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**Article**

## Does female economic empowerment promote development?

PEGNet Policy Brief, No. 17/2019

**Provided in Cooperation with:**

Kiel Institute for the World Economy – Leibniz Center for Research on Global Economic Challenges

*Suggested Citation:* Balasubramanian, Pooja; Ibanez, Marcela; Khan, Sarah; Sahoo, Soham (2019) : Does female economic empowerment promote development?, PEGNet Policy Brief, No. 17/2019, Kiel Institute for the World Economy (IfW), Poverty Reduction, Equity and Growth Network (PEGNet), Kiel

This Version is available at:

<https://hdl.handle.net/10419/206421>

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**KEY POINTS**

- The empirical evidence supports the view that female economic empowerment is key to end poverty and boost economic prosperity.
- Key policies to promote development and reduce poverty are employment programs targeting female labor market participation, asset ownership and increased bargaining power of women within the household.
- Social norms might limit the mobility of women and thereby prevent these effects from occurring.
- The comparison of the effect of different interventions might be obscured by the lack of comparability in the measures used.
- We recommend the adoption of a common framework for the analysis of the impact of interventions that promote female empowerment.

# PEGNet

# Policy Brief

## Does female economic empowerment promote development?

Pooja Balasubramanian, Marcela Ibanez, Sarah Khan, Soham Sahoo

There are persistent inequalities in access to economic opportunities for women. For every 10 men, only 7 women enter the labour market. Once women enter the labour market, they confront worse conditions. Women earn 24 percent less than men for comparable work, are more likely to be employed in the informal sector and are less likely to occupy leadership positions. Women's firms and agricultural plots are smaller and less productive than those of men.

Increasing women's economic opportunities - also referred to as female economic empowerment - is therefore a major policy objective. International organizations, local governments, non-profit organizations, researchers and private companies engage in various initiatives to boost female economic empowerment. Female economic empowerment is considered not only valuable in its own right, but is also considered a key element to end poverty and boost economic prosperity (UN, 2015).

This policy brief starts with a discussion of the meaning of female economic empowerment and the pathways through which economic empowerment could promote development. It then presents a review of the evidence on the impact of different interventions designed to promote female economic empowerment on poverty and human development. Finally, it concludes with a discussion on the obstacles that these types of initiatives face and the policy implications they have.

### Female Economic Empowerment

Empowerment is defined as the expansion of people's ability to make strategic choices in a context where this ability was previously denied to them (Kabeer, 2012). While freedom of choice is a multidimensional concept that depends on economic, social, political and psychological aspects, the ability that individuals have to control their lives and exert influence in society crucially depends on the economic dimension. Following this conceptualization, female economic empowerment is defined as female's increased access to, and control over economic and other resources.

Women's economic empowerment has been a central policy objective in the agenda of international organizations, local governments, NGOs, and private companies. At the United Nations Sustainable Development Summit on 25 September 2015, more than 150 world leaders adopted the new 2030 Agenda for Sustainable Development and committed to promote decent work, gender equality and non-discrimination. Gender mainstreaming has also been adopted as a global strategy for the promotion of gender equity within major international organizations (ILO, 2016).

There is a large variety of interventions designed to promote female empowerment. Malhotra et al. (2005) identify three dimensions at which these interventions operate. The first dimension is at the household level, comprising interventions that foster gender equity in rights to own and inherit land. The second dimension is female empowerment at the community level; it considers access to labor and credit markets. The last dimension considers empowerment at the national level and relates to interventions that increase female representation in jobs where they have decision-making power.

### Pathways to Development

Improving the economic position of women by providing them with access to income generating opportunities at the community level is likely to reduce poverty and promote human development within the household.

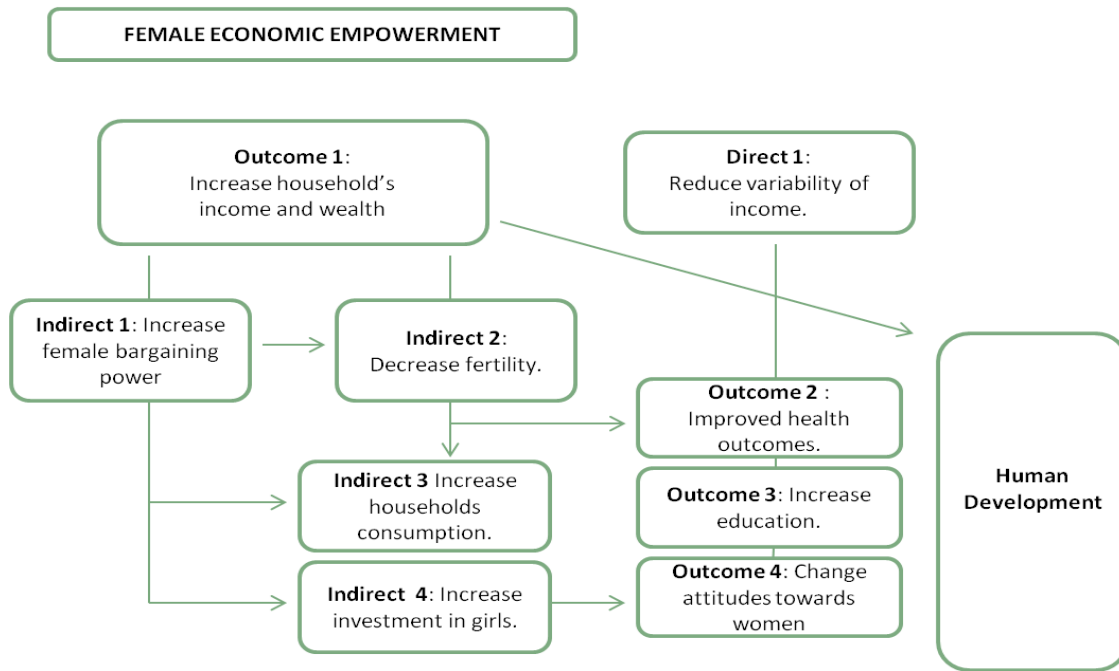
Figure 1 presents the theory of change that Ibanez et al. (2017) proposed to conceptualize how female economic empowerment reduces poverty and promotes human development. Interventions that increase the opportunities for women to have economic independence and enabling them to generate their own income translate into higher household income and reduced income variability. This has a direct impact on human development. Besides, these interventions can have an indirect effect as they contribute to increased female bargaining power at the household and to reduced fertility. As women have more control over household's income they invest more in children,



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**Figure 1: Female economic empowerment and human development**

Source: Ibanez et al. (2017)

particularly girls, and themselves. This results in higher education and improved health within the household. Furthermore, as women gain more autonomy, it can change attitudes towards women in society affecting future generations.

**Empirical Evidence**

Large scale programs, such as the Mahila Samakhiya in India, Business Development Schemes in Kenya, Uganda and Tanzania, are examples of the steps undertaken by various governments to promote female empowerment. However, do these initiatives contribute to human development as intended?

To answer this question, Ibanez et al. (2017) conducted a systematic review of studies in which women from low and middle-income countries benefited from interventions that promoted female economic empowerment at the community level. They included studies published between 1990 and 2016, which provided credible causal evidence of the impact of the interventions on human development. They identified 35 studies that fulfilled the eligibility criteria; 20 of those related to interventions focusing on financial access and 9 to interventions that supported entrepreneurial activities. Relatively few interventions considered support to agricultural employment and in the labor market.

As reported in Figure 2, Ibanez et al. (2017) find that women's economic empowerment has positive effects on two of the four dimensions of human development they analyzed. Beneficiaries of the interventions achieved higher levels of education and an improved economic situation as compared to non- beneficiaries. In particular, they were employed for longer hours, received higher incomes and accumulated larger value of assets and savings. They also had fewer debts and were less likely to be poor. Furthermore, beneficiaries reported higher levels of subjective well-being than the control population. The magnitude of the effect was however relatively modest varying between 0.02 and 0.1 standard deviations. By contrast, female economic empowerment is not found to be associated with improved health or changes in

attitudes favoring women in the short run.

Complementary to this review, Bandiera et al. (2013) study the impact of a series of interventions that provide capital, training or a combination of both to women. Their analysis suggests that ultra-poor programs that give a large asset transfer to very poor women is associated with increased earnings and consumption of food and non-food items. Training and entrepreneurship programs increased business knowledge and changed business practices. However, there were no significant effects on business outcomes such as sales

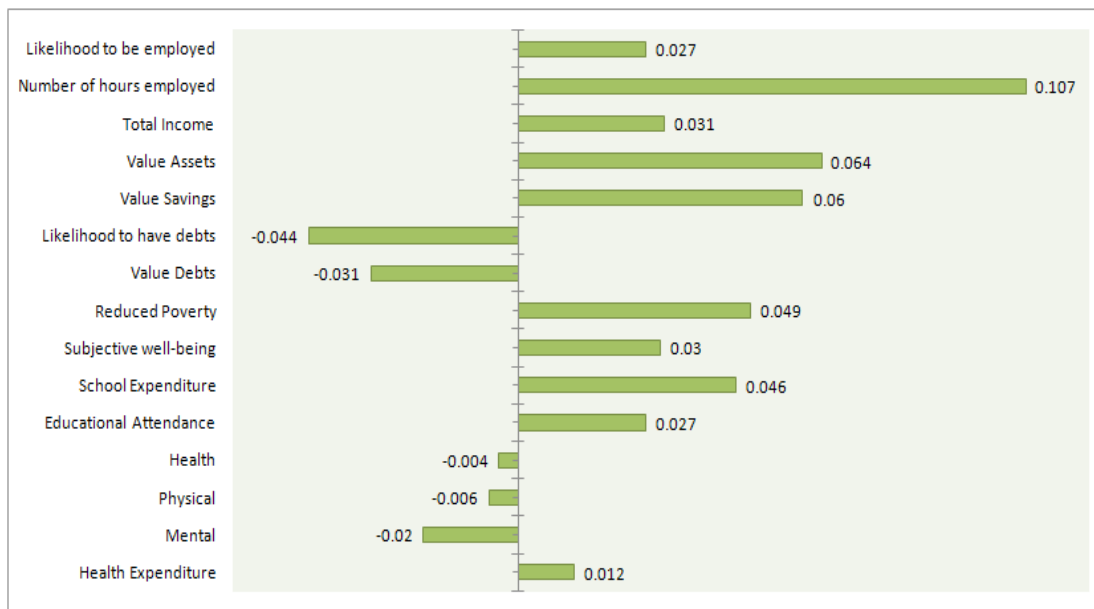
or profitability. This suggests that access to capital is one of the main obstacles for female entrepreneurs (Cho and Honorati, 2014).

Mehra et al. (2014) confirms this view. They study interventions that promote financial services by increasing access to credit, promoting savings, providing insurance, and opening new bank branches. Their main finding is that savings interventions have a positive effect on women's businesses and expenditures. Their analysis also suggests that less poor women are more successful and benefit more from increased access to capital while very poor women benefit from increased saving opportunities.

Rodgers and Menon (2013), in a meta-analysis, show the welfare-enhancing effects of women's land ownership. Land ownership enhances the decision-making power of women in their household. It also leads to higher economic security through self-employment and higher wages, which, in turn, can reduce household's vulnerability to poverty.

In the presence of capital constraints, employment programs can also play an important role in promoting female empowerment. Todd (2013) studied the effectiveness of a variety of policy interventions that aimed at improving the quality and quantity of women's work. She finds that these programs bring more women into formal jobs. Beneficiaries of these programs received higher wages and had increased access to social benefits such as health insurance and pensions.

Regarding the pathways leading to human development, Doss et al. (2013) focus on the evidence of the importance of female bargaining. They review studies that exploit a variation in policies which give women increased power within the household. They find that legislative changes providing equal inheritance rights for women and changed marriage laws giving women extended alimony were associated with changes in investment decisions favoring children and women. Brody et al. (2015), on the other hand, consider the impact of self-help groups on female economic, political, social and psychological



**Figure 2: Impact of female economic empowerment on human capital**

Women’s economic empowerment at the community level has a positive impact on human development in low and middle income countries. Source: Ibanez et al. (2017)

the sole responsibility of women, which increases their susceptibility to time poverty, and might deter them from taking risky entrepreneurial decisions. A critical aspect might be not only overcoming the lack of access to marketing opportunities but also reducing this double burden of productive and reproductive work responsibilities for women.

Women’s economic empowerment can also contribute to tensions within the household and the community. Women’s engagement in activities outside of the household might lead to increased spousal abuse due to the male backlash effect (Heath, 2014), although this correlation might disappear once endogeneity is

empowerment. Their systematic review finds positive effects in all dimensions except the psychological one with magnitudes ranging from 0.06 to 0.41 standard deviations.

Buvinic et al. (2014) undertake an exercise to identify interventions that work better for women from different income groups. They find that interventions promoting savings and land rights have a positive impact on all women beneficiaries. Micro credit, business training and financial literacy interventions have a desirable impact on very poor women and households. Finally, demand driven employment promotion and cash transfers are particularly favorable for young women.

**What limits economic empowerment?**

While women’s economic empowerment could lead to higher human development and lower poverty, certain contextual factors can limit the positive effects of these interventions.

Even if women have access to resources this does not necessarily guarantee their agency over their use. Social barriers might prevent women from truly controlling these resources. For example, social norms on gender might limit their mobility and consequently their economic activities outside the house. Moreover, low initial bargaining power within the household might imply that men control the resources generated by women. A systematic review by Vaessen et al. (2014) on the impacts of micro-finance on a woman’s control over spending shows that the effect is relatively low and not significant, which is partly attributed to the demands of the social network including the husband.

Assuming that it is possible to enforce a women’s control over resources so that they can make investment decisions, it is not clear if they would engage in more productive activities than men. Empirical evidence shows that women specialize less in cash crops (Croppenstedt et al., 2013) and engage less in high yielding risky investments. One of the reasons is that household and unpaid care work is considered

controlled for (Lenze and Klasen, 2017). Participation in economic activities outside of the home could also make women more vulnerable to crime or could expose women to environmental hazards at work (Amaral et al., 2015). As women spend more time at work, they reduce time with children resulting in increased school dropouts, involvement of children in gangs or transfer of responsibilities to young daughters. In addition, families could switch to less nutritious pre-cooked food. Interventions that foster female labour force participation can increase employment, but at a lower salary (Todd, 2013) and can have negative spillover effects on wages of the non-beneficiaries. Moreover, the sustainability of these interventions has been questioned as discrimination against women might continue to persist once the incentives have been removed (Groh et al., 2012).

**Conclusion and Policy Lessons**

In the last decade, there has been an increase in studies focusing on female empowerment, particularly in the economic sphere. However, due to lack of standardized measures and varying contexts, it is difficult to compare their effectiveness. One recommendation is to build standardized measures of female empowerment that are comparable across different contexts.

Moreover, a multidimensional approach to measuring outcomes can perhaps provide a more holistic view on the impacts of interventions on women’s economic empowerment.

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provide information, analysis and key policy recommendations on important development and humanitarian topics. The views presented are those of the authors and do not necessarily reflect the views of PEGNet. In case of questions or comments, please directly contact the authors.

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