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Africa – Women's economic empowerment opens up a world of opportunity

- **Women's economic empowerment is key to Africa reaching its future growth potential**
- **Women are more likely to distribute income equitably within the family, boosting human capital**
- **But they are disproportionately concentrated in informal employment and paid substantially less than men**

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In recognition of International Women's Day, which marks its centenary this year, we highlight the pivotal role that women can play in Africa's future growth trajectory. Research has shown that when economically empowered, women are more likely to lower household poverty than men. Similarly, when they are responsible for disposable income within the family, they are more likely to invest money in the future human capital of society. Therefore, investing in women is synonymous with investing in the future of Africa and a sustainable growth path.

Currently, women face hurdles in labour-market participation and accessing education. They are less likely to be in paid employment (see Chart 1) and more likely to be under-employed. They tend to be over-represented in more cyclically-vulnerable sectors such as export manufacturing or horticulture. For example, in Uganda, 85% of workers in the flower-cutting industry are women.

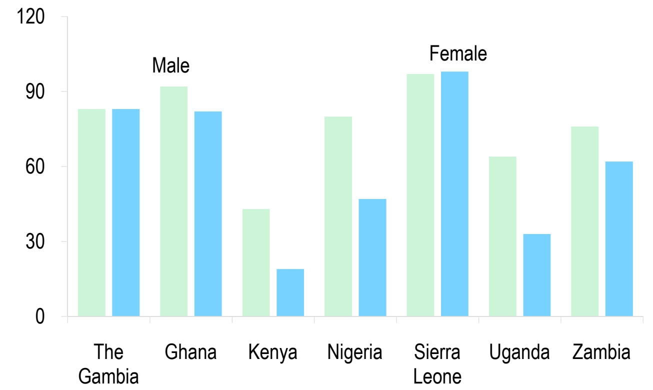
The picture painted by the data is not quite so clear. Although up to 80% of women are in paid work, according to a World Bank study of 18 out of 48 Sub-Saharan African countries (see Chart 2), this figure masks earning differentials. Women may not be earning the same amount or awarded the same rights as men. The same study showed that average unemployment for women is 13.9%, while it is 10.7% for men. However, the informal sector is widespread in Africa. Therefore, unemployment in the formal sector is a poor measure for capturing gender economic disparities.

If we look at under-employment data, the picture is more realistic. Two out of three under-employed workers are women (World Bank 2010).

Chart 1: Africa's share of employed men and women in different employment status (2000)
Regional average (%)

Source: World Bank

Chart 2: Africa's labour-force participation rate by gender (2000)
%



Source: World Bank

Barriers to women entering the labour market can often be caused by culturally- or legally-enforced rules

The link between economic growth and women's empowerment

Economic growth is positively correlated with gender equality for three main reasons. **First, educating women offers higher marginal returns in labour productivity compared with men. Worldwide, education is a key pre-requisite for better employment; in Africa, many of the gender disparities in labour markets are the result of gender inequality in education.** Overall in Africa, literacy rates are 61% for men and 41% for women (World Bank 2010). Workers with a tertiary level of education earned on average eight times more than individuals with no education and over four times more than individuals with primary education. Women's limited access to education can have life-long consequences on their ability to participate in the labour market.

Second, barriers to women's employment in certain sectors or occupations prevent labour from being put to its most productive use. A similar inefficiency results if land, capital and other productive inputs are allocated on the basis of non-economic criteria that reflect culturally or legally sanctioned discrimination against women.

Third, women have greater incentives to save than men and they have stronger inter-generational altruism, leading to higher social returns for their children.

Some African economies will not reach their growth potential if they do not invest in women's empowerment

There are penalties for not investing in women

Women can act as powerful tools for economic growth, yielding both economic and social returns. Closing the gap between male and female employment rates would have huge implications for the global economy. Likewise, not investing in women is likely to result in penalties for African economies.

Sierra Leone is already paying for its lack of investment in women. It is estimated that a lack of adequate action to address women's anaemia will result in agricultural productivity losses of almost USD 100mn over the next five years. If Nigeria were to narrow its gender gap, the labour force would grow by an incremental annual average of more than 1.5% (Goldman Sachs 2008).

Studies from Burkina Faso, Cameroon and Kenya demonstrate that increasing women's control over household inputs and farm income could boost farm yields by up to 20% (World Bank 2001). It is therefore clear that ensuring women's economic empowerment leads to greater economic gains for African countries. It is also clear that failing to invest in women costs money and economic growth opportunities.

Women are more likely to spend money in a way that benefits their children

Empowering women benefits future generations

Women have a greater tendency to distribute income equitably within the family and save for the benefit of their children, thereby increasing the human capital of future generations. Increasing the earnings of women is effectively investing in future generations.

Women are more likely to make equitable decisions about their children's diet, education and health (Negash 2006). They are also more likely to reinvest profits back into human capital than men. When women have economic power, they gain more equality and control over their own lives while contributing directly to their children's development and thereby indirectly to their nation's income growth.

The World Bank's 2005 gender assessment found that male-headed households spent more money on alcohol and cigarettes compared with female-headed households, where a higher share was spent on school fees. Therefore, when women are economically empowered, they are given more bargaining power to invest in the human capital of children.

Investing in women makes business sense

Business models that target women's empowerment can lead to greater profits for the private sector

Investing in the economic empowerment of women is not only of strategic importance for governments, but also for the private sector. Economically empowering women can lead to expanded markets and the creation of new markets. Economically empowered women enhance company performance for three main reasons:

- Economically empowered women are potential customers; the more of them there are, the larger the market for selling goods and services
- Skilled women represent a broad and motivated talent pool from which to hire and promote
- Investing in making life better for women in developing countries can be an effective way to enhance a company's reputation and brand.

Chart 3 shows that female talent is the primary focus for private-sector engagement with women in developing countries and emerging markets: 66% of executives in the survey cited their rationale as enlarging the talent pool of current and future employees; 40% selected improving the relationship between company and government.

Africa's future growth

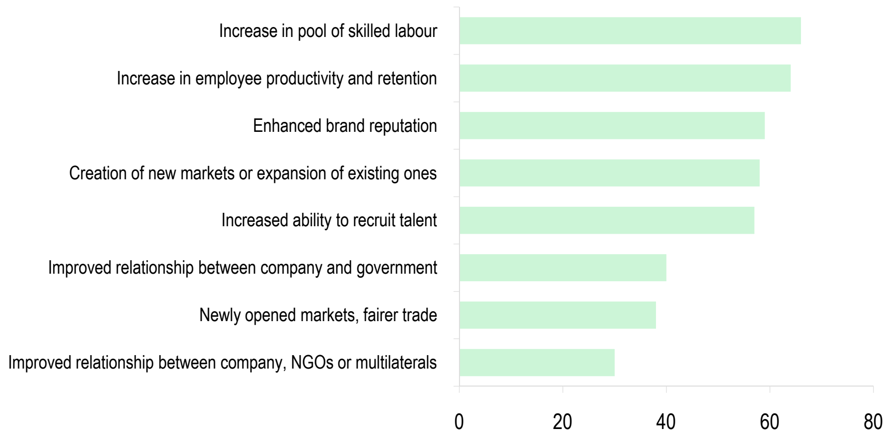
African countries that address gender-sensitive issues could deliver higher-than-expected growth in the long term

There are a number of reasons for Africa's past growth constraints. Increasingly, however, these bottlenecks have been addressed, contributing to Africa's current growth. For example, improving the 'doing business environment' has paid notable dividends to Africa's growth. In the same vein, addressing gender-sensitive issues is also likely to have a positive impact on both economic and social development in Africa. In this report, we have chosen to call it a 'world of opportunity' because women's economic empowerment is a largely untapped resource that could have global implications.

Lowering barriers to entering the labour market and ending education disparities are examples of policies that can add not only to economic growth today but also to the human capital that will sustain it in the future.

Chart 3 – Investing in women is multi-beneficial

% of respondents whose companies are engaged with women in developing economies



Source: McKinsey & Company (2010) "Rethinking how companies address social issues: McKinsey Global Survey results"

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