

Gender and Economics: An Overview

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Preliminary observations

- Gender Equity is ultimately about welfare and a broad concept of development, *not* economics:
- The MDGs for example enshrine this:
 - **Goal 3:** Promote Gender Equality and Empower Women
- However, theory and evidence suggests:
 - Gender Equity promotes Economic Development *and*
 - Economic Development promotes Gender Equity

My specific objectives

1. Present some theoretical ideas for the relevance of gender for reasons of economic *efficiency* and *growth*
2. Present range of evidence supporting these theoretical presumptions
3. Suggest some *broad* policy implications
4. Discuss some of the barriers to change

Efficiency

2 questions:

1. What is efficiency?

- Efficiency will exist when the 'right' person is doing the 'right' job producing the 'right' good or service using the 'right' inputs.
- Q: What do we mean by 'right'?
- A: That allocation which maximises society's welfare by balancing at the margin the benefits to society against the costs of any activity.

2. Q: What process will achieve this allocation?

- A: For 'private' goods this is achieved via the operation of competitive product and labour markets

How?

- Markets determine prices according to the balance of demand and supply. Society's valuation of the good or service is reflected in what people are willing to pay (demand), which is equated at the margin to the costs of production (supply).
- Prices provide:
 - A signal of relative scarcity
 - An incentive
- Agents move resources (including labour) towards those products which generate the highest return
- In other words, efficiency is achieved and maintained as a result of a competitive process

(Some) conditions necessary for a competitive market process to reach an efficient allocation

- All agents must have sufficient, equal access to *information* to operate effectively in the public sphere of markets
- All agents must have sufficient, equal *freedom to act* on this information
- This includes *control of their own resources* including their labour
- Also includes equal *access* to further resources
- Agents must also face the same *common prices* to guide their decisions

If these conditions are not met there is a *prima facie* expectation of inefficiency in market outcomes

Implications?

- In general, restrictions on women's access to the labour market are inefficient
 - There is evidence that without a local labour market in female labour the household may be unable to release family members for more productive farm work, restricting output (Gertler and Newman, 1991; Ilahi, 2000)
- Control and stable access to land – including land use and other ownership rights will raise efficiency
 - Evidence from Burkina Faso suggests that stability in land tenure due to stability in marriage raises agricultural productivity on female farmed land (Vishwanath et al, 1996)

- Differential access to other inputs via markets will lower efficiency
 - A study (Quisumbing, 1996) in Kenya suggested that equalising inputs (and education) between men and women farmers would raise productivity by up to 22%
- Differential control and access to capital within the household is inefficient
 - A study in Burkina Faso suggested that output could be raised by 6-20% simply by re-allocating inputs (eg fertiliser) more equally between male and female plots

Policy implications?

- This suggests a legislative programme to entrench equal property rights and a programme of other market access rights will raise economic efficiency and gender equity
 - These include infrastructural investments, targeted service delivery and targeted subsidies e.g. educational and health supports.
- However,
 - The picture is invariably far more complex
 - The real incentives facing people are rarely so easily identified and changed
- Economics can shed some light on why this is so

What are the effective incentives faced by men and women?

- The effective price faced by an agent is the market price plus all other costs of transacting
- The incentive price is the market price plus these *transactions costs*
- Transactions costs include time, covering other necessary responsibilities, the costs of obtaining information, costs of enforcement, and the psychic and physical costs of, for example, breaking gender norms
- Transactions costs are strongly gendered
- For example, reproductive and other responsibilities within and outside the household are not distributed equally
- Women must usually bear a disproportionate share of these costs (especially in terms of time e.g. water collection in many African countries)
- These have been dubbed the ‘reproductive tax’.
- Other transactions costs include for example harassment in the workplace and violence in and outside the home.

Consequences?

- If transactions costs are very high then some socially productive activities will simply not be undertaken whatever the formal legal position
- If transaction costs are not *similar* for different agents then market prices will not reflect real incentives or real scarcities
- The transactions costs faced by men and women are *systematically* different which suggests a *systematic* efficiency cost due to gender inequalities
- Also, it implies that simply changing the formal rules e.g. instituting formal property rights is likely to be insufficient to achieve objectives e.g. Kenyan land rights reform

The importance of institutions

- Many transactions costs are mediated by institutions
- Institutions are devices consisting of formal rules (e.g. legal codes) and informal rules (e.g. codes of behaviour) and enforcement devices which influence the level of transactions costs.
- Effective institutions reduce transactions costs and encourage socially productive activities *and vice versa*

Informal rules and enforcement devices

- Informal rules include gender norms of behaviour
- Such norms support formal institutional structures and impose differential transactions costs on market participants *even when* formal rules have been equalised
- Enforcement devices supporting formal rules include the police, judiciary and other regulatory agencies.
 - Their strong support is necessary to make formal change effective
- However, enforcement of countervailing informal codes may be through societal disapproval, coercion and violence. These may outweigh changes elsewhere *if not directly addressed*
- Note:
 - Changing such informal rules generate a collective action problem
 - one of the most important determinants of such norms is the institution of the household, which is often where the enforcement of informal rules takes place

From micro to macro

- The arguments considered so far have been microeconomic in nature
 - Argument is based on the stylised behaviour of individuals against a given environment
- However, there are good reasons to believe that macroeconomic theory supports the likelihood of a dividend from greater gender equality.
 - Arguments based on the stylised behaviour of aggregates
- For our purposes the most significant set of such arguments come from modern growth theory

Gender and Economic Growth

- Modern endogenous growth theory tends to emphasise
 - human capital
 - Infrastructural development
 - Knowledge
 - institutional development/constraints
- In general these suggest policies to increase educational provision, raise certain forms of infrastructural spending, release a range of institutional constraints will support economic growth.
- There is a gender dimension to this which suggests that *priority* should be given to closing gender gaps

Consider education and training

- The argument is that:
 - inherent skills and abilities *relevant to economic growth* are likely to be distributed
 - on an equal basis between the sexes
 - according to a symmetric distribution (e.g. the normal)
 - This implies that *any gender disparity* will therefore lead to a lower stock of relevant skills
- Argument is essentially that *either* not training or *not using* a society's potential is wasteful
- This form of argument applies especially to educational attainment, employment opportunities, access to and use of information technology

In addition,

- Persuasive evidence that women tend to preferentially direct expenditure towards health and education
 - In Côte d'Ivoire raising women's share of cash income was found to raise the share spent on food (Hoddinott and Haddad, 1995)
- The impact of education of women on the education *and* health of their children is marked
 - Eg immunization rates rise with the education level of mother in Niger and Nigeria (Gage, Sommerfelt and Piani, 1997)

Evidence for a growth dividend?

- There is a persuasive body of evidence emerging to support the hypothesis that gender inequality in education, employment and access to technology impedes economic growth
- The most comprehensive analysis is in Klasen (1999)
- Klasen estimates that if
 - Sub-Saharan Africa had the same initial female to male ratio of years of schooling and
 - Had closed the gap in inequality at the same rate then
 - Growth would have been 0.5-0.9 % higher per annum
- Given the actual outturns this is an extremely large 'cost' to not tackling gender inequality

And finally: Are we winning the argument?

The Economist April 12th 2006 leading article

“...In poor countries too, the under-utilisation of women stunts economic growth. A study last year by the World Economic Forum found a clear correlation between sex equality (measured by economic participation, education, health and political empowerment) and GDP per head. Correlation does not prove the direction of causation. But other studies also suggest that inequality between the sexes harms long-term growth. In particular, there is strong evidence that educating girls boosts prosperity. It is probably the single best investment that can be made in the developing world. Not only are better educated women more productive, but they raise healthier, better educated children. There is huge potential to raise income per head in developing countries, where fewer girls go to school than boys...”

Some Issues for Discussion

- What are the real institutional constraints on achieving greater gender equality?
 - What are the policy implications?
- What part does violence and coercion play in the story?
 - What are the policy implications?
- Why hasn't this issue been treated more urgently by economists and others?