ISSN (Online): 2455-7838
SJIF Impact Factor (2016): 4.144

EPRA International Journal of

Research & Development

(IJRD)

Monthly Peer Reviewed & Indexed International Online Journal

Volume:2, Issue:9,September 2017

Published By : EPRA Journals

ISSN: 2455-7838(Online)
EPRA International Journal of Research and Development (IJRD)
SJIF Impact Factor: 4.144 Volume: 2 | Issue: 9 | September | 2017

REVIEWING THE LINKS BETWEEN GENDER INEQUALITY AND ECONOMIC GROWTH

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ABSTRACT

Notwithstanding the fact that over half of the population in developing economies are women, less than 20% are in the workforce. Hence, a lot of untapped resources are lying idle despite being an effective engine of growth for developing economies. This paper gives a critical review of the connection between economic growth and gender inequality. From the reviewed literature, we can conclude that the magnitudinal effect on growth depends on the proxy for gender inequality used as well as the stage of economic development in a country. One important observation made in this paper is that the role of educational gender equality is highly substantial in achieving higher growth levels. Invariably, the benefits of gender equality are maximized if female education is complemented with equal opportunities in labour market participation. With the new Sustainable Development Goals (SDGs), it is anticipated that better technical and implementation strategies would be put in place to help in the realization of goals; hence, ultimately leading to development across the globe. When reliable gender inequality data becomes available, an empirical study is worth conducting to ascertain the extent to which gender asymmetry impacts economic growth and vice versa.

KEYWORDS: *Gender equality, Growth, Gender Kuznets Curve, Sustainable Development Goals*

1. INTRODUCTION

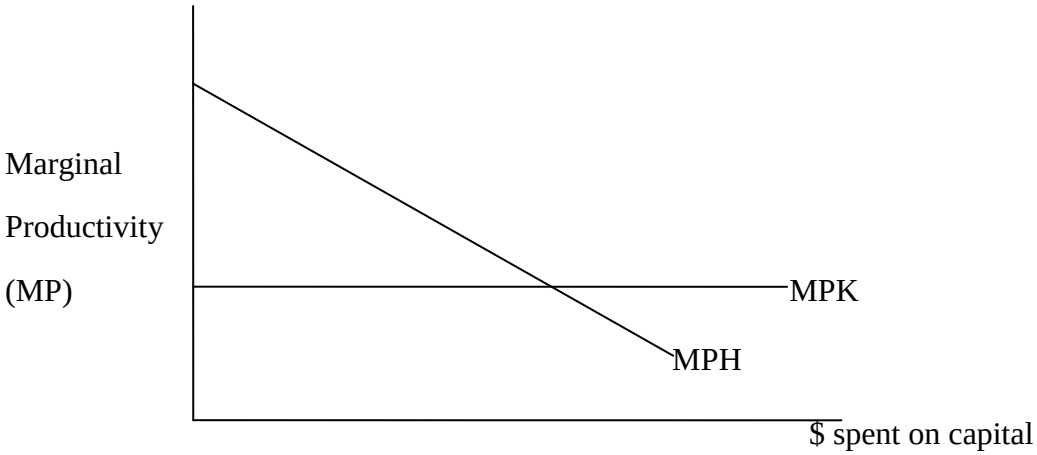
Gender discrimination is a critical issue having economic and social implications especially in developing economies. This is why gender-oriented goals are included in the Millennium Development Goals and now SDGs where every country is expected to consider gender issues in the theme of development policy initiatives. There are so many dimensions where gender discrimination can be observed. With reference to economic aspects, the most critical areas deserving closer attention are inequalities in education, assets ownership, labour wage (and employment) and health. The findings on the effect of gender inequality on economic growth are mixed. To some, gender inequality retards economic growth in the long run; countries with lesser gender inequality tend to have higher levels of economic growth (Papyrakis, 2013). However, others argue that gender inequality is not entirely a bad thing for economic progress (Seguino, 2000). This paper seeks to present a critical discussion on the relationship between gender inequality and economic growth. To achieve this, the paper is further divided into three sections. The following section gives a brief background and on gender inequality. Section 3 presents a critical discussion of existing research on the bidirectional relationship between gender inequality and growth. The final section offers concluding remarks.

2. GENDER INEQUALITY: BACKGROUND AND MOTIVATION

The theme of gender asymmetries revolves around relative issues between men and women, rather than just looking at women in isolation. The concept of gender inequality can be understood from Sen's (1992) perception of "missing women" where he explains the causes of female neglect relative to men. To Sen (1992), social factors or what is termed "social inclusion" is what explains gender inequalities across the globe. He further confirms that there are considerable evidences of comparative neglect of females in terms of education, healthcare and nutrition especially in Asia and North Africa.

China for instance records a high female-male infant mortality rate since the imposition of restrictions on family size in the late 1970s (Sen, 1992). Conversely, some countries like Jamaica have situations where males participate less in schools than females. The question is why do some countries score higher or lower in terms of gender equality? One possible answer has to do with religious or cultural factors, sectoral composition or dominance (e.g. focus on manufacturing or agriculture) as well as the infrastructural and economic stance of a country amongst other reasons. Gender inequality is seen as a sub-component of income inequality, thus needs critical attention for it affects GDP per capita growth. How it affects economic growth can be further explained in the following graphical illustration:

Figure 1: Marginal Productivity versus Capital Investment



From the graph above, MPK is the marginal productivity of physical capital and MPH is the marginal productivity of human capital. Therefore, the MP (Marginal Productivity) in the economy becomes optimal for both women and men when more is invested in education or health where it is scarce. The average human capital of a country is affected if gender inequality is concomitant thereby affecting economic growth (Schober and Winter-Ebmer, 2011). Therefore, if those who have the potential to increase production are excluded from productive activities, then the overall productivity of an economy is constrained. In addition, gender discrimination in terms of employment and education may mean that parents with limited budget can decide to sponsor a male child's education rather than a female because they assume that a son has higher returns to schooling and better chances of gaining employment which is not always the case. These have socio-economic implications especially for a developing economy.

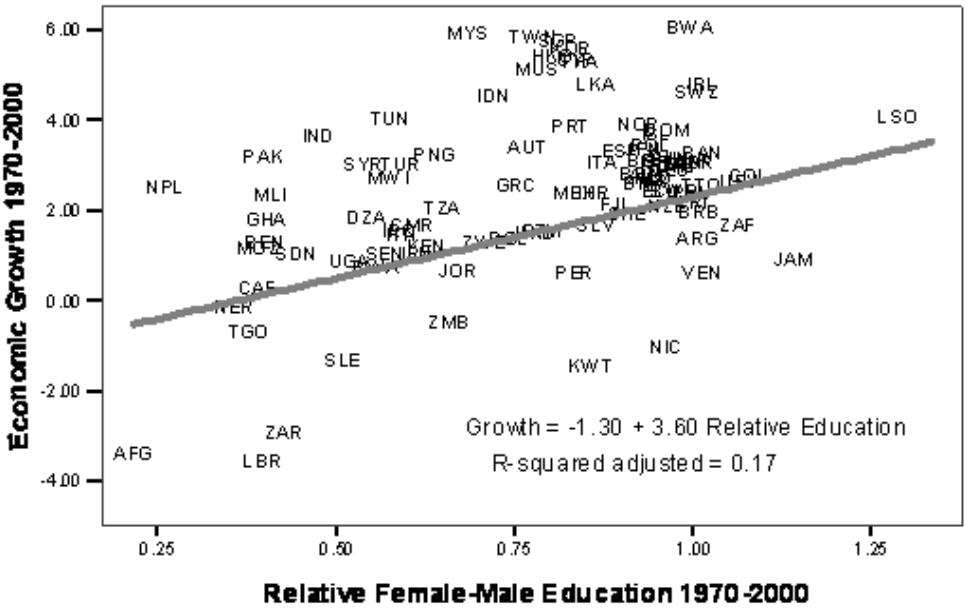
The preceding discussion shows the position of gender inequality in the realm of development as it is viewed to have spill over effects on the economic progress of a country. There are arguments as to whether gender inequality affects growth or that growth affects gender inequality. Several researchers have investigated these relationships using different proxies of gender inequality in their methodologies; the findings of such existing literature are however mixed and therefore require further critical synthesis and discussion.

3.0 LITERATURE REVIEW

3.1 The Effect of Gender Inequality on Economic Growth

Gender inequality in education has attracted much attention in academic and policy analyses. To begin with, below is a graphical presentation on how gender disparities in education affect economic growth across countries. In Jamaica and Lesotho, females tend to have higher school enrolments than males which may be due to the relative population of women or as a result of the structural or sectoral compositions of the economies. Conversely, Afghanistan and Liberia record the lowest number of females attending school compared to males, thus showing negative growth rates (Papyrakis, 2013). This may be due to religious beliefs alongside poverty and others factors. This graph therefore shows the importance of gender equality in promoting economic growth.

Figure 2: Gender Gaps in Education and Economic Growth



Source: Papyrakis (2013).

Using data for 100 countries with emphasis on education inequality, Dollar and Gatti (1999) investigate the relationship among gender inequality, income and economic growth. They confirm that gender inequality is bad for growth as low investment in female-male education is an inefficient economic choice for growth in developing countries. In poor countries, women are relatively deprived in terms of education, health and legal rights. The OLS regression results in their analysis reveal that an increase in the share of adult women with secondary school education by 1 percentage point will increase per capita income growth by 0.3 percentage points. They also find that the magnitude and effect of gender differentials in educational attainments on growth depends on the level of development. Gender inequality in countries characterized by agrarian or low industrialized societies tend have minor positive effects on growth relative to countries with higher levels of development. The study can be applauded for testing the significance of other proxies of gender asymmetries like economic equality and women in power in order to reinforce their findings.

Similarly, Klasen (1999) uses panel regressions (1960-92) to investigate the magnitude to which gender inequality in education and employment can negatively affect growth and development. He finds that gender bias in education has spill over effects in terms of fertility and child mortality rates thereby threatening the wellbeing position of a country. Therefore, gender equality lowers the rates of fertility and child mortality alongside giving higher chances of having educated offspring, hence spurring economic growth. He adds that reducing the employment chances of women will increase labour costs, reduce average ability of the workforce and prevent them from offering labour services at competitive wage rates; this will invariably hamper economic growth. He concludes that the magnitudinal effects are stronger in sub-Saharan Africa as promoting gender equality in education and employment will ensure higher levels of economic growth much faster than anywhere else.

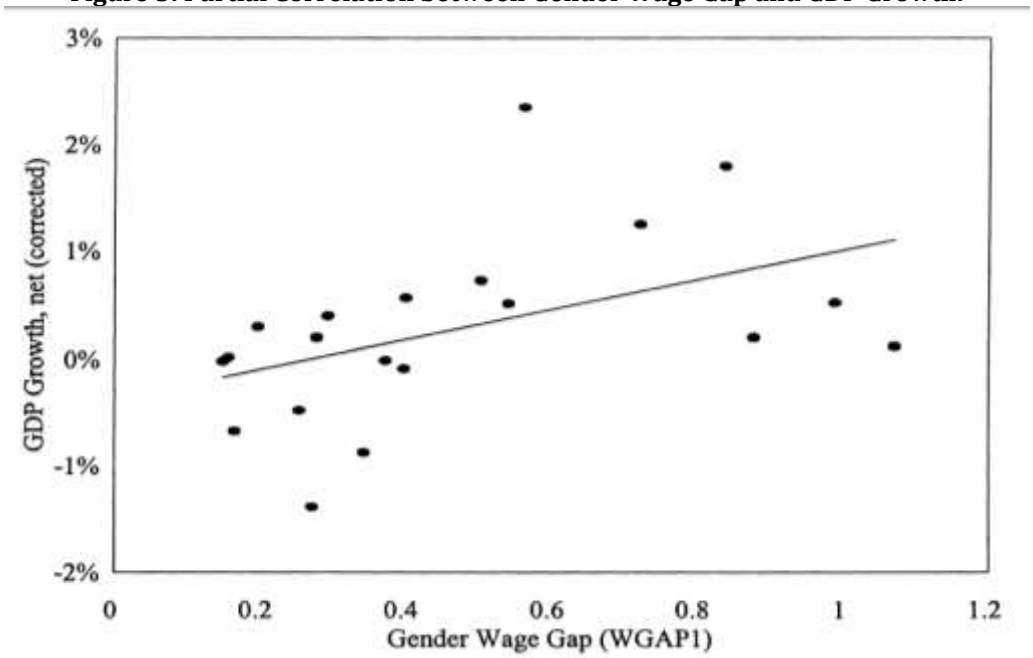
Adding to the point on fertility and child mortality, gender bias influences these variables which in turn impede on economic growth. Since gender equality (especially in education) encourages human capital investment and accumulation, Becker, *et al* (1990) confirm that higher stocks of human capital results in a rising rate of return on human capital relative to rates of return on child bearing *(suffice is to say that this is important because population growth dampens economic growth).* Because women are time-poor, when the relative bargaining power and education of a woman is higher, she is employed and receives income which is the opportunity cost of time spent on child bearing – *fertility rate is therefore reduced*. Higher household income means more investment in children's education and a better knowledge of a child's health care and upbringing – *child labour and mortality rate is thus reduced*. Also, in most developing economies where gender inequality is contemporaneous, women only engage in unpaid subsistence, home and reproductive work. Thus, greater female participation in productive activities will increase gross domestic savings: *as in the Solow model, higher income means more savings rate and investment, lesser population growth*, hence economic growth. Furthermore, it has been revealed that women tend to save more relative to men; female employment therefore increases savings. This is evident in the

findings of Seguino and Floro (2003) that an increase in women's share of aggregate wage tends to increase aggregate savings in the economy.

It is also worth arguing that gender bias impedes the attainment of other development goals. According to Ward, *et al* (2010), because there are close interconnections between goal 3 (gender equality) and other MDGs, progress on gender equality is imperative towards achieving wider goals. The authors confirm that gender equality will reduce household poverty (MDG1), children will be able to attend school (MDG2), reduce child mortality (MDG 4), maternal health is improved due to lower fertility rate (MDG5) and lesser population growth would ensure environmental sustainability (MDG7). It has been concluded that most countries in South Asia and sub-Saharan Africa have not been able to meet some of the MDGs 2015 target because they are the most critical regions suffering from gender issues and other externalities *(like corruption)*. Gender issues are one of the causes of economic and social backwardness in developing economies, hence a hindrance to the realization of MDGs. Furthermore, Klasen and Lamanna (2008) reveal that greater gender equality could have led to GDP per capita in Sub-Saharan Africa being 16% higher than it was in 2000, while in South Asia it could have been 37% higher. With the new Sustainable Development Goals (SDGs), it is anticipated that better technical and implementation strategies would be put in place to help in the realization of goals; hence, ultimately leading to development across the globe.

From an entirely different point of view, (Seguino, 2000) argues that gender wage discrimination spurs economic progress for an exports trade-oriented economy where women provide relatively cheaper labour in production. Using panel data for 1975-95 in her cross-country analysis, the positive relationship between gender inequality *(via gender wage differentials and education)* and economic growth is partly as a result of the effect of investment on the share of GDP. She further explains that semi-industrialized countries tend to trade a significant share of their exports from female-led labour contributions in manufacturing industries. Therefore, gender inequality lowers the ratio of female-male wages, thus stimulating export-led growth. Again, Seguino (2000) adds that exports trigger economies of scale and specialization alongside encouraging competition and allocative efficiency, hence increasing productivity and output. She supports her argument with the following finding:

Figure 3: Partial Correlation between Gender Wage Gap and GDP Growth.



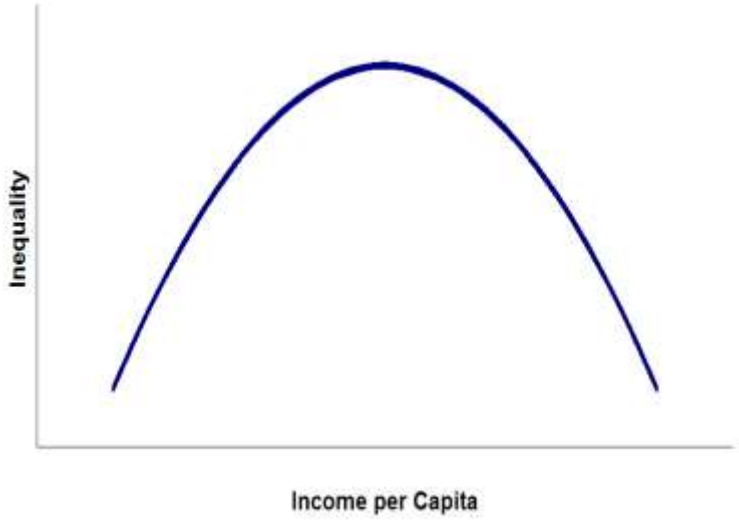
Source: Seguino (2000)

The graph above depicts Seguino's justifications on the positive relationship between gender inequality and growth. Nevertheless, her study can be criticised by the fact that sufficient human capital is imperative for exports to have full effect on the economy which prevailing gender asymmetries are likely to be barriers. In addition, her empirical study does not take into account institutional dynamics and social factors which make her conclusions debatable. To add to that, Schober and Winter-Ebmer (2011) disagree with Seguino's findings on the grounds that she did not use internationally comparable wage discrimination data in her research. Replicating her empirical model with a different data from a meta-study on gender wage inequality, they do not find indications that more gender discrimination can promote growth in countries at varying stages of development.

3.2 The Effect of Economic growth on Gender Inequality

Despite the flurry of empirical literature on how gender inequality can affect economic growth, adequate research is not available on the direction of causality from economic growth to gender inequality; we would like to explore the few ones at our disposal. First, it is worth explaining in simple terms about how economic growth can influence gender inequality using the Gender Kuznets curve (GKC) below:

Figure 4: Gender Kuznets Curve (GKC)



Source: Papyrakis (2013)

The GKC above depicts an inverse relationship between GDP growth and gender inequality; it therefore exhibits curvi-linearity in the long run. Initially at low levels of income, men participate more in productive activities or in education than women, and hence more inequality at lower levels of economic growth. When an economy reaches its steady state or an inflexion point at a level of economic growth, gender inequality begins to fall. Consequently, with higher levels of GDP per capita, households have enough money to take even females to school, or the government will then be able to provide scholarships for education, hence lowering gender bias in an economy.

The GKC hypothesis is further validated by the very recent work of Eastin and Prakash (2013) where they adopted panel data analysis for 146 developing countries for the period 1980-2005 to examine the conditions under which economic growth and development can improve gender equality. They argue that the effect of economic growth on gender inequality depends on the stage of development in an economy. The initial stage sees a rise in equality, decreasing in the second stage and finally rising again at the last stage. They therefore argue that the pattern of the relationship between growth and gender equality is an S-shaped GKC at three stages of development. They suggest that the reason for the fall at the second stage is due to socio-economic and cultural factors alongside sudden re-articulatory oppositions of western and gender norms. The resuscitation of gender equality at the third stage is as a result of continued development and investment in human capital which increases the opportunity costs of gender inequality, hence allowing for gender equality improvement. The policy implication of the paper suggests that economic growth is not the only factor that encourages gender equality, other issues affecting gender equality must also be put into account for better results.

Furthermore, Dollar and Gatti (1999) suggest that gender equality and economic growth are jointly reinforcing. They argue that market failures may hinder gender equality in an economy with low income per capita growth. These market failures may include relative gender returns to schooling considerations by parents, credit market deficiencies etc. However, the authors confirm that such externalities are overcome as an economy progresses. Particularly for middle income countries, they find strong evidence that increase in GDP per capita significantly reduces gender inequality; they conclude that female education increases national income and economic growth, hence gender equality in education, health, etc. The findings can however be questioned that growth is not the only important engine for promoting gender equality; the paper would have benefited more by considering other factors that influence gender equality.

4. SUMMARY AND CONCLUSION

In sum, gender equality and economic growth can be viewed as mutually reinforcing concepts. In many countries, women are larger in population and have higher life expectancy than men. Poor countries have more gender inequality problems where boys get more education than girls; the rights and power of men is relatively stronger in marital affairs and asset ownerships. Also, human resources are under-utilized in terms of the flurry of relative gender employment opportunities and labour force compositions. From the reviewed literature, we can conclude that the magnitudinal effect on growth depends on the proxy for gender inequality used as well as the stage of economic development in a country. One important observation here is that the role of educational gender equality in economic growth is highly substantial. When gender asymmetries are more prevalent in an economy, the prospects of economic growth decrease. In some cases, the effect may be positive as Seguino (2000) proposes; nonetheless, gender equality in labour wage or employment is equally important for GDP per capita growth. The benefits of gender equality are maximized if female education is complemented with equal opportunities in labour market participation. Ultimately, promoting gender equality will enable the achievement of sustainable development goals like ensuring quality education, poverty eradication, child mortality reduction, and women empowerment.

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