of cash income in women’s hands is also shown to increase household food expenditure, controlling for average per capita expenditure, household expenditure and demographic characteristics, resulting in better nutrition and child health (Hoddinott and Haddad 1994). Thomas, Beegle, and Frankenber (2003) have shown that greater incomes of mothers can have up to 20 times the effect on the nutritional status of children than if the same income increment goes to fathers.

The importance of women’s entrepreneurship, and of women in the corporate sector, is increasingly recognized. Women own between 13 and 38 percent of enterprises worldwide. In China, it is estimated that women own one-third of all small and medium-sized businesses, with more than one in five employing more than 1,000 workers. In Latin America,
among both microenterprises and small and medium-sized enterprises, between one-quarter and one-third are women-owned. In Egypt, Jordan, Saudi Arabia, and the West Bank and Gaza, the share of female-owned firms that have recently increased their workforce exceeds the share of male-owned firms, and fewer female-owned firms have decreased their workforce. Women’s entrepreneurship is increasingly recognized as an important untapped source of economic growth. Women’s businesses in Africa make an important contribution to growth and poverty reduction (box B.2).

There appear to be positive correlations between women’s representation on corporate boards and corporate performance, suggesting that women are both good business and good for business. In 2000, women made up only 12.5 percent of corporate officers, 4.1 percent of top earners, and 6.2 percent of top managers. But those organizations with the most women in top managerial positions are far more likely to see a strong return on investment for shareholders. Fortune 500 companies with the highest percentages of women corporate officers yielded, on average 35.1 percent higher return on equity and 34 percent higher total return to shareholders than those with the lowest percentages of women corporate officers. Again, it is important to stress that these links do not imply that there is a causal relationship between women’s presence on boards and in management and company performance. However, as a recent study of Fortune 500 companies concludes, they do “give us a factual snapshot that can only argue in favor of greater gender diversity” (McKinsey and Company 2007).

Access to Assets and Resources: Building Economic Security

There is empirical evidence that women have less ownership of economic resources and assets and several studies suggest that enhanced access to such assets and resources lead to increased productivity of women. Increased equality in access to economic assets is shown to raise the productivity of female producers (Blackden and Bhanu 1999; World Bank 2002e, 2001a; Bamberger and others 2002). This in turn helps improve household welfare through better bargaining power (World Bank 2006g; Doss 1996).

A global study of land policy addresses women’s land rights (World Bank 2003c). The study concludes that increasing women’s control over land could have a strong and immediate effect on the welfare of the next generation and on the level and pace at which physical and human capital are accumulated. Given the significant participation of women in agricultural production in Africa, gender differences in security of tenure—and access to inputs and technology—are likely to account for much of the poor performance of the sector.

For example, in Ghana, the greater precariousness of women’s land rights has direct implications for productivity and yields (box B.3). In Latin America, a study showed that the gender inequality in land ownership in 12 countries is the combined results of biases: male preference in inheritance, male privilege in marriage, male bias in state programs of land distribution, and gender inequality in the land market (Deere and Leon 2001). Analysis of country-level data from Honduras and Nicaragua suggests a positive correlation between women’s land rights and their overall role in the household economy: women gain greater control over agricultural income, gain higher shares of business and labor market earnings, and more frequently receive credit (Katz and Chamorro 2003).

There is growing empirical evidence that although there are forms of structural discrimination against women in relation to access to credit networks (Mayoux 2001), women borrowers have a lower risk of default because there is a lower prevalence of corruption and bribes among women’s

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**BOX B.2**

**GENDER AND COMPETITIVENESS IN AFRICA**

Women’s businesses in Africa are at least as productive as those of their male counterparts. Once men and women entrepreneurs are operating their businesses, the constraints and obstacles they face affect them in largely the same way, and differences based on gender tend to disappear.

The absence of significant gender-based barriers in operating a business does not mean that there are no gender-based obstacles to entrepreneurship. It is very likely that barriers to entry into business present greater obstacles for women than for men. Consequently, measures aimed at facilitating entry into entrepreneurship through legal, regulatory, and other reforms are likely to have a more positive impact on women entrepreneurs.

The finding that there are no or few significant differences between female and male entrepreneurs once they are already operating businesses is encouraging. It suggests, for example, that Africa does indeed have considerable hidden growth potential in its women and that tapping that potential, including through removal of barriers that exist at entry and removing disparities in access to and control of resources by empowering women economically, can make a substantial difference for Africa’s growth and poverty reduction

*Source: Bardasi, Blackden, and Guzman (2007).*
groups (Swamy and others 2001) and higher repayment rates among women borrowers (Khandker, Kahn, and Baqui 1995). Such findings have strengthened demands for gender-based policies to ensure that women have a greater possibility of accessing economic opportunities. Consequently, there has been a rapid expansion of microcredit schemes for women and this has now become a preferred form of gender-based intervention. There is some evidence that increased access to resources such as microcredit allows women to gain direct access to raw materials and other resources allowing them some chance for their households to rise above poverty (Khandker, Koolwal, and Sinha 2008).

Legal Rights and Voice: Building Economic Empowerment

Little appears in the governance literature that is deliberately gender disaggregated, and women seem to get lumped with the poor or those who are more generally “subordinate” (Goetz 2004). This needs to be corrected, because the significance is clear: power and authority differentials between women and men are not restricted to the private sphere of the family and kinship network but also play out in the public sphere, in the process shaping the form of governance that prevails.

The gender literature is of greater use. Much of it dwells on the question of the extent to which the public world of governance could provide an answer to women’s inferior position in the domestic sphere. Very often it seems to be assumed that the local arena of governance is better suited to female participation than regional and national levels (Evertzen 2001). However, if this were true, there would be more women engaged in local governance than national government, making it harder for women to penetrate as independent political actors, let alone raise gender issues.

Though the terms of local participation are often not stacked in women’s favor, depending on the country context, various institutional innovations are possible that facilitate more equitable gender participation in governance and involve planning and monitoring functions that are more accountable to both genders’ interests. Goetz (2004), for example, discusses the establishment of rules to secure institutionalized spaces for women’s participation in planning, monitoring, auditing, and reviewing expenditures, ring fencing portions of budgets for women-only deliberations, and conducting gender-sensitive revenue and spending analyses.

There is empirical evidence that encouraging the participation of women in community activities can lead to empowerment of women and their increased presence in community affairs and activities. Deininger, Galab, and Olsen (2005) found in Andhra Pradesh that women’s involvement in community-driven development led to improvements in women’s participation that seem to transcend the realm of the family and extend to the community level. The change in the share of women who always know of or participate in village assemblies, who are aware of other types of community institutions, and who are able to freely interact with government officials and villagers of another caste or religion is significantly higher in intervention than in control villages.

The 2006 World Development Report (World Bank 2006g) also confirms that countries with more secure property rights have higher average incomes and that better institutions and secure property rights are associated with greater political equality. However, as pointed out by Morrison, Raju, and Sinha (2007), although these gender-based obstacles have been well documented, little work has been done to address the impact of these obstacles on productivity and output.

**BOX B.3**

**WOMEN AND LAND: PRECARIOUS RIGHTS, LOWER YIELDS**

Complex, multiple, and overlapping rights to land in Akwapim, Ghana, are, according to a recent study, associated with barriers to investment in land fertility. Individuals who are not central in the networks of social and political power that permeate these villages cannot be confident of maintaining their rights over land while it is fallow. Hence, they fallow their land less than would be technically optimal, and farm productivity for these individuals is correspondingly reduced.

There is a strong gender dimension to this pattern, because women are rarely in positions of sufficient political power to be confident of their rights to land. So women fallow their plots less than their husbands and achieve much lower yields.

Source: Goldstein and Udry (2008).