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GENDER AND PRO-POOR GROWTH

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EXECUTIVE SUMMARY

An important achievement in recent years has been the recognition by governments that there is a gender dimension to poverty. Men and women experience poverty differently, become poor through different processes and face different vulnerabilities and risks. Women's poverty is compounded by gender disparities in productive resources, infrastructure and labor markets, all of which create barriers to viable economic participation. Overcoming these barriers is essential for moving women out of poverty and fostering broad-based sustainable growth.

There is mounting empirical evidence that the gender-based division of labor and the inequalities to which it gives rise retard economic growth and poverty reduction, and undermine the potential for successful human and economic development. These linkages have been documented on a number of different levels:

- *Enhanced gender equality in the allocation of productive resources contributes to higher national productivity levels.* The results of macro- and micro-level analyses on the links between gender inequality and growth reveal a consistent picture of gender-based asset inequality constraining growth and poverty reduction. In sub-Saharan Africa gender disparities in access to resources lead to marked differences in labor productivity and hamper the supply response to policies, particularly agricultural policies. Similarly, research shows that gender-based distortions in the provision of agricultural extension services result in considerable output losses. Conversely, gender equality in control over resources such as land, credit, technology and labor can contribute to more efficient markets, enhancing productivity and growth rates.
- *The potential for growth is related to a country's human capital, particularly education.* Female illiteracy is one of the most significant correlates of low growth and high poverty rates. Studies have identified schooling as a main vehicle through which overall inequality affects aggregate growth. In addition, empirical evidence shows that education is key to women's capacity to enter and gain from labor market participation, and often has positive externalities at the household level in terms of fertility, decisions on the education and health of children, and labor market participation.
- *Rigidities in the labor market and the under-employment of women lead to allocative inefficiencies that thwart growth.* When gender-based labor market distortions limit women's access to employment the labor supply becomes artificially contracted. This means that men will obtain inefficiently higher wages, making the country less competitive and hindering export performance.
- *Higher social returns can be achieved by targeting women than men.* Higher earnings under the control of women have a positive effect on household welfare, especially that of children. Women are more likely to prioritize basic needs and collective welfare, particularly in relation to children.

A gender-equitable pro-poor growth strategy is one which promotes the economic opportunities of poor women, both in self-employment and in paid employment. Although some of the constraints to raising women's economic participation and welfare are socio-cultural in origin, there are a number of promising areas where policy support can make a difference, including:

- improved access to capital through financial sector reforms and micro-credit schemes;
- investment in time-saving infrastructure;
- social policies to promote education, health and childcare; and
- measures to provide gender-appropriate social protection.

To contribute to gender-equitable pro-poor growth these interventions must be designed with women in mind. Women will not benefit fully from improvements in the availability of credit unless an effort is made to ensure a gender-neutral distribution, nor from increased off farm employment unless they have equitable access. Nor are they likely to reap maximum benefits from investments in education or health care unless an effort is made to ensure that these services are sensitive to their needs.

Since many women from poor families are self-employed in agriculture or in micro-enterprises, raising incomes in either of these activities can be a viable path out of poverty for a good number of women in developing countries. However, women's productivity and income has not attained its full potential, due among other things to market failures that inhibit productivity increases through access to productive assets, credit, information, technologies, and more lucrative domestic and export markets. Given that women are usually more susceptible to such market failures, it is important both to improve the functioning of these markets and to develop gender-sensitive agricultural and micro-enterprise policies that allow female entrepreneurs to overcome the imperfections. A gender equitable pro-poor strategy must also focus on developing a set of policies that increase female employment and allow productivity and wages to rise while ensuring the provision of basic rights and working conditions. Finally, social protection policies should be designed to reduce women's work intensity caused by the "dual burden" women face in combining labor market and domestic responsibilities. Women are more constrained than men from participating in the labor market due to their primary responsibility for domestic work and childcare.

Many policies designed to address the gender dimension of poverty, and other policies which might affect that dimension even though not designed with it in mind, are of recent vintage and have been little evaluated. Accordingly, it is important to emphasise learning from ongoing experience in order to move over time towards a more effective package of policies in this area.

CHAPTER ONE INTRODUCTION

An important achievement in recent years has been the recognition by governments that there is a gender dimension to poverty.¹ Men and women experience poverty differently, become poor through different processes and face different vulnerabilities and risks. Women's poverty is compounded by gender disparities in productive resources, infrastructure and labor markets, all of which create barriers to viable economic participation. Overcoming these barriers is essential for moving women out of poverty and fostering broad-based sustainable growth.

An explanation commonly given for the excess of female poverty is the high incidence of poor female-headed households. Many studies have focused on the question of whether female-headed households are disproportionately represented among the poor, and subsequently, whether the category of "female headship" is an appropriate tool for targeting policy interventions. While comparative analyses of the income and poverty levels of female- and male-headed households are useful, they do not provide an accurate picture of the poverty suffered by women and men *within* households. Household income measures overlook the gender dimensions of poverty, which emerge more clearly through approaches that favor social indicators (mortality, health and nutrition, and time allocation), and that capture the intrahousehold processes underlying resource allocation.

Both Quisumbing et al. (2001) and Lampietti and Stalker (2000)² report a higher incidence of poverty among women than among men in developing countries when they incorporate evidence on intra-household gender differences. The World Bank has documented how in some countries, girls in poor families receive lower quality food, health care, and poorer education than their brothers, and have less access to and control over the household's productive resources than do male family members (World Bank 2002a). There is also mounting empirical evidence that the gender-based division of labor and the inequalities to which it gives rise retard economic growth and poverty reduction, and undermine the potential for successful human and economic development. These linkages have been documented on a number of different levels:³

- *Enhanced gender equality in the allocation of productive resources contributes to higher national productivity levels.* The results of macro- and micro-level analyses on the links between gender inequality and growth reveal a consistent picture of gender-based asset

¹ China has reported that due to its comprehensive approach to poverty eradication among women, the number of its citizens living in poverty has declined from 65 million in 1995 to 42 million in 1998. Sixty percent of those have been women (UN 2000).

² However, this needs to be qualified. Quisumbing et al. (2001) compared poverty measures for men and women in ten developing countries and found that while poverty measures are higher for among women, the differences are significant in only a fifth to a third of the datasets. Similarly Lampietti and Stalker's (2000) analysis of 60 Poverty Assessments carried out by the World Bank indicates that while women appear to be at a disadvantage over the range of welfare indicators, this disadvantage is not clearly amplified for those below the poverty line or in low-income countries.

³ Considerable research over the last fifteen years suggests that inequality is detrimental to efficiency and growth. This literature has been surveyed in Kanbur (2000), Kanbur and Lustig (2000) and Development Alternatives, Inc. (2002).

inequality constraining growth and poverty reduction (Blackden and Bhanu 1999). In sub-Saharan Africa gender disparities in access to resources lead to marked differences in labor productivity and hamper the supply response to policies, particularly agricultural policies (Evers and Walters 2000). Similarly, research shows that gender-based distortions in the provision of agricultural extension services result in considerable output losses (Tzannatos 1999, Killick 2002). Conversely, gender equality in control over resources such as land, credit, technology and labor can contribute to more efficient markets, enhancing productivity and growth rates;

- *The potential for growth is related to a country's human capital, particularly education.*⁴ Female illiteracy is one of the most significant correlates of low growth and high poverty rates (Sautter 2002). Deininger and Squire (1998) found that the main way through which overall inequality affects aggregate growth is through schooling. This conclusion corresponds to that of Birdsall, Ross and Sabot (1997) whose comparison between the economic performance of countries in Latin-America and East Asia led them to conclude that the main factor underlying the relative low growth rates in countries like Brazil and Colombia was inequality of education. In addition, empirical evidence shows that education is key to women's capacity to enter and gain from labor market participation, and often has positive externalities at the household level (Klasen 1999, Dollar and Gatti 1999). For example, the beneficial impacts of women's education⁵—in terms of fertility, decisions on the education and health of children, and labor market participation—have been widely documented (Behrman and Sengupta 2002, Hill and King 1995, Klasen 1999; Smith and Haddad 2000, Dollar and Gatti 1999);⁶
- *Rigidities in the labor market and the under-employment of women lead to allocative inefficiencies that thwart growth.* When gender-based labor market distortions limit women's access to employment the labor supply becomes artificially contracted. This means that men will obtain inefficiently higher wages, making the country less competitive and hindering export performance (Klasen 1999: 30).
- *Higher social returns can be achieved by targeting women than men* (Lampietti 1999, Pitt and Khandker 1998, Thomas 1997, as well as Deliverable 10-Education). Improved earnings

⁴ See Barro (1991), Mankiw, Roemer, and Weil (1992), and Klasen (1999, 2001).

⁵ According to Klasen (1999), had Sub-Saharan Africa had East Asia's record in initial gender inequality in education and closed the gap at the same speed East Asia had, real per-capita annual growth between 1960 and 1992 would have been between 0.4 and 0.6 percent faster. In South Asia, where gender gaps are more pervasive and closed even slower, growth would have been 0.7-1.0 percent faster.

⁶ In their review of evidence from Pakistan, Behrman and Sengupta (2002) conclude that "*Benefit-cost estimates that include "social" benefits beyond the strictly economic ones generally tend to be larger and therefore strengthen the argument for investing more in female schooling relative to alternatives, including in particular male schooling. For a 5% discount rate, for example, the preferred estimates for the Pakistan case probably are at least 1.7 (inclusive of economic benefits)*". They also note that "*The strictly economic benefits are likely to be a major part of the overall benefits.*" The latter point suggests that an earlier estimate by Summers (1994) of a benefit to cost ratio of 1.43 for the social benefits alone (using the same 5% social discount rate) was too high side. But those social benefits still appear to be significant and, in conjunction with the strictly economic ones, make a strong case for more education of girls in countries like Pakistan. More generally, drawing on the a very careful statistical analysis, both cross-section and time series (for three selected countries,) these authors provide considerable support for the idea that there are many good opportunities to invest in female education in ways which are economically and socially productive.

under the control of women have a positive effect on household welfare, especially that of children. There is now a sizeable literature highlighting differences in the way the genders allocate household income and resources, with women more likely to prioritize basic needs and collective welfare, particularly in relation to children.⁷ In Brazil, for example, increased income in the hands of mothers is associated with substantially larger improvements in child survival than increased income in the hands of fathers. In the case of child survival probabilities, the effect is almost twenty times larger (Thomas 1990, 1997).

Gender equality, therefore, is a determinant of development effectiveness and has significant implications for the design of anti-poverty interventions and the nature of pro-poor growth strategies. Low and middle-income countries can achieve faster, broader-based growth if they identify gender-related barriers to poverty reduction and act to remove them (World Bank 2002a). While some scholars argue that growth is generally distribution-neutral (e.g. Dollar and Kraay 2000), growth is neither automatically pro-poor nor inclusive. There is evidence that women are often left out of the growth process (even when policies are pro-poor overall). While the policy interventions most likely to result in pro-poor growth are those that raise the relative position of the poor while promoting broad economic efficiency (e.g. education, land reform, preventative health care) (Killick 2002), institutionalized gender bias often prevents women from benefiting from these. Hence, achieving a gender sensitive growth strategy entails not only identifying a pattern of growth that favors the poor, but one that maximizes the reduction of female poverty. While such a strategy will take on different forms depending on countries' resource endowments, levels of technology and socio-cultural context, it would broadly encompass three main categories. All three paths would contribute to growth while concurrently improving the relative position of women.

1. □ *Eliminating barriers which impede access to economic opportunities*: Reduction of discrimination in access to productive assets such as land, financial services, inputs, information, and other economic services, particularly through legal reforms.
2. □ *Enhancing human capital*: Increased investment in basic education and health services.
3. □ *Promotion of labor intensive employment* accompanied by a reduction of gender discrimination in the labor market.

Insofar as policies that encourage labor intensive growth are powerful pro-poor measures, this paper concentrates exclusively on women's engagement in the labor market, including both formal and informal employment. Since the poor (and especially poor women) rely almost exclusively on labor income, addressing women's position in the labor market is essential to poverty oriented approaches. This is not to diminish the importance of removing asset-inequalities or discrimination in human capital formation, which are covered separately in complementary *Pro-Poor Economic Growth Project* papers.

⁷ See Thomas (1997), Hoddinott and Haddad (1995), Browning and Chiappori (1998), Quisumbing and Maluccio (1999), and Lundberg, Pollak and Wales (1997).

The paper is organized as follows. Section 2 reviews the nature of female labor market participation in both formal and informal employment. The paper adopts the revised ILO classification of informal employment as all remunerative work—both self-employment and wage employment - that is not recognized, regulated, or protected by existing legal or regulatory frameworks and non-remunerative work undertaken in an income-producing enterprise (ILO 2002a). This includes flexible, contingent and subcontracting work performed directly for formal enterprises, as well as micro-enterprises and forms of self-employment with tenuous or no links to formal processes (Beneria 2002). Section 3 reviews employment trends in women's formal labor force participation, focusing on the quality of employment, the contribution it makes to the incomes and welfare of women and their families, and its capacity to raise overall national incomes. The labor market affects different groups of workers in different ways (e.g. younger versus older women and single vs. married women), and some workers may lose while others gain from formal labor market participation. Section 4 focuses on women's participation in informal non-farm activities and identifies principal gender-based constraints to achieving gender sensitive economic growth in some types of informal work. Section 5 provides policy options that are consistent with growth with equity and some of the structural, policy, and institutional conditions that need to occur to have gender equitable growth.

CHAPTER TWO

CHARACTERISTICS OF WOMEN'S LABOR FORCE PARTICIPATION

With few exceptions, over the last three decades female labor market participation as traditionally measured has steadily increased, exceeding 50 percent globally by the year 2000 (see Table 1) (UNDP 2002).⁸ The highest rates continue to be in the economies of sub-Saharan Africa (SSA), and Asia and the Pacific, primarily due to women's large share of agricultural work (ILO 2003a). In addition, despite the economic downturn in transition economies, the share of women in total employment has remained relatively constant and in no country of the region has the ratio of female to male activity rates declined over time (Paci 2002).⁹

Female labor force participation has not only risen throughout the world but in many countries it has formed the backbone of export-based expansion and overall employment growth, particularly in parts of Asia (UN 1999). There are a number of factors that explain this trend ranging from economic growth (and decline in some regions), to lower fertility rates to improvements in education. However, increasing female labor market participation does not necessarily signal economic prosperity. There is some evidence to suggest that a higher proportion of working women are from poor households than is the case for men. In urban West Bengal, for example, more than 40 percent of all women employed in non-farm production and services were from the poorest categories (below Rs. 55 per capita per month in 1977-78), compared with 20.5 percent among employed men (Bardhan 1989 cited by Sethuraman 1998). Likewise, in both Latin America and Sub-Saharan Africa structural adjustment processes, fiscal instability, and prolonged economic downturns have precipitated falling real incomes, pushing more women into the labor market, in many cases to compensate for the contraction in male labor force participation (Sethuraman 1998, Mehra and Gammage 1999). The remainder of this section provides an overview of women's economic participation across specific sectors and regions in which women's work is concentrated.

⁸ According to the ILO, the labor force participation rate (LPR) is a measure of the extent of an economy's working-age population that is economically active. Economically active comprises all persons of either sex above a specified age who furnish the supply of labor for the production of economic goods and services (employed and unemployed, including those seeking work for the first time), as defined by the System of National Accounts (SNA), during a specified time reference period. The LPR does not include work performed for reproduction, and hence only partly captures women's economic contributions (UN 1999).

⁹ Gender equality was one of the major achievements of the Soviet Union and the socialist regimes of Central Europe. Women had equal access to schooling, health care and employment (Paci 2002).

**Table 1: Female Economic Activity Rate
(Age 15 and Above)**

	Rate (%) 2000	Index (1990=100) 2000	As % of male rate 2000
High income	51.6	105	73
Middle income	59.5	100	73
Low income	51.6	103	61
World	55.3	102	68
Developing countries	55.8	101	67
Least developed countries	64.8	100	75
Arab States	32.9	117	41
East Asia and the Pacific	68.9	99	82
Latin America and the Caribbean	42.0	108	51
South Asia	43.3	106	51
Sub-Saharan Africa	62.3	99	73
Eastern Europe and the CIS	57.8	99	81
OECD	51.1	105	70
High-income OECD	51.7	105	73

Source: Human Development Indicators 2002, UNDP

PUBLIC SECTOR EMPLOYMENT

In most countries for which data is available, women's share of public sector employment outstrips their share of employment in private or parastatal enterprises. While there are fewer women employed in the public sector of developing countries (35 percent) than in either OECD (50 percent) or transition (46 percent) countries, in most developing economies women's engagement in the public sector is quite significant (Hammouya 1999) (see Table 2). This is particularly the case in Latin America where a substantial portion of female employment is in the government sector (25 - 45 percent) (see Table 2). From the late 1980s onwards, however, there has been a structural shift away from public sector employment. The steepest decline took place in transition economies, where millions of workers were retrenched (Rama 2001a), although Africa, Asia and Latin America have all been affected. In Africa, where public sector employment exceeded 10 percent per annum throughout the 1970s and early 1980s, a succession of fiscal stabilization programs has reduced government employment to the lowest level of any developing region (EAMAT MDT 1995).

Table 2: Female Public Service Employment (1995)

Country	Number of Women in Public Employment	Women's Share of Public Employment	Women's Share of Total Employment ⁽¹⁾
Albania	105.3	38.2	9.1
Azerbaijan	2027.2	35.1	45.2
Barbados	22.9	48.5	47.0
Belize	10	45.0	33.0
Benin	34.8	25.9	33.1
Botswana ⁽²⁾	99.4	39.8	38.2
Brazil	7842.9	53.0	39.9
Burkina Faso	42.4	22.2	...
China ⁽³⁾	112605	36.0	...
Colombia ⁽⁴⁾	432.5	45.1	41.4
Costa Rica	171.8	40.9	30.1
Ecuador	386.2	40.9	38.6
Egypt ⁽⁵⁾	1206.8	10.8	13.5
El Salvador	172.5	39.9	37.8
Estonia	254.7	54.3	47.8
Ethiopia	711.6	27.3	43.2
Gibraltar	4	37.5	37.8
Hong Kong China	233.6	37.1	41.9
India ⁽⁶⁾	19689	13.3	15.4
Jordan	214.1	27.8	24.8
Lithuania	591.6	49.8	38.6
Macau, China	16.6	36.1	...
Malawi	153.9	13.3	...
Malaysia	671	37.3	...
Maldives	18	32.2	27.1
Malta	50.1	22.6	26.5
Mauritius	85.2	19.2	31.8
Panama	148.1	46.0	37.7
Paraguay	138.6	43.7	40.8
Romania	5601.1	39.0	46.1
Slovenia	242.2	49.8	46.6
Sri Lanka	739.5	33.7	...
Thailand	2424.1	36.3	45.4
Trinidad & Tobago	129	34.8	35.7
Uruguay	228.9	41.0	41.4
Zimbabwe	313.9	23.5	20.6

Source: Public Sector Employment Data Base (PSEDB), Bureau of Statistics, ILO

Notes:

(1) In most developing countries total employment corresponds to formal sector employment.

(2) In public sector employment, only employees with regular contracts.

(3) Public employment in the State-owned units

(4) 7 main cities in the country

(5) Persons employed in private establishments with less than ten employees are not included in total employment.

(6) Only the public sector and private enterprises with more than ten employees, excluding agriculture

The downsizing of state-owned enterprises and government agencies has had an adverse impact on women workers. In those many countries where government has been the largest formal sector employer of women, its shrinkage has tended to affect them the most. In Eastern Europe and the countries of the former Soviet Union, the transition from centrally planned to market economies put millions of women out of work (Paci 2002). In Vietnam, roughly 70 percent of workers impacted by public sector downsizing were female. In 1990-91, some 553,000 women workers were laid off from state owned enterprises, amounting to 19.7 percent of all female wage employment in 1992-93 (Rama 2001a). This more severe impact on women occurs even when they are not explicitly targeted by downsizing programs. Firstly, women who lose public sector jobs typically experience a larger drop in earnings than men due to the fact that the gender gap in earnings is normally smaller in the public sector, implying a more significant loss, in relative terms, for retrenched women (Rama 2001a). Secondly, the public sector often provides benefits that are highly valued by women, such as maternity leave, childcare facilities and benefit packages, which are less common in the private sector and generally unavailable in informal employment, which absorbs the bulk of separated workers (Rama and MacIsaac 1999). Thirdly, even when the bulk of retrenchment consists of men, it pushes more poor women into the labor force to compensate for the loss of household income. This is evinced in several Asian economies (Thailand, Philippines, Sri Lanka, Pakistan, and India), where women working in export oriented industries are first time entrants to the labor market (Balakrishnan 2002).

AGRICULTURE

In developing countries the majority of the poor live in rural areas and agriculture is central to rural poverty reduction strategies (World Bank 2002c; Deliverable 11-Agriculture). While the process of economic development involves an overall shift in the structure of output and employment away from agriculture to manufacturing and services,¹⁰ in developing countries as a whole, agriculture remains the most important sector for female (as for male) employment. As Table 3 indicates, 63 percent of women in developing countries are engaged in agriculture activities (FAO 1999). Even in South Asia, which registered a decrease in the share of the female labor force absorbed in agriculture from 65 to 44 percent in 1997, agriculture remained the most significant sector for women (Mehra and Gammage 1999).

¹⁰ By the mid-1990s services accounted for almost two-thirds of world GDP up from about half in the 1980s (World Bank 2000c).

Table 3: Distribution of Women's Labor Force Participation by Agricultural and Non Agricultural Activities¹¹

World/region	Agricultural activities (%)			Non-agricultural activities (%)		
	1980	1990	1997	1980	1990	1997
World	56	52	49	44	48	51
Developed countries	14	9	7	86	91	93
Developing countries	74	68	63	26	32	37
African developing countries	82	76	72	18	24	28
- of which sub-Saharan Africa	83	79	75	17	21	25
Asian developing countries	77	72	67	23	28	33
Latin American and Caribbean developing countries	21	13	11	79	87	89
Oceanic developing countries	43	44	45	57	57	55
LIFDCs*	78	73	68	22	27	32
Low-income countries	82	76	71	18	24	29

Source :FAO, 1999.

* Low-income food-deficit countries.

Notes:

(1) Labor force participation is derived from data on the economically active population collected in population censuses and labor force surveys. It constitutes the number of all employed and unemployed persons (including those seeking work for the first time). It covers employers; self-employed workers; salaried employees; wage earners; unpaid workers assisting in a family, farm or business operation; members of producers' cooperatives; and members of the armed forces.

In most developing countries the agriculture sector is dualistic in nature with a well-developed commercial sector comprised of medium- and large-scale farms and a smallholder (mainly) subsistence sector. The majority of women are concentrated in the latter, as unpaid family workers or own account farmers growing food for family consumption and sale in local markets (FAO 1999). Women account for approximately 90 percent of household food production in Sub-Saharan Africa, 65 percent in Asia and about 45 percent in Latin America (Blackden and Bhanu 1999, Res n.d.). As smallholder farmers, women (in both male and female-headed households) face a range of constraints to improved agricultural productivity and economic growth. These include a lack of land, credit, technology, extension services, inputs and marketing channels, all of which impede their ability to move into higher return product areas (Quisumbing 1996).¹² A number of case studies in Africa also show that productivity and efficiency are adversely affected by gender differences in productive assets, including labor,

¹¹ Information relating to the labor force presented in this table is derived from data on the economically active population collected in population censuses and labor force surveys. However, the extent of women's participation in agricultural work can be significantly underestimated in these sources (FAO 1999).

¹² See the empirical research of Buvinic and Mehra (1990), Kossoudji and Mueller (1983), Saito and Weidemann (1990), Staudt (1982) and Quisumbing (1993).

which limit women's capacity to market crops or to invest in new crops (Kumar 1994, Sutherland 1988). Blackden and Bhanu's (1999) review of cross country evidence shows that more equal control of inputs and farm income by female and male farmers in countries such as Burkina Faso, Cameroon and Kenya, could raise farm yields by as much as a fifth of current output (see Box 1).

Non traditional Agriculture Exports: In many developing countries stabilization and trade liberalization have increased export orientation, thereby favoring large-scale commercial farming and export cash cropping over household subsistence production. As a result, women are increasingly integrated into agribusinesses in both production and value-added processing and packing. Work in agribusiness constitutes a significant proportion of women's formal sector employment in many developing countries. In Ecuador, for example, women represented over 40 percent of production labor and over 70 percent of processing labor in 1994. Similar patterns exist in Kenya, Côte d'Ivoire, Zimbabwe, Egypt, Guatemala, Sri Lanka, and Indonesia (USAID 1999).

In many countries the expansion of women's agricultural employment has occurred in non traditional agriculture exports (NTAEs), which have been widely adopted as a pro-poor strategy due to their intensive use of land and unskilled labor. Successful cases involve a range of horticultural commodities (in particular fresh fruits, vegetables, and flowers), as well as spices and oilseeds. NTAEs have become integral to national development strategies in several African and Latin America countries, many of which have achieved double digit growth rates for a decade or more due to a number of favorable demand and supply side conditions. In Kenya, horticulture is the fastest-growing sector of the economy, accounting for 22 percent of all agricultural exports in 2000, with each job supporting an estimated 8 people. In South Africa total fruit exports accounted for 30 percent of all agricultural export trade in 1999 (Barrientos et al. 2003). In Zambia horticultural products have led the growth in agricultural exports over the past decade, with year on year growth of horticultural agricultural exports exceeding 40 percent on average in the latter part of the 1990s (Giovanucci et al. 2001).

In many countries, diversification into NTAEs has become a key way that the world's rural poor are now linked to global product markets. For example, South African deciduous fruit, Kenyan cut flowers and Zambian flowers and vegetables employ an estimated 283,000, 40-70,000 and 8,000 workers respectively (Barrientos et al. 2003). Of these workers, approximately 75 percent are female. As Table 4 indicates, in both Africa and Latin America these sectors are characterized by high levels of female employment, with women engaged in wage work on large

Gender and Growth: Missed Potential

Burkina Faso: Shifting existing resources between men's and women's plots within the same household could increase output by 10-20 percent.

Kenya: Giving women farmers the same level of agricultural inputs and education as men could increase yields obtained by women by more than 20 percent.

Tanzania: Reducing time burdens of women could increase household cash incomes for smallholder coffee and banana growers by 10 percent, labor productivity by 15 percent and capital productivity by 44 percent.

Zambia: If women enjoyed the same overall degree of capital investment in agricultural inputs, including land, as their male counterparts, output in Zambia could increase by up to 15 percent.

Sources: Udry et al. 1995, Saito et al. 1994, Tibaijuka 1994 cited by Blackden and Bhanu 1999.

scale farms and in processing facilities.¹³ Studies show that most of these women are drawn from rural subsistence farming households and were either engaged in smallholder agriculture and/or informal activities prior to entering NTAE employment.

Table 4: Characteristics of the Workforce

	Gender Composition (Percent Female)	Age	Employment Status
Cutflowers			
Kenya	75	20-34	Seasonal
Uganda	85	-	Permanent
Zimbabwe	87	-	Seasonal & permanent
Colombia	64	15-28	Permanent & contract
Ecuador	70	16-29	Permanent & contract
Fruit			
Chile	45	30	Temporary
Brazil	65	-	Permanent
South Africa	53	31	Seasonal , temporary & contract
Vegetables			
Mexico	80-90	-	Temporary, seasonal
Kenya	66	18-29	Temporary

Source: Dolan and Sorby 2003

MANUFACTURING

The most notable change in female labor market participation has occurred in manufacturing sectors, particularly in the newly industrializing countries, where the expansion of labor intensive manufacturing industries became the driving force for economic development during the 1970s and 1980s. The feminization of export manufacturing is a feature in all developing countries, irrespective of income level, previous pattern of female employment, the qualifications and experience of the female labor force, or the social norms regulating women's activities. By the end of the 1990s women accounted for more than a third of the manufacturing labor force in developing countries, and almost one-half in some Asian countries (Mehra and Gammage 1999).

The largest increases in female employment have occurred in countries that adopted export-oriented development strategies, particularly those that established Export Processing Zones (EPZs). There are at least 2,000 EPZs in the world, employing some 27 million people, of which between 60 and 90 percent are women. Today, 93 developing countries have EPZs, compared to 24 in 1976 (UN 1999). EPZs have generated substantial demand for workers in a range of countries including Dominican Republic, Egypt, Honduras, Malaysia, Mauritius, Sri Lanka, Thailand, and Tunisia (see Annex 1). In many cases, the proportion of women employed in EPZs is far greater than the proportion of women in the overall manufacturing labor force (see Table 5). In Sri Lanka, for instance, women's share of EPZ manufacturing workers increased from 32

¹³ A number of studies have documented the gender impacts of NTAE production. See Barrón (1994), Lara (1998), Barrientos (1997), Collins (1995), Goldín and Asturias de Barrios (2001), Raynolds (1998, 2002), and Dolan (2001).

percent in 1975 to 84.8 percent in 1992 against 46.4 percent for the entire economy (UN 1999, Chambers 2000).

Table 5: Share of Women in Total Employment, in Manufacturing Employment and in Export Processing Zones (EPZs): Selected Asian Countries (Percentage)

	Year	National Economy	EPZ Manufacturing	All other Manufacturing
Korea, Republic of	1987	40.4	77.0	41.7
	1990	40.8	70.1	42.1
Malaysia	1980	33.4	75.0	35.6
	1990	35.5	53.5	47.2
Mauritius	1984	30.7	78.9	N.A.
	1987	34.4	66.2	N.A.
Philippines	1980	37.1	74.0	N.A.
	1994	36.5	73.9	45.2
Sri Lanka	1981	36.0	86.3	29.8
	1992	46.4	84.8	46.0

Source: Kusago and Tzannatos (1998), Export Processing Zones: A review in need of an update," in *Discussion Paper Series*, No. 9802, World Bank, Washington DC: January 1998, pp.6-7.

Despite the proliferation of EPZs, the pattern of female intensive growth is derived from a small number of industries—textiles, apparel, footwear, and electronics, all of which have high price elasticities of export demand and where competitive advantage is based on low labor costs. In many countries (see Box 2), these industries represent the model of employment intensive growth, incorporating large numbers of women from poor rural areas into export oriented production. They are also industries whose workers have certain specific attributes. For example, in both Bangladesh and among the *maquiladora* of Central America, female garment workers are young (16 to 30 years of age), unmarried women of rural origin from poor families. In Mexico and Guatemala many are also single mothers and heads of households (40 and 45 percent respectively) (ILO 1998, Fernández-Pacheco 2001). Most women who work in the garment industry have had no prior wage work experience and possess limited education (Paul-

Female Employment in Garments and Textiles

The Garment Workers of Dhaka, Bangladesh: The garment industry of Bangladesh is considered a development success story. In 1970 the export-oriented ready made garment (RMG) sector of Bangladesh contributed US\$ 1 million of export revenue. By fiscal year 1996-97 the export income from this industry had increased to over US\$ 3 billion, registering a growth rate of more than 27 percent per annum (UN 1999). The number of garment factories grew from four in 1978 to 2400 by 1995 when 1.2 million workers were employed, of whom 90 percent were young women under age 25. By the end of the decade, the garment industry employed 70 percent of all women in wage employment in the country (Bhattacharya 1999) and today is the largest single employer of women outside of agriculture (Kabeer and Mahmud 2003). While Bangladesh is somewhat atypical, several other countries including the Dominican Republic, Indonesia, Mauritius, Philippines, Republic of Korea, Taiwan, and Tunisia have had similar experiences (UN 1999).

The Maquila of Central America: A number of Central American and Caribbean countries have achieved impressive growth rates in the production of textiles and garments in the *maquiladora*. By 2000, the *maquila* sector generated 48 percent of Mexico's (gross) exports and 35 percent of its imports. Employment grew from 180,000 workers in 1984 to 1.3 million workers in 2000 (over one-quarter of Mexico's total manufacturing labor force) before declining to 1.1 million workers in 2002 (Hanson 2002). Across Central America, the *maquiladoras* have diversified national employment profiles away from the traditional commodities such as bananas and coffee, making it the vehicle through which many women have entered the manufacturing labor force. On the average, 3 of every 10 workers in Central America are working in the EPZs, the majority of whom are women (see Table 6) (Fernández-Pacheco 2001).

Majumder and Begum 2000, Fernández-Pacheco 2001). While women are employed mostly in unskilled jobs (where less education is permissible) and face limitations on their access to more skill-intensive jobs, it is nevertheless the case that these industries have facilitated a boon in female employment (see Box 2). Many women might not have attained formal market employment were it not for them.

Table 6: Women's Employment in Free Zones in Selected Countries of Central America and the Caribbean (1995)

Country	Number of plants	Average number of workers per plant	% of workers employed in textile & garment industry	Total number of workers	% of women workers
Guatemala	481	345	80	165 945	80
Honduras	155	395	95	61 162	78
El Salvador	208	320	69	50 000	78
Nicaragua	18	418	89	7 533	80
Costa Rica	250	200	70	50 000	65
Panama	6	200	100	1 200	95
Dominican Republic	469	353	65	165 571	60

Source: L. Daeren: "Cuestiones de género en la industria maquiladora en América Central y República Dominicana", paper presented to an ILO Subregional Tripartite Seminar in San José, Costa Rica, 25-28 November

However, there are some indications that the feminization of formal employment in export manufacturing may be declining, particularly in EPZs that specialize in higher-technology activities (electronics, for example), or that base competitiveness on quality and innovation (Cling 2001). Since the early 1990s, declining levels of female employment have been registered in several semi-industrialized countries including Taiwan, Hong Kong, South Korea, Malaysia, Thailand, Singapore and Mexico (Ghosh 2002, Seguino and Grown 2002).

The decline in female employment is partially linked to cessation of concessions in several EPZ countries. In Singapore, for example, almost all customs duties have been suppressed since 1994, and other fiscal advantages offered to EPZs have been eliminated. It is also linked to processes of technological upgrading. In order to garner higher rents and comparative advantage, many middle- and upper-middle-income countries have shifted away from growth patterns based on low skill labor to relatively high-skill manufacturing, particularly as they face upward pressure on female wages (Seguino and Grown 2002). At a sectoral level this is associated with a progressive increase in the quality of goods produced within EPZs, evolving from textiles and clothing to electronics and high technology goods. The new EPZs require a relatively better-educated workforce capable of being trained to use new technologies, and to continuously adapt to production innovations (Cling 2001). Hence, we can expect that as the output of EPZs shifts towards more technologically sophisticated goods (such as automobiles, in the case of Mexico) the share of women workers in EPZs will likely fall (ILO 1998). For example:

- In the Republic of Korea as production in the electronics industry shifted to more sophisticated communication and computer products the composition of the workforce changed in favor of male workers (Kim and Kim 1995).

- In Bangladesh, women workers account for only about 35 percent of the workforce employed in factories manufacturing knitwear (which requires more advanced technology), whereas in the factories manufacturing woven wear, they account for 68 percent of the total workforce (Paul-Majumder and Begum 2000).
- First generation *maquiladora* were based on the use of unskilled and semiskilled low, labor intensive, largely feminine assembly activities to produce relatively unsophisticated components. In contrast many second generation *maquiladoras* are adopting more technologically advanced products such as software, which employ higher numbers of men (Hanson 2002).

SERVICES

Although manufacturing has been an important locus of female employment, in many countries employment in export-oriented services¹⁴ (e.g. information processing, tourism and financial services) has expanded for women at the expense of industrial employment and, to a lesser extent, agriculture (UN1999, Freeman 2000, Sen 1999). This shift is most pronounced in the Newly Independent States and Latin America where 56 percent and 48 percent of the service sector is comprised of women (Moghadam 1992 cited by Mehra and Gammage 1999). Service sector employment has also grown in North Africa and West Asia,¹⁵ in East and Southeast Asia, and the Caribbean. In the Caribbean women comprise close to 100 percent of foreign-owned off-shore, data-processing companies (Freeman 2000). In general, women's share of employment is more likely to exceed men's in the services sector (109 of 156 economies) (ILO 2003a).

However poor women are generally sequestered in unskilled, low wage services employment. Some service jobs, mostly in information and knowledge-sensitive sectors such as software design, computer programming and financial services require higher skills and employ women at higher grades and wages, which can limit the employment opportunities for women from poor families, who have less education and skills (Mitter and Rowbotham 1995, Pearson and Mitter 1993, Joekes 1995, UN 1999). Geographically, modern service activities are typically more prevalent in middle-income than in low-income countries (although India's information processing and computer software design industry is an important exception) (Joekes 1999).

¹⁴ In 2001, services constituted about sixty percent of the world's output. Trade in services has continued to increase, particularly in developing countries, accounting for more than fifty percent of total export revenues for some nations (GTN 2003).

¹⁵ In 1970 clerical, sales and services commanded 26 percent of the total female labor force in North Africa and West Asia, by 1990, 35 percent of the total female labor force was employed in services (ILO/KILM 2003).

INFORMAL EMPLOYMENT

In most developing countries the working poor are concentrated in the informal economy, engaging in activities that lie outside the formal organized economy and recognized institutional framework, whether in agriculture or in non-farm activities (see Box 3) (ILO 2002b). In recent years the term “informal economy” has come to encompass an increasingly heterogeneous group of workers and enterprises, which differ in terms of type of production unit and type of employment status as well as across sectors and countries. This includes the following work:

- Self employed/own account workers □
- Heads of micro-enterprises □
- Unpaid workers and apprentices in micro-enterprises □
- Wage workers (including paid family workers) in micro-enterprises □
- Wage workers in the formal sector but in employment that is not governed by the labor laws and regulations (i.e. casual, temporary, subcontracted work)
- Wage workers not attached to any employer but who work *regularly* for households (e.g., domestic servants)
- Wage workers not attached to any employer but who provide services to individuals, households and enterprises on a *casual* basis (e.g., babysitters, porters, and messengers)

The bulk of new employment, particularly in developing and transition countries, has been in the informal economy. In developing countries, informal employment constitutes between 50 and 75 percent of non agricultural employment, ranging from 51 to 65 to 72 percent of employment in Latin America, Asia and Sub-Saharan Africa respectively¹⁶ (Charmes 2000). Informal employment now accounts for more than half of all new jobs in Latin America and over 80 percent of new jobs in Africa (Chen et al. 2002). The informal workforce in India is an estimated 370 million workers, nearly 93 percent of the total workforce (ILO 2002a).

The growth in informal activity is partly related to the economic downturn which hit many developing regions in the 1980s, as a result of which structural adjustment and the associated contraction of the public sector forced more workers into the informal economy (e.g. microentrepreneurs) to survive. It is also linked to the competitive pressures of globalization, which have compelled companies to

What is the Informal Economy?

In recent years the ILO has developed an expanded concept of the informal economy. In the expanded conceptual framework the informal economy is seen as comprised of informal employment (without secure contracts, worker benefits, or social protection) both inside and outside informal enterprises):

Informal Employment in Informal Enterprises (small unregistered or unincorporated enterprises), including: employers, employees, own account operators, and unpaid family workers in informal enterprises.

Informal Employment outside Informal Enterprises (for formal enterprises, for households, or with no fixed employer), including: domestic workers, casual or day laborers, temporary or part-time workers, industrial outworkers (including homeworkers) and unregistered or undeclared workers.

Source: ILO 2002a

¹⁶ The latest ILO published data on informal enterprises are based on information from 54 countries, most of which still adhere to their own national definitions of the informal sector and thus there are necessarily difficulties in data comparability.

rationalize their operations, passing the costs of changing market conditions on to workers through the ‘casualization’ of employment (Sassen 1998). To reduce the fixed cost of labor, employers have increasingly resorted to various types of non-standard employment (temporary/part-time workers, piece rate workers, seasonal workers, homeworkers etc.) in manufacturing, services and agriculture.¹⁷

In all developing economies for which information by sex is available, informal employment is a larger share of total employment for women than men (ILO 2002a). In many countries the proportion of women in informal employment exceeds their share in the total labor force (see Table 7).

In sub-Saharan Africa, 84 percent of female non-agricultural workers are informally employed compared to 63 percent of male non-agricultural workers; in Latin America 58 percent for women compared to 48 percent for men. In Asia, the proportion of female and male non-agricultural workers in informal employment is roughly equivalent (ILO 2002a). The reliance of African women on informal employment is striking (see Table 8). The proportion of the female non agricultural labor force in informal employment is 97, 95, 87 and 83 percent for Benin, Chad, Guinea and Kenya respectively. For women in sub-Saharan Africa, informal work represents 92 percent of the total job opportunities outside of agriculture (against 71 percent for men); and almost 95 percent of these jobs are performed as self-employed or own-account workers (ILO 2002b).

Women are also over represented in specific branches within the informal sector, including the self-employed and homeworkers. Although the variations between countries are large, Table 9 shows that women represent the majority of home-based workers, surpassing 80 percent in some countries.

Although statistical information regarding the geographic concentration of women’s informal activities is scarce, there are some regional consistencies. In Africa, women working in the non farm informal economy are heavily concentrated in activities that are an extension of their domestic chores, such as the sale of home-made beer, food stalls and other forms of cooked food sale; and the manufacturing of mats and fiber products, clay products, processed food products and cloth products.¹⁸ In Latin America, informal employment consists of a mixture of micro-and small enterprises and some self-employment (ILO 2002b), whereas in Asia, subcontracting and home-based work are prevalent.

¹⁷ While family responsibilities can increase women's preferences for flexible occupations, this explanation for □ women’s predominance in flexible work is more common in developed nations.□

¹⁸ All of the major sources of livelihood for women in informal activities, such as food processing, handicrafts, vending and hawking, have been affected by trade liberalization, which has made competing imports more readily available. Women basket makers, for example, have been displaced by cheap imports from Asia. In South Africa, vendors and hawkers have been replaced by foreign traders from other parts of the continent (ILO 2002a).

Table 7: Women's Share of Employment in the Informal Sector

Country	Women's Share In The Informal Sector		Women's Share in Total Labor force
	Percent	Year	Percent
Latin America and the Caribbean			
Brazil	41	1990	28
Brazil (Sao Paulo)			
Colombia	43	1992	
Costa Rica	15	1984	22
Ecuador urban			
Honduras	55	1990	21
Jamaica	53	1988	46
Mexico	32	1992	28
Panama	20b	1982	
Peru	50c	1985	
Uruguay	34	1985	32
Venezuela	34	1992	28
Fiji	22	1986	21
India (Ahmedabad)	5	1977	
Indonesia	48	1985	31
Rep.of Korea	31	1989	34
Malaysia	42	1986	36
Philippines	52	1988	
Thailand	48	1990	44
Vietnam	37	1991	
Botswana	70	1984-85	
Burundi	28	1990	47
Congo	46	1984	40
Egypt	3	1986	10
Gambia	44	1983	39
Ghana	61	1970	
Kenya	34	1982	
Mali	40	1990	15
Tanzania	36	1995	
Zaire (Kinshasa)	17	1984	
Zambia	59	1986	30
Zimbabwe	58d	1986	

Source: Various studies cited by Sethuraman, 1998

Women's concentration in informal employment is often associated with a higher incidence of poverty, with average incomes in the informal economy significantly lower than those found in the formal economy. For example, in various countries of Asia and Latin America studies have found that women wage workers in the informal sector earn less than women in the formal sector. In Pakistan, 46 percent of households engaged in home-based manufacturing units in Karachi and Gujranwala had a per capita income below the poverty line, and among the households of wage workers in micro-enterprises, 45 percent were below the poverty line (Nadvi 1991). In Bangkok, two thirds of the self employed women were found to be poor ILO/ARTEP (1991).

Table 8: Informal Employment as Share of Total Employment by Gender

Region	Informal Employment As % Of Non Agricultural Employment	Women's Informal Employment As % Of Women's Non Agricultural Employment (1)	Men's Informal Employment As % Of Men's Non Agricultural Employment
Sub-Saharan Africa	72	84	63
Latin America(2)	51	58	48
Asia	65	65	65
North Africa	48	43	49

Source: Data prepared by Jacques Charmes, cited by ILO 2002a

Notes:

- (1) □ These figures probably underestimate women's predominance. Women are more likely to be engaged in informal activities that are undercounted, such as production for own consumption, paid domestic activities in private households and home or subcontracted work. Women are also more likely than men to be in small-scale economic units where their economic contributions are invisible (UN 1999).
- (2) □ However, in some of the Latin America and Caribbean economies the gender gap narrowed during the 1990s. In four economies in that region (Bolivia, Ecuador, Honduras and Peru), the informal sector already has a relatively greater importance for women's employment than for men's (ILO 2002a).

Table 9: Home-Based Workers, Various Countries and Years

	Number Of Homebased Workers	% Of Non Agricultural Workforce	% Women
Tunisia (1994)	86,267	4.8	71.3
Kenya (1999)	777,100	15.0	34.9
Benin (1992)	595,544	65.8	74.1
Thailand (1999)	311,790	2.0	80.0
Philippines (1993-95)	2,025,017	13.7	78.8
Chile (1997)	79,740	1.8	82.3
Peru (1993)	128,700	5.2	35.3
Brazil (1991)	2,141,972	5.0	57.1
Brazil (1995)	2,700,000	5.2	78.5

Source: Charmes 2000 (estimations based on national sources).

However, the links between working informally and being poor are not always straightforward. The correlation between informality and poverty largely depends on where in the informal economy a woman is located. Informal incomes tend to decline from employer to self-employed and own-account workers, to informal and casual wage workers, to industrial outworkers or homeworkers. For example, a survey of women in the informal sector in India found that over 80 percent of female homeworkers earned less than one rupee per hour, compared to only 28 percent of self employed women (NIUA 1991). A similar pattern has been documented in Vietnam where homeworkers earned half or less compared to own account workers (ILO 1995). On the other hand, some work in the informal economy provides higher levels of remuneration than does formal employment. A recent collection of studies shows that workers in the informal

economy, especially the self-employed, earn more than unskilled or low-skilled workers in the formal economy (ILO 2002b).

Working informally provides a significant source of income for women. A number of studies conducted during the 1980s showed that women employed informally in India contributed between 40 and 61 to household income. In one study of female household heads working in the informal sector, 31 percent contributed 100 percent of the family income and another four percent contributed over 75 percent (NIUA 1991). The scale of this contribution can be particularly significant for poor households. In selected cities in India, the inclusion of women's informal sector income brought the proportion of households with income below Rs. 100 per capita per month down from 59 percent to 38 percent, if The proportion of households below the poverty line of Rs. 155 per capita per month decreased from 78 to 66 percent (NIUA (1991). Women's informal work can also make a strong contribution to GDP (reaching above 50 percent in some African countries such as Benin, Chad, Mali and Kenya) (Beneria 2002).

In the next two sections, the paper provides greater detail on female labor market participation in specific regions, identifying the implications for poor women.

CHAPTER THREE

ASSESSMENT OF WOMEN'S EMPLOYMENT IN EXPORT ORIENTED SECTORS

What does this review of female labor force participation reveal about its capacity to lift women out of poverty? From the perspective of integrating gender into pro poor growth strategies an obvious area of interest relates to the effects of women's participation in wage employment including the social and economic empowerment the employment affords. This not only includes the labor intensity of economic growth but the persistence of wage gaps in some countries, the nature of economic participation in terms of wages and working conditions, as well as opportunities for skills upgrading. These issues are critical for assessing the consequences of female formal wage employment, especially with regard to their potential for eradicating poverty and promoting gender equality. This section examines these issues in reference to women's participation in export oriented wage employment. Since women comprised 60-80 percent¹⁹ of the 11 million workers employed in MNCs during the mid 1990s, understanding the poverty impact of these jobs is warranted (Joeke and Weston 1994: 41).

POVERTY IMPACT OF WAGE EMPLOYMENT

A concern for countries experiencing labor intensive export led growth is how much of this growth extends to the poorest segments of the population (and is hence pro-poor). While few studies have been conducted on the economic status of workers in these industries, the evidence that does exist indicates that many workers fall below the poverty line. For example, McCulloch and Ota (2002) found that over half of the sample households working in export vegetables fell below the total poverty line. In the Madagascar textile industry, approximately 25 percent of the households in which men and 44 percent of the household which women are employed are poor (Nicita and Razazz 2003).

Participation in export oriented manufacturing, services and agriculture can reduce women's poverty and improve their living conditions in two main ways: through the creation of new employment and through the wage differential between the sector and the rest of the economy. While the labor absorbing potential of these industries is positive, the net effect on income will depend on how and where the labor force was formerly employed. In most cases only a small proportion of new entrants in manufacturing and high value agriculture export sectors were previously formally employed: most are drawn from unemployment, unpaid family work and from marginal sectors. For example, in Madagascar textiles, nearly half of the women (versus 28 percent of men) were unpaid family workers or openly unemployed, while a much lower percentage of female new entrants were drawn from the service sectors and other industries (12 percent, versus 25 percent of male new entrants) (Nicita and Razazz 2003).

¹⁹ By comparison, women comprise only 17-18 percent of the global manufacturing labor force (Baden et al. 1998).

Contrary to the literature that links women's employment in export oriented sectors to exploitative conditions, low productivity and low pay, this review has found that women's employment is often associated with higher household welfare, and wage levels and conditions that are superior to forms of employment available outside the export sector. At a macro level, women's employment in export manufacturing coupled with two decades of rapid economic growth in East Asia, have raised the standard of living among men and women, leading to enhanced schooling, reduced fertility rates and extended life expectancy rates (World Bank 2001).²⁰ In Madagascar approximately one million individuals are affected by the growth in the textile industry either directly (because employment) or indirectly (because their households include textile workers). On average, household members in which one or more individuals work in the textile sectors obtain an increase in purchasing power of about 24 percent or \$14 USD per month. Differentiating by the gender of the workers, about 963,000 individuals living in household where there is female textile worker have increased their expenditure by at least \$12.20 USD per month (Nicita and Razzaz 2003).

A number of studies have also suggested a positive association between women's wage work and their status in the household. In Guatemala, for example, women employed in the processing of export horticulture products reported an improvement in their household bargaining power resulting from their contribution to household income streams (USAID 1999). Surveys²¹ of garment workers in Bangladesh have been particularly positive, showing that employment provides tangible economic rewards as well as greater social prestige, control over income, and decision making. Across industries and countries there are reports of enhanced self-esteem and appreciation of the expanded opportunities that wage employment in the export sector brings (Lim 1996, Tiano and Fialo 1991, Dolan and Sutherland 2002, Kabeer 2000). These findings have led to a generally positive assessment of the impact of employment at the micro-level, by way of its gender effects.

Wages

Whereas Asian manufacturing export countries quickly exhausted their labor surplus and faced an increase in real wages thereafter, many contemporary low-wage economies are still in a surplus labor condition (Joeke 1999). Despite this general positive wage trend in the most successful countries, there are many cases in which little or no improvement has been observed. Thus, the feminization of the labor force might appear to be somewhat less beneficial among the *maquila* of Mexico than among the workers in export-oriented firms of SE Asian countries. For instance, Fussell (2000) using a Labor Trajectory Survey for Tijuana, found that *maquiladora* wages have not improved as employment has expanded in the area. The difference arises from the nature of labor supply. While *maquiladoras* are concentrated in a region of abundant labor supply, South East Asia quickly faced tight labor markets and high productivity increases (Beneria 2002). These differences have ramifications for pro poor policy.

²⁰ In East Asia life expectancy increased over the period 1970-97. Women gained ten years and men, nine years. An increase in education coupled with the greater availability and adoption of contraceptive methods, fertility rates also dropped in these countries. Korea's fertility rate dropped from 4.3 to 1.7 during the period 1970-1997 and Indonesia's and Thailand's from 5.4 to 2.8 and 1.7, respectively (World Bank 2001).

²¹ See Amin et al. (1997), Kibria (1998), Paul-Majumder and Begum (2000), and Dannecker (1998).

Though wages are low in many export oriented sectors, there is considerable evidence that the wages paid there (both in agriculture and in manufacturing) are higher than the wages available through alternative economic undertakings such as small-scale commerce or domestic industries (UN 1999).²² A number of sources (including OECD (1996) and Romero (1995), show that wages in EPZs are on average higher than wages outside the zones. The Caribbean and Central America zones typically paid 5-20 percent higher salaries than domestic firms. In the early 1990s the Malaysian electronics and textile zone firms paid 30 percent higher average wages than similar domestic firms. In the Kenyan export horticulture median wages are up to 30-50 percent higher than in other comparable industries (McCulloch and Ota 2002). In the Bangladesh garment industry the jobs generated offer higher wages than alternative forms of employment available to women from low-income households. In a comparison of garment and non garment wage workers, Kabeer and Mahmud (2003) found that wage workers outside of garments were far worse off. Such wage gaps are part of a broader picture, in which wage rates vary according to the size of the firms, their nationality and policy, type of industrial production, country regulations and institutions, and overall labor market conditions (Kusago and Tzannatos 1998).

Overall, the evidence suggests that wages derived from export oriented employment can be part of a growth process that is poverty reducing for both women workers and their families. For example, in Honduras 22 percent of women employed in NTAEs in Honduras reported that they were the sole source of income in the household. Another 73.5 percent stated that they contributed fifty percent or more of their wages to the household (ILO 1998). In Bangladesh a survey found that female workers employed in the export-oriented garment industry contribute approximately 46 percent of their family income and that approximately 23 percent of the unmarried female garment workers are the main earners of their family. Without female workers' earning, 80 percent of their families would slide below the poverty level (Paul-Majumder and Begum 2000). In the case of households in which one or more family member works in the textile industry, the share of income increases from 59 to 81 percent. For women, this is particularly significant. In the case of households in which one or more female members are working in the textile sector, the women' share of the households' monetary income rises from 8 to 33 percent. For those households, cash income directly supplied by women in many cases surpasses the cash income directly supplied by men. Considering the fact that 85 percent of the women that work in the textile sector have never directly received any monetary income in past employment (compared to 15 percent of new male entrants), the availability of textile wages for those households is significant (Nicita and Razazz 2003).

In addition, a large proportion of women's wages are redistributed to poor rural areas, reducing household poverty and stimulating broader development in rural areas. For example, a comparative study of export garment workers in Vietnam found that 45 percent of female garment workers were sending money home on a regular basis compared to 30 percent of workers in domestic economy (Kabeer and Anh forthcoming). In Kenya, export horticulture

²² In agriculture, Guatemalan women who work as day laborers on vegetable farms earn approximately Q4.00 per day (US 80 cents), which compares favorably with the alternative occupation of artisanal work (Katz 1995:334). In Mexico, wages in the tomato agroindustry—40 Pesos (US\$ 4.3) per day—are similar to other commercial agriculture industries. Similar evidence has been documented in the cut flower industries of Colombia, Kenya, Zimbabwe, Ecuador and Uganda (Farné 1998, Blowfield et al. 1998, Davies 2000, Palán and Palán 1999 and Dijkstra 2001).

employment also contributes to household poverty reduction through the transfer of remittances from workers to their families in rural areas where 83 percent of men and 74 percent of women repatriate wages (Dolan and Sutherland 2002).

Thus, women's concentration in export oriented production (agriculture and manufacturing) can provide wages that are higher than the alternatives, the ultimate micro-level criterion of whether it is likely to contribute to family income. While upward pressure on unskilled wages may be more the exception than the rule in any given period (and should not be expected until the surplus of labor has largely been absorbed), the jobs nevertheless remain better than the alternatives in the domestic economy.

However, gender-related pay differentials may still be a cause for concern. And, while growth in unskilled labor-intensive female employment may be a sound policy option at one level and at one phase of development, marginalizing women in low wage, unskilled employment may not be conducive to broader development goals in the medium or longer run. The following sections examine whether the wages garnered through employment provide gender sensitive growth.

Wage Gaps

Gender-based pay differentials are a strong indicator of women's disadvantaged position in labor markets and an important constraint on women's ability to escape from poverty. In developing countries fully-employed women typically about earn two thirds as much as men (Standing 1989, Tzannatos 1999). There is mixed evidence about whether the gender wage gap has been eroded by women's increased participation in paid work. For example, there has been a narrowing of wage differentials in some developing countries, such as El Salvador and Sri Lanka, while in countries such as Myanmar, Singapore and Taiwan, the gap has widened (Seguino 1997, Standing 1999). However, a recent analysis of ILO data from 1983 till 1999 indicates that the occupational gender wage gap appears to narrow with increases in trade, measured either as trade-to-GDP in current or constant prices or FDI net inflows as a percentage of GDP (Oostendorp 2002). This is consistent with empirical evidence that shows that the gender gap in earnings declines more in tradables than in non tradables (See Artecona and Cunningham 2002 for Mexico). Similarly, in Vietnam, at the beginning of the reform process, the gender gap was close to 39 percent in the private sector; five years later, in 1997-98, it had declined to 26 percent (Rama 2003). This evidence suggests that competitive pressures associated with trade liberalization might reduce the potential for employers to set wages and discriminate against women.

Such evidence notwithstanding, gender based wage differentials remain marked in many female intensive export sectors in both manufacturing and agriculture. For example, women's wages in the textile, clothing and footwear industries are consistently lower relative to those of men (ILO 2000). Among EPZ garment workers in Bangladesh, women earn 65 percent of male earnings, and there are gender differences in earnings in every job category (Paul-Majumder and Begum 2000). A worker employed in the garment industry receives 41 percent higher pay for being male even after controlling for education and skill in regression analyses (Paul-Majumder and Begum 2000). In the Madagascar textile industry, wages are unevenly distributed across male and

female workers with the percentile distribution for men consistently higher than the one for woman by about \$20 USD (the median wage for men is about \$47 USD per month in contrast to \$28 USD for women). Only among well-educated workers, those with more than 11 years of education, are wages similar. The gender wage gap widened between 1997 and 1999 and it may continue to increase over the next few years since the employment positions that require skilled workers, for which wages increase more, are typically filled by men (Nicita and Razazz 2003).

In agricultural employment, female earnings tend to lag behind men's as well. To a great extent, this reflects the types of jobs for which women are employed, which are typically lower skill and lower wage. For example, in the Ugandan cut flower industry unskilled workers (predominantly women) earned Ushs 1,500-2,000 per day (US\$ 1 to 1.3) in 1999 while semi-skilled workers (predominantly men) were paid US\$ 3,000 to 4,500 (US\$ 2 to 3) and field supervisors US\$ 7,500 (US\$ 5) and above (Dijkstra 2001). Similar pay differentials have been documented in the export horticulture industries of Mexico, Brazil, South Africa, Chile and Kenya.

Male-female earnings differentials are conditioned by a number of factors, including changes in demand relative to the supply of female labor, the nature of labor market institutions affecting wage determination, the relative strength of labor market discrimination against women, human capital endowments etc. (Joeke 1999). However, in the export industries in which women are concentrated, several factors are at play:

Capital mobility: Women are disproportionately concentrated in labor-intensive export industries with low sunk costs that tend to be geographically "mobile." Capital mobility creates a threat effect of MNCs relocating to different countries, as investors seek to maintain profits by searching for cheaper wages elsewhere. For example, FDI by multinationals has shifted away from the newly industrialized economies, where wages have improved, to less developed countries such as India, Mauritius, Sri Lanka, and more recently Bangladesh, China and Vietnam (Lim 2000). Hence, closure of the gender wage gap is likely to be more difficult in 'feminized' industries if a credible threat of capital flight exists.

Casualization of employment: The wage gap is sustained by women's concentration in flexible positions within formal employment. In both manufacturing and agriculture, evidence shows that wages in informal employment (e.g. casual, seasonal, temporary etc.) are significantly lower than for workers similarly employed in permanent positions (Roh 1990, Kaber 2000, Dolan and Sutherland 2002, Barrientos et al. 1999, Balakrishnan 2002). Because of their insecure work arrangements and lack of protection in legal frameworks, women are far less likely to negotiate for higher wages than permanent 'formal' workers, who are disproportionately men (Seguino and Grown 2002).

Occupational segregation: While there is no necessary correlation between occupational segregation (differential distribution of male and female workers in different segments of industry) and gender-based wage differentials (Joeke 1995, Anker 1997), in developing countries average wage gaps are often substantially a product of occupational segregation. In many cases labor market segmentation leads to men concentrated in the more lucrative positions and women confined to most of the temporary and/or unskilled jobs, where wages are lower (Deutsch et al. 2001).

Discrimination: In a summary of data²³ from eleven country studies Joeke (1995) found that in all but one more than half of the wage gap by gender was attributable to different pay structures applied to male and female workers, and less than half was explained by variations in workers' individual characteristics. A discrimination-based wage gap of 10-25 percent was the norm. The few case studies of EPZ employment that address gender pay differentials all report systematic underpayment of women workers compared to men, whether or not women work in similar jobs (Joeke 1995). While gender inequalities in the transition economies remain small by international standards, the portion of the pay gap that is attributable to labor market discrimination is comparatively larger and has increased in some countries (e.g. Russia and Ukraine) over the last decade (Paci 2002). In addition, studies of gender wage gaps show that discrimination often results in a disparity in wages by gender at the point of marriage. Men are awarded a breadwinner premium on marriage while women's pay rates are reduced in the expectation that domestic obligations will lower their attendance and performance (Gannicott 1986 for Taiwan, Appleton et al. 1995 for Africa cited by Joeke 1995).

Social Norms: Research suggests that wage gaps are not explained entirely by women's relatively lower human capital or productivity but are also linked to the social contexts in which workers live and firms operate. For example, Seguino shows that in South Korea, employer practices requiring women to quit work upon marriage are commonplace, limiting women's job tenure and wage gains and their power to bargain for higher wages (Seguino 2000). Similarly, in Zimbabwe and Kenya, women's concentration in unskilled points of the export horticulture production process partly reflects gendered patterns in African farming systems and social norms that define distinct spheres of men's and women's work. In most parts of the world, social norms and conventions about "appropriate" careers for women and men, funnel men and women into different career trajectories, with disparities in market returns.

Human Capital: Wage differentials are also produced by differences in worker's human capital with respect to education, experience and ability. The link between education and wage rates is well covered in the literature. For example, Gupta's (2002) analysis of determinants of the male/female non agricultural wage ratio in developing countries (based on WISTAT data) shows that higher female literacy is associated with a lower gender wage gap. Similarly, as Table 10 shows, the gender gap in earnings narrows in countries where levels of educational attainment are closer.

²³ Data were derived from Birdsall and Sabot (1991), Psacharopoulos and Tzannatos (1992), Terrell (1992), and Barbezat (1993).

Table 10: Gender Wage and Educational Differentials in Asia, 1975-95 (percent)

Country	Ratio F/M Earnings	Educational Attainment		Ratio F/M
		Female	Male	
Hong Kong	73.2	7.6	9.2	83.0
Indonesia	54.2	3.5	4.7	75.0
Korea	48.5	7.9	9.9	80.0
Malaysia	50.5	4.6	6.5	70.0
Philippines	87.0	6.7	6.7	100.0
Singapore	54.4	5.2	6.3	83.0
Sri Lanka	79.6	5.3	6.1	86.0
Taiwan	64.1	6.5	8.7	64.1
Thailand	66.7	4.7	5.4	87.0

Source: Seguino 2000

Note: Educational attainment is measured as average years of education for persons 15 and over. Education data are from Barro and Lee (1996). Earnings data are compiled by author from International Labour Organization Yearbook of Labour Statistics (various years) except for Taiwan which are from DGBAS (various years).

Wages and Growth

The capacity to reduce gender based inequalities in export oriented employment while simultaneously lifting women out of human poverty, however, poses challenges. Several studies suggest that women's low wage labor has enabled Asian economies to flourish by reducing the unit labor costs of exported goods (Seguino 1997, Cheng and Hsiung 1998, Bello and Rosenfeld 1990 etc.). For example, an empirical analysis of twenty semi-industrialized and export-oriented countries found that wage inequality acted as a stimulus to growth and investment: the wider the gap between men's and women's wages, the faster the economic growth. The study estimated that a 0.10 increase in inequality would lead to a 0.15 percentage point increase in annual income growth Seguino (2000a).²⁴ This evidence suggests that attempts to close the wage gap without strategies to counteract the negative effect on export demand will slow growth, pitting gender equity (facilitated by higher relative female wages) against economic growth. Indeed the reduced growth associated with the inverse relationship between capital mobility and wages might result in declining employment, particularly for women (Seguino 2002).

However, a capital intensive regime that allows for higher wages and where the option of simply moving production elsewhere is more expensive—is not a viable option for pro poor female growth. Women are not only less likely to be employed in high investment industries, but capital intensive industries that allow for higher wages are neither efficient (nor poverty reducing) in a labor surplus country. At the same time, while the objective of poverty reduction must be to firstly absorb surplus labor (ideally allowing wages to rise through market forces such as the Asian case), wages must be sufficient to raise people out of poverty. Therefore, in practice the challenge is how to raise wages sufficiently to reduce poverty while obviating the tendency of enterprises to seek cheaper labor elsewhere.

²⁴ This result may have been affected by small sample selection issues and by the fact that the study focused solely on export-led economies.

CONSEQUENCES OF WOMEN'S FORMAL WAGE EMPLOYMENT

While employment in export oriented industries may be poverty reducing in income terms, it is not unambiguously positive. Women may be advantaged in terms of employment; however, the ability to gain from trade and labor market shifts hinges on several factors, ranging from the social nature of gender relations and household organization to employment aspects such as job stability, wages, working conditions, and opportunities for career development. For example, rural women's migration to urban areas for manufacturing employment may increase their autonomy, yet at the same time, expose them to discrimination and exploitative working conditions, and separate them from their children (Beneria 2002).

For growth in these sectors to be gender sensitive, it must provide a general improvement over time, judged by rising female earnings relative to male's and a relatively secure income stream, and it should not come at the expense of women's health (Seguino and Grown 2002). Across industries and countries there is evidence that the types of jobs that many women hold in export-oriented sectors are characterized by employment insecurity, long hours, strict supervision of work, and occupational health issues.²⁵ These issues have been extensively reviewed elsewhere;²⁶ taken together the evidence suggests that growth in labor intensive export oriented employment may be more successful at addressing income poverty than gender equity (see Box 4). The following paragraphs highlight three processes that influence the poverty reducing effects of these industries.

Occupational Segregation

Labor market segmentation by gender is pervasive in every region and at all economic development levels. In most economies, gender divisions in the labor force are evident by sector (e.g. female concentration in services, men in manufacturing), sub-sector (within manufacturing, female concentration in garments and footwear, male concentration in automobiles), as well as by occupational category (female concentration in unskilled manual work, male concentration in skilled manual work) (Baden et al. 1998). For example, women comprise over half of all clerical

²⁵ One of the most adverse social impacts of women's employment in export-oriented industries is its association with violence against women. It is argued that women's economic participation can contribute to a sense of inadequacy among men, leading them to use violence as a means of "control." In the garment industry of Bangladesh there have been several reported incidences of violence. In 1998, female garment workers account for only two to three percent of the total population of women in Dhaka, whereas they account for 11 percent of rape cases (Paul-Majumder and Begum 2000). Similarly, since 1993 the bodies of at least 325 murdered women migrants from poor communities have been found around Ciudad Juárez city, many of them bearing evidence of torture and rape. Over 85 of these women are known to have worked the late shift in *maquiladoras*, and most of them disappeared on their way to or from their jobs in the factories (Treat 2002). The issue of safety traveling to and from work has also been raised by women in South Africa's deciduous fruit industry and Kenya's flower industry.

²⁶ For manufacturing see Paul-Majumder and Begum (2000) for Bangladesh, Fleck (2001) for Mexican *maquiladora*, Mauritian garment workers, for agriculture see Barrientos and Kritzing (2002) for South Africa, and Chilean fruit production, Barrón, and Rello (2000) for Mexican vegetables, Collins (1995) for Brazilian grapes, Dolan and Sutherland (2002) for Kenyan vegetables, Korovkin (2002) for Ecuador flowers, Meier (1999) for Colombia flowers etc.

and service positions in Latin America²⁷ and the Caribbean, and over a third in Africa, Asia and the Pacific (Baden et al. 1998).

There is some evidence that the level of occupational segregation (as measured by the Duncan index) has remained stable over time (see Table 11). For example, a study of occupational segregation in Costa Rica, Ecuador and Uruguay showed that for the time period evaluated, neither the starting levels of economic development nor macroeconomic performance resulted in differences in the observed levels of occupational segregation by gender (Deutsch et al. 2001). The persistence of occupational segregation is a concern for the realization of gender sensitive pro poor growth as it is major source of labor market rigidity and economic inefficiency, and reduces an economy's ability to adjust to change (Anker 1997). It not only has high equity and efficiency costs, but it also contributes to less than optimal investments in female education, as women lack access to the full range of occupations (Deutsch et al. 2001). In addition, as female labor force participation rates rise over time, a greater proportion of the labor force is likely to be affected by occupational segregation, and the efficiency losses from segregation mount (Tzannatos 1999).

Table 11: Tests of Differences Across Time for Two-Digit Duncan Indices

Country/Year	t – statistics	
Costa Rica		
89-93	-0.0802	Not significant
93-97	-0.7059	Not significant
89-97	-0.8287	Not significant
Ecuador		
89-93	-1.1921	Not significant
93-97	0.0597	Not significant
89-97	-1.1099	Not significant
Uruguay		
89-93	-0.2571	Not significant
93-97	-0.5527	Not significant
89-97	-0.7447	Not significant

Source: Deutsch et al. 2001

²⁷ Occupational segregation by gender is greatest in the Latin American region. Psacharopoulos and Tzannatos (1992) report an approximate value for the Duncan Index of 0.49. Blau and Ferber (1992) based on 1980 data found the Duncan Index to be 0.435 in Latin America and 0.417 in the Caribbean.

While export oriented industries are a valuable source of employment for women, institutional and ideological constraints tend to fortify occupational segregation, confining women to job and skill categories that are extremely difficult to break out of (ILO 2000). In many cases the division of labor within firms assigns men to supervisory and managerial positions while women are clustered in production activities where there is less opportunity for advancement and promotions. For example, in Bangladesh's Chittagong EPZ, the proportion of female workers categorized as "production worker" is much higher than the male proportion (98.4 percent to 79 percent). Women are also under-represented in the "technical" and "salaried employees" categories, signaling that women are disproportionately assigned to low skill/low pay jobs (ILO 1998) (Mandani 1999). The segregation of employment opportunities is perpetuated by gender differentials in training, both within and outside of employment, and women often face difficulties in acquiring the formal skills required to advance in their careers (ILO 2000).

Some Drawbacks of Export Oriented Employment

- □ Technological change and specialized production strategies tend to favor skilled and well-educated workers, a category in which women are severely under-represented
- □ Investing in skills in those segments of the labor market in which women are predominant is considered to yield lower returns.
- □ Women are located in jobs which are more likely to be subcontracted, relocated abroad or eliminated by labor-saving technologies
- □ Amid growing competitive pressures, new forms of work organization are being introduced. This leads to a rise in non-standard employment; i.e., lack of job security, limited possibilities for training and career advancement, and inadequate social security coverage in terms of old-age pensions, sickness insurance and maternity protection
- □ Conventional gender disparities in wages are often maintained.

Source: Romero 2000

Control over Income

As noted above, wages in these industries often compare favourably with local alternatives. However, whether these wages foster a route out of poverty for women, enabling them to reduce their vulnerability and improve their capabilities and investment options is linked to how much control women can exercise over their use. For instance, it is not unusual for young women, who form the majority of the EPZ workforce, not to have control over their earnings. Many of them are obliged to remit their wages to their natal households. In some cases, women's income is used to fortify gender inequalities; for instance, to support the advanced education of younger brothers (Wolf 1992, Sainsbury 1997). Likewise, studies on female factory workers in the garments sector in Bangladesh and Pakistan show that close to half of female workers hand over their earnings to their husbands or to some other male member in their households (Hafeez 1989, Zohir and Paul-Majumder 1996, UN 1999). Similar reports have emerged from a number of high value agriculture sectors in both Latin America and Africa. If women are not able to control the earnings, this may mitigate the poverty reducing impact of this employment since women are more likely to prioritize basic needs and collective welfare, particularly in relation to children. Such limitations notwithstanding, there is also ample evidence that the women working in EPZs typically control more income than they did before, suggesting both a direct decrease in their poverty and an increase in the degree of independence that they have.

Time Poverty

Labor-intensive growth strategies are more likely to benefit women if they also address the gender division of labor within the household; what appears to be ‘efficient’ from a market-focused analysis may be socially inefficient once the full labor accounting and time-use associated with social reproduction are considered. Long-term research has pointed to the fact that women are an over-utilized resource due to their often sole responsibility for unpaid household work, a responsibility that is typically not reduced by their incorporation into paid economic activity if they continue to live as part of their original household unit (Elson 1991). Evidence from high value agricultural industries supports this view, with women begin found to remain dominant in unpaid household work despite their integration into paid employment.²⁸ There is also significant evidence from both agriculture and manufacturing that the inelasticity of women’s labor supply to paid employment hampers their ability to respond to economic incentives (Palmer 1991, Blackden and Bhanu 1990, Whitehead and Kabeer 2001) and impacts their ability to participate in certain jobs and/or more distant labor markets, where wages might be better.

Studies have also found that the presence of young children significantly reduces the probability of mothers participating in the labor market. In Mexico, a newborn decreases a mother’s labor force participation by 12 percent, and an additional child between one and five years old reduces it by 9 percent (Cunningham 1999). In urban Brazil, an additional child below the age of two reduces female employment by between 9 and 38 percent, depending on the econometric model applied (Connelly et al. 1999). Indeed, a recent study of garment workers in Bangladesh found that the majority of women prioritized childcare ahead of wages, signally the significance of women’s labor constraints. In contrast, studies generally fail to find a negative impact of young children on male labor force participation (World Bank 2001).

Conclusion

The above discussion highlights some of the issues that need to be considered in assessing the potential of export-oriented sectors as a pro-female growth strategy and in designing such activities so as to maximize their positive gender effects. While women tend to lose out when industries inevitably upgrade (which is the path to maintaining market position in most of these high value exports), women’s employment may nevertheless contribute to building human capital that might be translated to other employment options and have catalyst effects on their household bargaining power. For instance, in the Dominican Republic, many consider the EPZs to be an important factor in decreasing the share of female poor from 22.6 percent to 15.8 percent over the 1986-1993 period (Mandani 1999). The fact that many women, who were previously engaged in unpaid household labor or informal sector work, are given an opportunity to enter the formal labor force is in itself likely to have positive externalities, even if they are eventually

²⁸ Newman’s (2001) study on gender determinants of time use in the Ecuadorian cut flower industry is a notable exception. She found that women’s employment in floriculture was associated with higher levels of male participation in housework

retrenched. The effect of these industries also goes beyond the increases in income experienced by workers. As we have seen, household members are often positively affected as well.

CHAPTER FOUR

ASSESSMENT OF INFORMAL EMPLOYMENT AND MICRO ENTERPRISE

In every economy (for which information is available), women face greater constraints to entering formal wage labor than do men, particularly employment that offers prospects of skill development and decent working conditions. These constraints include educational, institutional and cultural barriers, coupled with responsibilities for domestic work that increase women's opportunity costs to engage in formal employment. As a result, there is increased policy attention on "non-traded" sectors, notably women's participation in informal employment (e.g. micro-enterprises) as a vehicle for poverty reduction.

In many countries, especially in developing and transition economies, women represent the majority of entrepreneurs in micro-enterprises and informal trade. As noted in Section 2, informal employment is comprised of both self and wage employment. In all regions, self-employment is a greater share of non agricultural informal employment than wage employment. It comprises 70 percent of informal employment in sub-Saharan Africa, 62 percent in North Africa, 60 percent in Latin America, and 59 percent in Asia. Between 1980 and 2000 self-employment increased from approximately one-quarter to one-third of non-agricultural employment world wide, comprising over half of non-agricultural employment in the Caribbean, Southern Asia and Sub-Saharan Africa (see Table 12) (ILO 2002a).

Table 12: Self-Employment As Percentage of Non-Agricultural Employment

Region	1980-1990 period			1990-2000 period		
	All persons	Women	Men	All persons	Women	Men
WORLD	26	28	25	32	34	27
Developed regions	13	11	14	12	10	14
Africa	44	58	37	48	53	37
Sub-Saharan Africa	50	69	41	53	57	40
Northern Africa	23	23	22	31	38	28
Latin America	29	30	27	44	54	35
Central America	30	32	27	40	54	29
South America	29	29	29	43	51	38
Caribbean	27	28	25	55	67	43
Asia	26	24	26	32	32	30
Eastern Asia	23	20	24	18	26	16
SE Asia	34	38	31	33	40	24
Southern Asia	40	38	40	50	55	48
Western Asia	13	6	14	24	10	22

Source: Data prepared by Jacques Charmes cited by ILO 2002a

Self-employment is a particularly important source of income for women. In the period 1990-2000 a greater proportion of women than men in non-agricultural employment were concentrated in self-employment in every sub-region of the developing world (Table 12) (ILO 2002a). Income from self employment can also be higher than that which women can acquire through other economic activities. For example, women working as street food vendors in the Philippines, Indonesia, Bangladesh and Senegal were found to earn between 40 and 260 percent higher than the legal minimum wage (Lozs 1986 cited by Sethuraman 1998). The self employed in Bangkok slums earned an average of 1880 baht per month compared to 1615 baht among wage workers in microenterprises (under 10 workers) Suwattee (1985 cited by Sethuraman 1998) and in Harare (Zimbabwe) in 1990 average income of head of enterprise (or own account worker) was estimated to be Z\$ 243 per month compared to minimum wage of Z\$ 116 per month for domestic service workers (World Bank 1991).

There is also more variation in the importance of the different economic sectors for women's self-employment than for men's. For example, in areas where social norms constrain women's mobility there is a lower incidence of female street traders and a comparatively higher incidence of women working at home. Overall women are concentrated in the following categories of informal employment (ILO 2002a):

Trade: Women are involved in retail and wholesale activities, vending raw and prepared food, as well as a range of commodities and crafts. With the exception of regions where gender norms restrict women's mobility, women account for a major share of street vendors, selling fruits, vegetables and processed food alongside city streets. In sub-Saharan Africa and the Caribbean trade is by far the most important source of employment among self-employed women (60 and 51 percent of non-agricultural self-employment respectively).

Service: In the service sector women are concentrated in activities such as cooking, maid services, hair plaiting, laundry and informal lending etc. Women's engagement in services is more prevalent in Latin America, especially in Central America (64 percent) and South America (60 percent) and also for self-employed women in Eastern Asia (48 percent) (ILO 2002a).

Production/Manufacturing: Women's work in informal manufacturing consists of a range of activities, generally undertaken in micro-enterprises or as home-based workers.

- □ **Homeworkers.** Homeworkers are dependent subcontracted workers performing piecework for an employer, who can be a subcontractor, agent or a middleman. According to the ILO, homeworkers are defined as individuals who carry out remunerative labor at a location other than the workplace of the employer, resulting in a product or service specified by the employer. In developing countries, most female homeworkers are engaged in labor-intensive manual activities (e.g. electronics, garment/embroidery, toy configuration) at home, which are compatible with childcare and domestic work. In Asia, (especially in countries such as India, Pakistan and Bangladesh), where between 42 and 60 percent of self-employed women in non-agricultural activities are in production, women tend to be engaged in weaving, electronics assembly, rolling or packaging incense sticks and cigarettes, and stitching garments or shoe uppers (ILO 2002a). While there is a lack of sectorally-specific data, homeworkers comprise a significant proportion of the total labor force in the garment industry

where the percentage of all workers who are homeworkers is estimated at 38 percent in Thailand, 25-39 percent in the Philippines, 30 percent in one area in Mexico, 30-60 percent (depending on product) in Chile and 45 percent in Venezuela (Chen, Sebstad and O'Connell 1999).

- **Micro-enterprises** consist of activities conducted by individual women or very small establishments of a few workers. They can be classified as subsistence enterprises; enterprises that can support a family but have limited growth potential; and enterprises that employ a number of workers and have the potential for growth and productive application of entrepreneurship.

During the 1990s the employment potential of micro and small enterprises (MSEs)²⁹ attracted considerable attention among donors and policy makers. Because women comprise the majority of the poor, and the majority of micro-entrepreneurs, they became widely targeted by development programs. A USAID study carried out in 1995 found that 45 percent of MSEs in Zimbabwe, Swaziland, Botswana, Kenya, Lesotho, Malawi, and the Dominican Republic were headed by women (USAID 1995). In four of these countries, the majority were owned by women. Women's participation in MSEs was viewed as a key way to contribute to development objectives:

- **Economic growth.** Increasing the profits and efficiency of women's enterprises is a significant contribution to the growth of the economy as a whole, as well as within the small-scale sector, given the prominence of women in that sector;
- **Poverty alleviation and employment creation.** Women comprise the majority of the poor, allocate a greater share of their income to family welfare, and tend to operate more labor-intensive enterprises using female labor. Female employment in MSEs therefore contributes directly to poverty reduction;
- **Economic, social and political empowerment** Women's participation in micro-enterprises can contribute to economic empowerment that can enhance a woman's self-esteem and status within the family (Goetz and Gupta 1996, Hashemi et al. 1996).

CHARACTERISTICS OF WOMEN'S MICRO-ENTERPRISES

As unusually defined, micro-enterprises in developing countries tend to share a number of characteristics in addition to the basic feature of being unregulated; these include small scale of operation; low entry barriers in terms of skill, capital, and organization; low access to credit; low level of productivity and income; small scale of operation; and weak linkages and support systems (Capt 1998). The special features of female micro-enterprises can be summarized as:

²⁹ The United Nations Conference on Environment and Development, Rio de Janeiro, Brazil, 3-14 June 1992, defined micro-enterprise as businesses operated by fewer than ten employees, which are owned and operated by the poor, irrespective of their product or service.

Home-based

While the term “home-based worker” includes homeworkers (as defined above) it also includes self-employed, independent workers engaged in family businesses or own account operations based in the home. Recent compilations of official statistics from the early to mid-1990s on home-based work from 14 developing countries found that the share of women in home-based work was over 75 percent in seven of the countries (ILO 2002a). Women are more likely to be engaged in home based businesses than men (see Box 5). A USAID review of African micro-enterprises found that nearly half (45 percent) of the female-headed MSEs are home-based, while only 19 percent of the male-headed MSEs operate from the home (USAID 1995). Similarly, in Bangladesh approximately 93 and 80 percent of women in rural and urban areas respectively work at home in contrast to 60 and 35 percent of male entrepreneurs (Finnegan 2000).

Small Capital Base

Women are typically clustered in a narrow range of undercapitalized, low-profit activities, which tend to generate low returns to their labor. An ILO survey conducted in Bangladesh found that the average capital per head was Tk.2, 500 for women and Tk.14, 845 for male entrepreneurs. The figure was Tk.2, 250 for women who worked at home, and approximately Tk.5, 150 for women operating in premises outside the household, exhibiting the weaker productive potential of home based work, in which women predominate. In Zimbabwe, the five sectors with the highest percentage of women entrepreneurs had the lowest capital and skill entry barriers (USAID 1995). In part these differences stem from women’s lack of financial capital to invest in small enterprises.

Work Locations In India

A recent sample survey of the workforce of Ahmedabad city in Western India brings out very clearly the gender differences in the location of work.

- 52 percent of all women, compared to 8 percent of all men, work at home
- 18 percent of all women, compared to 1 percent of all men, work in others’ homes
- 5 percent of all women, compared to 23 percent of all men, work on the streets
- □ 3 percent of all women, compared to 5 percent of all men, work at construction sites
- □ 22 percent of all women, compared to 58 percent of all men, work at factories, offices, or workshops

Source: Unni 2001

Gender Segregation in Activities and Earnings

Women and men tend to be segregated into different types of enterprises, with ramifications for growth and earnings. As noted, women tend to be concentrated in low investment, low income sectors. As Table 13 shows, in several Latin American countries women comprise virtually all employment in domestic service, which requires little or no investment. In Africa, women are engaged in mat and basket-making, beer-brewing, cloth-dyeing, dress-making, soap-making, and food/drink preparation while men predominate in metal manufacturing, wood processing and transport. In many countries women are concentrated in “survivalist” rather than growth activities. For example, a study on street food vendors in selected towns found the majority to be women (53, 63, 94 and 80 percent in Senegal, the Philippines, Nigeria and Thailand respectively) (Tinker 1988 cited by Sethuraman 1998).

Table 13: Informal Employment in Selected Latin American Countries: Importance of Women in Specific Sectors 1980 (Percent)

Sector	Argentina	Brazil	Chile	Ecuador	Panama	Paraguay
Manufacturing	38.2	25.1	45.1	29.6	44.0	58.8
Construction	0.4	0.1	0.5	1.5	0.2	0.6
Trade	26.0	21.5	29.7	29.5	28.0	39.3
Transport	2.0	0.2	1.9	0.4	1.0	0.5
Personal services	13.9	59.1	14.5	15.6	38.2	28.7
Domestic service	98.3	95.2	97.4	93.7	88.7	99.0
Other	23.4	27.8	31.9	39.2	37.8	28.8
All (excluding domestic)	18.6	26.4	24.2	21.9	22.3	37.7

Source: ILO/PREALC as quoted in United Nations (1990), cited by Sethuraman 1998.

Women also face greater discrimination in earnings. Sethuraman's review of informal employment (1998) found that all available evidence from Africa, Latin America and Asia pointed to the existence of gender disparity in incomes. These income differentials are evident not only in the aggregate but also among workers in different types of informal work, including self-employment, homework, and petty trade. For example, Scotts' (1995) work in Zimbabwe demonstrated that brick making (a 'male' occupation) garnered 7 times as much income as beer brewing (a 'female' occupation) despite comparable investment. Similarly, Hussein and Nelson (1998) showed that women's main off-farm income earning strategy (selling beer) was less profitable than men's (selling grain) in Burkina Faso. In Latin America, for example, a study of micro-enterprises in Mexico found that female-headed micro-enterprises in rural and urban areas earn, respectively, 64 percent and 50 percent less than male-headed micro-enterprises. About 35 percent (42 percent) of the earnings gap in urban (rural) areas can be explained by differences in productive characteristics, whereas 62 percent (59 percent in rural areas) can be attributed to differences in the returns to these characteristics which are related to household constraints, productivity and access to education and credit services (Sánchez and Pagán 1999). These gender differentials are equally present within sectors (see Table 14). Women in piece-rate work in Bombay (1990) earned 46 percent of men's wage (Acharya and Jose 1991) and women in the urban informal sector of Pakistan earned Rs. 900 per month compared to Rs. 2050 among men suggesting a differential of 56 percent despite comparable levels of education (Sher 1995 cited by Sethuraman 1998).

Table 14: Distribution of Male and Female Workers in Selected Branches of the Urban Informal Sector in India by Income, 1988 (Percent)

Income Rs. per hour	All activities		Trade in vegetables		Trade in food and beverages		Petty trade		Construction	
	Male	Fem	Male	Fem	Male	Fem	Male	Fem	Male	Fem
Below 0.50	1.67	23.84	4.59	21.15	8.11	37.35	1.89	23.12	0.28	0.83
0.51-1.00	11.85	26.93	25.69	34.62	35.14	42.17	15.72	37.73	6.96	11.81
1.01-2.00	52.44	39.07	46.79	34.62	32.43	13.25	54.72	31.13	60.25	71.70
2.01-3.00	14.09	6.01	15.60	7.69	21.62	4.82	10.69	7.08	13.25	7.42
3.01-4.00	11.09	3.20	5.50	1.28	2.70		7.55	0.47	9.91	7.28
4.00 +	8.86	0.95	1.83	0.64		2.41	9.43	0.47	9.34	0.96
All	100	100	100	100	100	100	100	100	100	100

Source NIUA (1991), cited by Sethuraman 1998. Based on a survey covering over 8000 households in Bangalore, Lucknow, Vishakhapatnam, Faridabad, Trichur and Puri, India. □

Investment Route?

There is some debate on whether gender differences in investment behavior mitigate the growth prospects of micro-enterprise. This largely stems from the perception that women engage in activities that are subsistence oriented, choosing to redirect earnings from a micro-enterprise toward the welfare of the household rather for re-investment in business ventures. There is credible evidence to support this. In Mexico's urban areas, for example, 57 percent of women enter the micro-enterprise sector to supplement family income (Sánchez and Pagán 1999). Similarly, Pitt and Khandker (1998), using in a sample of poor households in Bangladesh, show that household consumption expenditure increased 18 taka for every 100 additional taka borrowed by women while the increase was only 11 taka for every 100 taka borrowed by men. For many poor women smoothing consumption and ensuring household economic security through micro-enterprises continue to take precedence over investment.

Low Growth Prospects

Women generally cannot access the funds to expand their micro-enterprises into SMEs and are therefore limited in their growth prospects. Studies show significantly higher rates of return on capital and enterprise expansion by male borrowers (Matienzo 1993). In a USAID (1995) survey of African MSEs, female-headed MSEs grew less rapidly than those headed by males because they were concentrated in slowly growing sectors (with a few important exceptions). Female-headed enterprises in the survey countries grew around 7 percent, while those headed by men grew around 11 percent per year. In addition, few female-owned MSEs graduate to become small businesses. For example, Mead (1994) found that in Botswana, Kenya, Malawi, Swaziland, and Zimbabwe most enterprises that started with 1-4 workers never expanded; further less than 1 percent employ ten workers. As a result, low income women entrepreneurs become entrapped in a cycle of low incomes leading to low investment, leading to low profits, further reinforcing low incomes. While this process is equally applicable to male entrepreneurs, poor women face a number of gender-specific constraints that circumscribe their capacity to save and invest in their enterprises (Mayoux 2001). Table 15 highlights these patterns.

Table 15: Growth Characteristics of Micro-Enterprise

Nature of Micro- enterprise		
	High growth small business	Low growth micro-enterprise
Enterprise level		
Ownership	Owner entrepreneur	Self-employed, maybe in putting out system
Scale	Small-scale in terms of number of workers, but may have higher levels of capital investment	"Micro" in terms of both number of workers and capital investment
Diversification	Specialized niche production	Diversified production to decrease vulnerability
Technology	May be capital-intensive	Low technology and labor-intensive
"Rationality"	Profit-orientation, with separation of business accounts and business planning process	Survival-orientation with merging of production and consumption and day-to-day accounting
Labor	Wage labor	Family labor
Market	High-income domestic market or export market	Low-income local market
Legal status	Registered as small business	Unregistered
Background of entrepreneur		
Poverty	May be poor in terms of income but has access to support networks	Very limited access to resources and dependence on insecure networks and unequal patronage relations
Education	Medium to high education	Low levels of education and often illiterate
Ethnic group	Dominant ethnic groups	Vulnerable ethnic groups
Reason for becoming entrepreneur	Independence and profits	Lack of other alternatives and employment opportunities

Source: Mayoux 2001

Undifferentiated Products and Local Markets

Women are concentrated in unskilled, easy entry, low margin enterprises that tend to focus on a limited number of economic sectors (textiles, handicrafts, agriculture, small-scale retailing etc.). This can create redundancy and market saturation, over capacity and surplus supply, which in turn impacts upon margins and prices. Low margins are exacerbated by the fact that products are typically marketed locally (this is usually the case for local consumer goods) or intended for the tourist market, which increases the level of competition within the local market and the potential for failure of enterprises (Capt 1998).

Constraints to Growth

There is little doubt that women's participation in micro-enterprises can make a significant contribution to household welfare and poverty alleviation. However does poverty reduction at the household level translate into economic growth? Does women's engagement in micro-enterprises stimulate increased capitalization of businesses, employment creation, and long-term income growth? These questions have been addressed in a study conducted by Kevane and Wydick (1999), who test whether gender matters in the capacity of a micro-enterprise to graduate from low to high growth by comparing the performance of female and male entrepreneurs in Guatemala. Their results show that while there are considerable differences between female and male-owned enterprises in terms of employment generation, overall female

entrepreneurs show little statistically significant difference from their male counterparts in their ability to generate increases in micro-enterprise incomes. Rather the differences that exist in employment generation are largely attributed to the labor constraints placed on women during childbearing and rearing years.

Labor constraints are just one of many barriers that women face at nearly all stages of micro-enterprise development, regardless of size. While poor men and women often face similar barriers to starting and maintaining a small business, women have additional, gender specific constraints that impinge upon their capacity to engage in productive growth and generate the positive externalities associated with MSE development. Most of these constraints relate to the economic and socio-cultural environment in which women live, which may or may not be conducive to entrepreneurship development for women. Social norms that undervalue women's work or assign women certain roles in the production process may also prevent women from engaging in business or may even exclude them from important segments of the micro and small enterprise sector (e.g. enterprises with a high growth potential). These constraints and barriers are summarized as follows:

Financial Capital

Asset inequality has a strong bearing on women's capacity to invest in, and benefit from production activities. For example, women in female headed households in Uganda claimed that their inability to finance initial start-up costs prevented them from investing in businesses and trade activities (Dolan 2002). This leaves women confined to businesses and trade which require little start-up capital and are characterized by low returns. Because of their ease of entry, these businesses are frequently saturated with new entrants and thereby reduce women's prospects of generating a surplus for reinvestment in agriculture or other off farm endeavors.

One way that capital constraints can be alleviated is through the provision of credit, which is generally considered a promising route out of poverty for the rural poor. Indeed, lack of access to credit services has been identified as one of the most important impediments to micro-enterprise growth (Evans and Jovanovic 1989, Rhyne and Holt 1994). In Jordan, approximately 29 percent of women with businesses based outside their homes and 17.5 percent of those with home-based enterprises reported that lack of access to credit as a significant problem.

Gender-based institutional barriers that exclude women from formal credit have been widely documented (Goetz 1995). Among the most obdurate are women's tenuous rights to property. Since women in developing countries often do not have legal property rights, securing credit or loans from formal financial or banking institutions for the creation or expansion of their enterprises is rarely an option as they lack the assets to underwrite the security of loans. In Latin America and the Caribbean, only 7-11 percent of the clients of formal credit institutions are women. In Bangladesh a study found that more men have benefited from formal bank credit than women, irrespective of source. Four percent of men in contrast to 0.5 percent women obtained private bank credit, 3.2 percent of men in contrast to 1.9 percent of women received commercial credit, and 2.4 percent of men and 0.3 percent of women received national bank credit. There was also substantial variation in the value of loans (Tk.3,000 for women entrepreneurs in

comparison to Tk.75,000 for their male counterparts—a factor 25 times higher for men) (Finnegan 2000). Traditionally, women turn to family members, friends, or the informal market for financing, where interest rates are often several times higher (Elson and Evers 1997, Kabeer 1994).

Gender-specific constraints to women's access of credit have been extensively reviewed elsewhere but basically include the following:³⁰

- *Requirements for collateral* and/or minimum savings and/or husband's signature as guarantor.
- *Skills required for filling out forms*. Low educational attainment levels present difficulties when applying for loans, in understanding banking terminology, and in developing the business proposals required.
- *Time, mobility and resources* required to make multiple visits to banks, particularly for rural women in situations where banks are only located in urban centers.
- *Costs* of loan applications, e.g. application fees, service fees, lender services and bribes to officials. The regulations, rules and norms in financial markets and the formal banking sector work in favor propertied male producers and exclude most women (Goetz 1995).
- *Problems dealing with male officials* because of norms of female propriety and/or discrimination.
- *Lack of information* because this is generally channeled through male information networks.
- *Socio-cultural constraints*. In some contexts men are either legally or socially expected to give permission for their wives to engage in business activities, or to travel in order to trade.

Despite these constraints, however, micro-credit to female entrepreneurs boomed in the 1990s, with the number of groups providing micro- credit reaching an estimated 3,000 worldwide by 1998 (Jalbert 2001). Several NGOs have made a concerted effort to address the impediments that women face. Some, like the India Development Service, act as financial intermediaries between formal credit institutions and groups of rural men and women. Others, such as the Community Development Fund in Hyderabad, have sought to build credit co-operatives among poor women and men. SEWA, Grameen Bank and Banco Solidario in Bolivia have adopted a third option of establishing poverty-oriented banks, which have (to varying degrees) been successful models of gender-sensitive lending.

Markets

Markets are often segregated by product and women tend to occupy particular niches in marketing systems. Although women may enjoy some marketing advantages in products and services where the majority of customers are female, market segregation creates obstacles to gaining entry into markets for products dominated by men (Mayoux 2001). In South Asia and parts of Africa women's networks are constrained by restrictions on women's mobility outside the home. These restrictions limit their access to markets, particularly those in which men are concentrated (Mayoux 2001). In so far as enterprises with greater access to markets and

³⁰ See Ardener and Burman (1995), Berger (1989), and Kabeer (1994).

resources are able to generate higher incomes, women's exclusion from markets severely impedes growth prospects.

Legal Barriers

Over-complex regulations and registration procedures impose considerable costs on MSEs, and exclude poor women from potential benefits. Many women's enterprises are unregistered and therefore have no legal protection due to a combination of lack of resources (such as land and other forms of collateral) and income to qualify and cover costs. While women may choose to avoid registration (and hence taxation), women's inability to register enterprises in their own names can also bar them from benefits such as formal business development services. It also increases the risk that women's businesses (and the earnings derived from them) can be appropriated by husbands and/or relatives without compensation.

Education and Information

Lower levels of female education influence women's capacity to engage in productive enterprise in two ways. Firstly, a number of studies have linked gender inequality in education to higher fertility rates, which limit women's potential for labor force participation as well as the efficiency of their labor. Second, women's illiteracy and low educational levels pose challenges to their administration of small businesses and for their capacity to access product and marketing information. Improved access to education by women can play an effective role in reducing gender disparities in income in the informal sector.

Regulatory Context

Gender biases in micro-enterprise development are also a product of state policy (e.g. marketing boards' privileging of male heads of household and legal systems reinforcing male property rights). The state sometimes also restricts women's trading activities through taxation, through licensing requirements, credit policy, and biases in the supply of information (Harriss-White 1996). In particular, local taxation regimes have been identified as an impediment to engagement in local markets (Ellis and Bahigwa 2001), with inadequate and high taxes on transport impacting the prospective profits of poorer rural female entrepreneurs (Mayoux 1995).

Lack of Skills

Women's ability to diversify into new markets is limited by lack of technical, managerial and business skills, and by poor access to skills and vocational training (Mayoux 2001). Even in transition economies where women's educational levels are comparatively high, women frequently face difficulties in accessing relevant vocational training. Like extension services in agriculture, technical training courses often focus on women's "traditional" skills, which are associated with subsectors where markets are saturated. For example, a study of women's

engagement in informal employment in West Africa showed the way in which skills training were sex stereo-typed: women's training is exclusively limited to five activities - tailoring, hair-dressing, processed food, meat and fish processing and soap making (Birks et al. 1994). This type of training does not assist women to diversify or expand into higher value markets.

Infrastructure

While both men and women are constrained by poor infrastructure, women have distinct constraints, opportunities, and needs regarding infrastructure. For example, their responsibility for household provisioning (water, fuel) means that women are likely to benefit disproportionately from investments. Conversely, a lack of infrastructure inhibits women's engagement in a number of different types of micro-enterprises. Small enterprises that are heat intensive (e.g. food processing) or light-intensive (e.g. night sewing), or require travel to markets are greatly supported by access to electricity, water and feeder roads. For example, in Sub-Saharan Africa, crops such as cocoa and coffee, marketed by men, are often collected from the farm gate whereas food crops marketed by women have to be transported to the market. Studies in Ghana and Tanzania revealed that women spend nearly three times as much time in transport activities as do men, and transport about four times the volume (World Bank 2002). Poor transport engenders a number of difficulties for female entrepreneurs. For example, reduced transport services during off-peak periods also means that women spend longer traveling to and from the market and restricts women's ability to work effectively in the paid economy (Elson et al. 1999). Women also face considerable problems because of inadequate transport facilities which expose them to sexual harassment and risks of violence, adding to the other problems also faced by men such as poor feeder roads.

Labor Burdens

Women's responsibility for unpaid domestic work also restricts the types of work they are able to perform, affects their ability to expand and/or diversify their enterprises, and acts as a major constraint on productivity and earnings. Family responsibilities have a direct effect on earnings by reducing the amount of energy available to devote to income generating activities (Hersch 1991). Where women are responsible for child care, they are confined to activities which involve minimal danger for children, and require low levels of concentration so that they can attend to children when necessary (Mayoux 2001). Responsibility for childcare also restricts women's mobility, obliging them to choose less productive and more vulnerable forms of activities such as homework or to activities in the neighborhood of their residence. While this provides women with greater flexibility, it is at the expense of a lower growth rate and earnings (Pagán and Sánchez 1999).

Thus, women in developing countries face a number of gender-based constraints that inhibit their productive engagement in economic activity, and diminish their contribution to economic growth. However, while the majority of women-entrepreneurs are presently engaged in low growth activities, closing the gender gap by investing in women or by developing policies targeted to the sectors in which women work can have a considerable payoff. The next section discusses suggestions for policies that can contribute to gender-sensitive and inclusive economic growth in both formal and informal employment.

CHAPTER FIVE POLICY RECOMMENDATIONS

INTRODUCTION

A gender equitable pro poor strategy requires a set of policies that address the twin goals of growth and equity, promoting the economic opportunities of poor women while simultaneously raising their welfare. While some of the constraints to raising women's economic participation are socio-cultural in origin and, as such, require a longer-term process of attitudinal change, there are nevertheless a number of important areas of intervention for development policy. These include social policies to promote education, health and childcare; investment in time-saving infrastructure; improved access to capital through financial sector reforms and micro-credit schemes; and other measures to provide gender-appropriate social protection. However, these interventions must be designed with women in mind. Women will not benefit from improvements in the availability of credit unless an effort is made to ensure a gender-neutral distribution. Women will not profit from increased off farm employment unless these activities bring higher returns to their labor. Nor are they likely to reap maximum benefits from investments in education or health care unless an effort is made to ensure that these services are sensitive to their needs (Whitehead and Kabeer 2002).

This section concentrates on those policy options that facilitate employment and income generation for poor women. It identifies firstly the most promising policy options to stimulate women's self-employment and entrepreneurship, and secondly to improve women's access to and economic benefits from wage employment.

Informal Employment: Policies to Enhance Micro-Enterprise

In most countries, micro-enterprises employ the majority of the working poor, and for many women are the most viable path out of poverty. Raising the productivity and efficiency of micro-enterprises, therefore, can be an important part of a pro female growth strategy. However, women's engagement in micro-enterprises has not reached its full potential, largely due to market failures that inhibit productivity increases such as access to productive assets, credit, information, technologies, and more lucrative domestic and export markets. A gender-sensitive micro-enterprise policy might address some of these constraints through attention to the following policy areas:

Micro-Finance

Taking gender into account in the design of financial institutions and services can play an important role in improving women's access to financial assets. Improved access and efficient provision of savings, credit, and insurance facilities can enable poor women to smooth their consumption, withstand economic shocks, and enhance their income earning capacity through

new productive activities and/or by diversifying existing economic activities. While microfinance is generally associated with household-level poverty reduction rather than broader processes of economic growth (DAI 2003), it is nevertheless an important mechanism for reducing the poverty of poor women, particularly when supplemented by training and business services.

Female saving and borrowing can be facilitated by implementing micro-finance initiatives (whose operating costs are unsubsidized) that account for the constraints women face by:

- □ Simplifying rules and procedures associated with securing credit and supporting the development of non-bank financial institutions (NBFIs) that can reduce the transactions costs of lending to women;
- □ Replacing traditional collateral requirements (e.g. land, productive assets) with alternatives such as peer guarantees or repayment incentives since credit markets that require conventional collateral are beyond the reach of most women;
- Bringing financial intermediation to women by providing direct and indirect state (or donor) support for NGO/private sector efforts to promote female access to financial intermediation;
- Ensuring that mechanisms are in place to monitor who (within the household) controls the disbursement of funds; and
- Ensure that restrictive laws requiring married women to receive spousal approval for bank loans be removed.
- Ensure that technology, vocational and management skills and marketing information are provided as part of the credit package.

Land Rights

Since access to other resources (technology, credit, rural organizations) is often conditioned by access and/or ownership to land, female poverty cannot be *fully* addressed without the support of an enabling legal and policy environment that explicitly address women's rights to land (FAO 1999). This is particularly the case in Africa, where women's micro-enterprises are typically derived from agriculture or natural resources. Land reforms that provide for joint titling of husband and spouse or that enable women, as individuals, to hold land title, have been successful in promoting greater equality in control of land. Alternative ownership models that combine individual, common, public or group ownership can also provide a solution for women or groups of women to secure or extend their existing rights. While the provision of statutory property rights is not always necessary, there must be some recognized mechanism to safeguard and enforce women's access rights to land.

Business Support Services and Markets

Micro- enterprises are more likely to survive and raise productivity if they can access a range of training, advisory and support services. Business development support services are particularly facilitative, assisting small enterprises to graduate to more productive firms that have the potential to employ other workers and contribute to broader economic growth. These services

could include skills and enterprise training (accounting, business management, product development etc.); linking women to market access services and infrastructure; and the promotion of networking through membership organizations. Given that women entrepreneurs face increasing competition from foreign products arising from trade liberalization, it is ever more important to provide training on how to access niche markets and develop marketing skills.

These services are most effectively provided for sectors or subsectors that register growth potential, and within which women are likely (or able) to be engaged. Services also need to be sensitive to women's economic and social constraints, and be available at times and places that women can access them. However, the provision of such services is only likely to be cost-effective if the transaction costs of implementation can be minimized. This is best achieved by piggybacking business support services onto existing services. A good example of such an initiative is Bangladesh Rural Advancement Committee (BRAC), which uses pre-existing networks of micro-enterprises as a base for scaling up non-financial services such as training.

Adult Education Programs/Training

Improving technical skills is essential for entrepreneurial growth. Adult female literacy/numeracy and education programs, targeted at women engaged in economic activity should be considered for strengthening the abilities of women to expand their enterprises and graduate from a micro-enterprise to an SME, as well as to gain human capital to assist in poverty reduction. However, while specialized training is important, the potential for growth rests on ensuring that training interventions are gender sensitive.

Provision of an Enabling Economic Environment

Small and micro-enterprise firms typically face a different set of constraints and opportunities than do large firms. In particular, policy distortions within the regulatory environment (due to the heavy burden of regulations that have not been designed with small firms in mind) can create disincentives to growth for smaller firms, where the majority of women are found. For example, larger enterprises can typically import their capital equipment at low or zero import duty rates through investment promotion schemes. Small firms typically do not qualify for such schemes. This leads to high transaction and conformance costs. Promotion of the small-business sector requires a regulatory environment that minimizes the transactions costs associated with registration and reduces the tax burden on small businesses. For example, taxing key inputs for labor-intensive home-based industries can be counter-productive to efforts to lift women out of poverty. Finally, regulations and licensing could encourage joint registration of male-owned enterprises.

The patterns of growth in micro-enterprises are also strongly influenced by the state of the macroeconomy, which generates employment as well as demand for the goods and services of MSEs. When the overall economy is healthy, there is a significant amount of growth among micro-enterprises as well. While employment growth may also occur during periods of economic

stagnation, it is a less robust form of growth, characterized by enterprises with low barriers to entry and that generate only minimal returns.

Infrastructure

A gender sensitive micro-enterprise growth strategy requires greater investment in infrastructure as failure to take account of gender differences in the design and delivery of infrastructure can result in misallocation of resources and weaken growth prospects. Increasing women's economic efficiency from infrastructure investments can range from minimizing distances women travel to collect water and fuel, to electrification, which enables women to perform light intensive work at home (e.g. night work), to labor saving technologies that enable women to process foods. All are likely to have an immediate impact in raising women's productivity. In addition, infrastructure investment can result in substantial time savings in domestic work, releasing labor for allocation to productive activities. Selected investments in water, fuel, transport, and other time-saving infrastructure can reduce women's and girls' domestic workloads, particularly in poor, rural areas—freeing girls to attend school and women to redirect their labor to productive activities. Such investments are likely to yield a substantial pay-off in increased efficiency and growth.

Wage Employment

As this paper has discussed, international trade appears to have had a positive effect on wages and employment in manufacturing and high value agriculture sectors of developing countries. Whether women will be able to maintain their access to employment opportunities, whether there will be an increase in productivity that will lead to wage increases, technology transfer and better working conditions are important issues of policy concern (Seguino and Grown 2002). A gender equitable pro poor strategy needs to focus on both raising the level of employment as well as ensuring that women's well-being is protected in the process of economic growth. There are a variety of policy instruments to achieve this. While country-specific policies will vary depending on the structure of the economy, the nature and extent of gender bias, and human capital differences, the common objective is to develop a set of policies that increase employment and allow productivity and wages to rise while ensuring the provision of basic rights and working conditions to women workers.

The main policy levers with respect to labor market issues are:

- *Labor Legislation and Policy*: Elimination of discriminatory employment barriers through 'equal opportunity' legislation. Under some circumstances minimum wages and labor standards can also improve women's economic conditions, but this policy area must be approached with caution since interventions can also backfire (see Deliverable 12—section on labor policy).
- *Social protection policies* designed to reduce women's work intensity caused by the 'dual burden' women face in combining labor market and domestic responsibilities.
- *Development of human capital*, particularly the acquisition of technical training and educational attainment.

- *Investment in infrastructure* (e.g. roads, electricity and transport) to enhance the competitiveness of export industries, thereby increasing the levels and quality of employment. Infrastructure that reduces women's time spent in unpaid labor is also important.
- *Macroeconomic policies*. The removal of market distortions such as overvalued exchange rates and import and/or export restrictions will provide an enabling environment for investment and conditions conducive to growth in the sectors in which women are employed.

The following section discusses how several of these areas could be operationalized.

Trade Facilitation Measures: Meeting Standards

For developing countries to remain competitive in these industries, they will need firstly continued access to western markets, and secondly the capacity to meet the increasing labor and environmental standards required to participate in Northern markets. This requires enhanced technical assistance and capacity building of companies in developing countries. Support should be given to local trade associations to provide training to firms in developing countries on how to meet environmental and social (and for agriculture food safety) standards so that they retain access to northern markets. Doing so would place developing countries in a stronger position to take advantage of the WTO agreements, increase competitiveness and hence, the levels and quality of employment provided to women.

Labor Legislation and Policy

Promoting measures to reduce gender discrimination in the labor market can stimulate growth and facilitate women's labor market participation. Given the relationship between precarious employment and poverty, women (and their households) will benefit from policies addressing issues of labor market insecurity, low pay, and gender discrimination (Beneria 2002). Many countries have instituted legislation for workplace equality between men and women or ratified ILO core conventions that cover freedom of association and collective bargaining; forced labor; child labor; discrimination; and equal remuneration. These measures do not award women special protections, but they do have the objective of improving women's labor market outcomes by eliminating wage and employment discrimination (Romero 2000).

Labor Standards

One possible approach to gender equity in employment is through adherence to labor standards. However, whether adherence to international labor standards supports or impedes poverty reduction has been the subject of considerable debate. One traditional view is that labor standards reduce competitiveness and growth (e.g. they act as a form of protectionism that raises the cost of labor sufficiently to reduce international competitiveness). On the other hand there is an increasingly held view that worker rights can have substantial growth-enhancing effects (Kucera 2001, Martin and Maskus 1999), by raising productivity, output and firm competitiveness. Thus, on the basis of an analysis of labor costs and FDI in close to 127

countries during the 1990s, Kucera (2001) concluded that FDI was greater in countries with higher labor standards because collective bargaining rights and freedom of association signaled political and social stability, which attracts investment. Likewise, Palley (1999) showed that the adoption of core labor standards in 15 developing countries was positively related to higher rates of economic growth. and a recent World Bank report (Aidt and Tzannatos 2003) found that most studies on the issue associated coordinated collective bargaining with improved macroeconomic performance in the 1970s and 1980s (evidence for the 1990s was mixed). Research pointing to the benefits of protection of workers' rights is still relatively new and hence inconclusive. It should also be emphasized that adherence to some standards may be beneficial while adherence to others may be prejudicial; a key goal of both research and policy is to sort out which elements are which (see Deliverable 12-section on labor policy).

Even if it emerges that important elements of labor standards have positive efficiency and growth effects, efforts to improve adherence to such standards must still take into account the fact that firms often respond to more regulation by shifting production to countries with less regulation and lower costs (Seguino 2002). It is therefore important that *all* developing countries ratify and enforce the desirable standards so that firms are on a level playing field. At the same time, developed nations must apply pressure on MNCs to only source from suppliers who are in compliance. This would reward rather than penalize companies in developing countries that seek to protect worker's rights.

It also important that labor standards include greater attention to gender specific workers' rights issues such as freedom from sexual harassment and sexual discrimination, and are extended to all workers irrespective of their employment status. There should be a concerted effort on behalf of employers as well as national governments to ensure that homeworkers and other flexible workers are provided with labor protections. This does not have to undermine the competitive position of horticulture producers in EU markets. There is some evidence that companies that offer benefits to *all* workers are rewarded through worker loyalty, lower turnover and higher productivity, and are better able to provide overseas buyers with quality products.

Equal Pay

Closing gender wage gaps can raise women's bargaining power in the household by improving women's fallback position. One of the key problems with equal pay for equal work legislation however is that it has little impact on women's wages where they are segregated by occupation and industry (Blau and Kahn, 1995), as is the case in most female intensive export industries. The occupational segregation problem is more effectively tackled through provisions that prohibit sex-based discrimination in hiring, training, promotion, and firing. In cases where equal-opportunity measures are effective in reducing discrimination against women in male-dominated occupations, the demand for female labor will rise, and draw more poor women into the labor market. Hence, equal opportunity policies that extend the terms and conditions of employment equitably among all workers, regardless of gender (or other social characteristics) and employment status are warranted. However, it must be recognized that, since in many countries most poor women are employed in the informal sector or in other small firms to which

applications of regulations like these ones is very difficult, the overall effect of such legislation on poverty will often be marginal at best.

Minimum Wages

Raising wages can help lift women out of poverty. However, there are competing views on whether a minimum wage policy is an effective mechanism for achieving poverty reduction and economic growth. On one side is the argument that enacting minimum wages can enhance product quality, stimulate productivity growth and help to close the gender wage gap since a larger proportion of women are low-wage workers relative to men (Seguino 2002b, Blau and Kahn 1995, Romero 2000). Proponents of a minimum wage also view wage regulations as a contributor to poverty reduction. For example, Saget (2001) applied a quantitative estimation model to cross-country data, finding that minimum wages did not negatively effect the level of employment but did help to alleviate poverty.

On the other side is the view that minimum wages hamper competitiveness, leading to efficiency losses and outward FDI. The outcome of these processes is a reduction in labor demand, undermining the favorable effects of higher minimum wages. Because women are concentrated in labor intensive industries, they experience the brunt of employment cutbacks that firms may make in order to re-establish their international competitiveness (Romero 2000). These cutbacks result in an increase in the supply of labor to the rural and urban informal sectors and a depression of labor incomes where most of the poor are found (World Bank 1996).

There is a wealth of empirical evidence to shore up each side of the debate yet the employment effects remain ambiguous, largely due to varying definitions and methodologies employed in studies. On balance, however, it appears that ensuring a low minimum wage for women in export industries may be more favorable for gender-equitable growth, especially since women hold a disproportionate share of the jobs in these industries worldwide. Ensuring a reasonable wage floor³¹ may incur little cost for firms and yet generate strong productivity pay offs and developmental effects at the household level. For example, to the extent that women's earnings positively influence investments in children, raising women's wages might disproportionately help to reduce household poverty (Braunstein 2002).

Policies Restricting Women's Access to Employment

It is also important that policies that have a distortionary effect on labor market outcomes, and restrict women's access to employment opportunities be reformed or removed. For example, many countries have labor laws that restrict the types of work women can do (e.g. night or overtime work) or the hours that they are allowed to work (See Deliverable 10-Education). These regulations give firms less flexibility in the employment of women and hinder women's progress

³¹ Defining what is a "reasonable" floor may not be so easy. See, however, the discussion in Deliverable 12, section on labor policy.

towards equity in the labor market (Rodgers 1999). A strategy for improving gender equality should consider replacing these laws with equal opportunity legislation.

Human Capital

Investing in girls' and women's human capital, including both schooling and job-specific skills development, improves women's access to employment and facilitates their broader occupational mobility. There is convincing evidence that relatively high rates of economic return are associated with household and national investment in girl's education, particular at primary level (DAI 2002). However, while significant gains have been achieved in addressing inequities in female education, an educational gender gap persists in some countries, with girls continuing to face challenges to access, retention and achievement in relation to boys (Deliverable 10-Education).

Non-formal education and literacy programs are also important. According to the World Bank such programs rarely receive more than 5 percent of national education budgets yet they can be very significant for the 64 percent of adult women who are illiterate worldwide (Aoki et al. 2001). Such programs would facilitate more rapid productivity gains and competitiveness in industries that make intensive use of female labor.

Poor education and training tends to lock the workforce into low levels of productivity, which thwarts the competitiveness of labor intensive industries in developing countries. While poor governance and restrictive economic environments create a disincentive for investment in high productivity jobs, firms face little pressure to raise productivity as wages are low (due to surplus labor population) and because jobs tend to be flexible, giving employers little incentive to invest in worker training. However, maintaining competitiveness in a globalized economy will increasingly hinge on raising productivity as in most countries there are increasing job opportunities for skilled labor and a parallel reduction of opportunities for low skilled workers (Beneria 2002). Moreover, scientific, technical and managerial qualifications are going to be more important in giving women access to jobs in the future, particularly as export manufacturing industries upgrade and base competitive strategies on quality and innovation. Higher qualifications are also required in the internationalized services sector (Joekes 1995). Yet a workforce will not be able to adopt the new technologies required to make them more productive without the requisite skills. While gains in women's education are an essential step towards gender equality, women's educational achievements do not necessarily translate into labor market gains. Formal education does not assure that women will be able to upgrade their skills with the speed required by technological change and shifting labor markets (Beneria 2002). This calls for greater vocational training and job retraining programs that can equip women (who have dropped out of school or are beyond school age) to respond effectively to changing market opportunities, and provide women with options to improve their skill set and upgrade employment prospects in the future.

Establishing a stronger education and training system involves several dimensions, including stronger pro-education policies by governments, commitments from companies to train and invest in their workers, and addressing the social norms that lead to families to favor boy's

education over girls. Gender barriers to educational attainment and training can be alleviated through a range of interventions:

- □ Establish enrolment and graduation targets for girls and women in educational institutions, with a view to raising knowledge and skills which would enhance their employability. Small bursaries for girls' education have also achieved success in some countries (e.g. Pakistan).
- □ Reduce the direct and opportunity costs of girls schooling by eliminating or subsidizing the costs of school tuition, uniforms, textbooks, and stationery.
- Provide flexible school hours to allow girls to perform their household and agricultural work.
- Recruit and train more female teachers, and reform curricula and textbook design to be gender-sensitive.
- Build community schools since it reduces the time—and security fears—associated with girls walking long distances to school (Oxfam).
- Institute advisory services to track women into education and training programs in sectors for which labor demand is predicated to grow (Romero 2000).
- Skills development programs, labor training/retraining;

Social Protection Policies

Women are more constrained than men from participating in the labor market or in obtaining better jobs due to their primary responsibility for domestic work and childcare, which reduce their mobility and capacity for autonomy. Policies therefore need to focus on alleviating the reproductive constraints that women face so that they can engage in productive employment (Rodgers 1999). These policies include maternity benefits/ parental leave and support for childcare.

Maternity Benefits

A growing body of evidence indicates that job-protected maternity benefits enable women to stay and advance in the labor market, contribute to growth in human capital endowments, and can potentially yield a positive wage effect. Waldfogel (1998) argues that maternity leave also strengthens women's investment in firm-specific experience and training, and thereby increases the productivity of female workers.

Although maternity leave legislation is prevalent in developing countries, maternity coverage is variable. A significant proportion of employed women are not covered by maternity leave benefits (e.g. temporary, casual and otherwise flexible workers), are unaware they are entitled to leave benefits, or are employed in companies that do not comply with legislation. An important policy priority therefore is to provide maternity leave benefits to as many female workers as possible, to promote worker education on maternity leave entitlements, and to increase enforcement (Romero 2000).

However, maternity leave can also act as a constraint on growth. In situations where maternity provisions are funded by companies (thereby raising the costs of hiring women relative to men)

or by women themselves, it may cost women in terms of employment, wages and skills □ development (World Bank 2001). When maternity benefits are bankrolled by firms rather than □ governments, firms respond by reducing their wage offers to women or by trimming their □ demand for female workers (Romero 2000). Evidence suggests that mandated maternity benefits □ without compensation from public funds tend to result in greater inequity, with women's wages □ falling to offset the cost imposed on firms. For example, in Costa Rica legislation to lengthen the □ duration of maternity leave had little influence on wages and employment until after a new □ enforcement mechanism was enacted in 1990 (Gindling and Crummett 1997), at which point □ women's wages declined significantly. □

Relying on the market to deliver paid maternity is therefore not the best option, either for □ women workers themselves or to stimulate growth in labor intensive industries. Maternity □ benefits need to be converted from a mandate on individual employers to an insurance program □ financed (fully or partially) through contributions from government coffers. A recent ILO study □ shows that total labor costs associated with hiring women were kept down somewhat in countries □ where maternity leave was financed directly with government funds (Chile) or through social □ security systems (Argentina, Brazil and Mexico) (ILO nd). Financing maternity benefits through □ national insurance can extend coverage to a larger number of women who work in the informal □ sector (Tzannatos 1999). Clearly the coverage and the magnitude of the maternity benefits do □ have to reflect capacity to pay, on the part of private employers and of the state. □

Policy should ensure that therefore: □

- Maternity benefits are legislated. □
- Workers are educated on maternity leave provisions. □
- Maternity benefits cover as many workers as is financially feasible. □
- Public support is provided for paid maternity leave through tax revenues or through social □ security administrations.

Childcare

Lack of adequate childcare is the foremost barrier to female employment and a strong determinant of women's work status. For example, a significant degree of occupational segregation is related to childcare constraints since women are channeled into occupations that allow them to combine employment and childcare responsibilities (IFPRI 2001). Childcare is as essential for the well-being of children as it is for facilitating parents' participation in the labor market. For example, in countries where outside provision of childcare is not available, the burden of care falls on "mother substitutes" such as young girls (Ilahi 2000).

Childcare provision therefore has a significant impact on women's work and earnings. Recent studies from Brazil, Kenya, Romania, and Russia have analyzed the impact of physical access and the costs of out-of-home childcare facilities on mother's labor force participation and on girls' schooling outcomes (Deutsch 1998; Lokshin 1999; Lokshin, Glinskaya, and Garcia 2000). These studies all indicate that accessibility to low-cost, out-of-home childcare options increases the probability that mothers will enter the labor force. Subsidizing childcare can also raise

women's earnings. In Russia, simulations show that a full subsidy to childcare allows mothers to earn an additional 0.50 rubles per ruble spent by the state, while the wage subsidy increases their earnings by an additional 0.24 rubles per ruble spent by the state (Lokshin 1999). Hence, policy solutions that facilitate the provision of outside care will contribute to a number of positive pro female growth benefits and potentially lead to positive externalities in the form of higher secondary attainment of girls (Ilahi 2000).

Different countries have followed various modes of state assistance to childcare—public provision of childcare; income transfers to families or specifically to mothers to cover the cost of childcare services including vouchers; and wage subsidies to mothers if they remain in the labor force (World Bank 2001). There is also evidence that subsidies for private care (e.g. vouchers) are more cost-effective in raising female labor force participation and incomes than direct subsidies to public facilities or wage subsidies (Deutsch 1998, Lokshin (1999) and Fong and Lokshin (1999) cited in Ilahi 2000:31). However if remuneration from employment remains low, childcare markets are unlikely to evolve as low wages make the opportunity cost of women working too high.

Some degree of state action, perhaps in partnership with the private sector, will be necessary to provide families with a form of childcare that enables women to gain from labor market participation. This might include the following policies:

- Wage subsidies;
- Targeted childcare subsidies (vouchers) provided to poor households;
- Community based childcare facilities;
- State childcare facilities

The key question concerning all of the above benefits is who pays for them: employers in the form of (potentially) lower profits; workers in the form of higher benefits and lower wages; or workers outside the formal labor market who might benefit from higher labor demand if total labor costs were lower (Lindauer 1999). To ensure a win-win situation—to make gender equity compatible with growth—there needs to be a strong role for government in managing these economic outcomes.

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