Two Years of Measuring Development Impact by Gender

Women often remain a largely untapped market for private sector companies and a valuable, underutilized resource for economic development. When women’s formal sector employment is limited, this has consequences for countries’ economic growth and social prosperity.

What follows are key lessons derived from two years of gender-specific client reporting of development indicators (calendar years 2008 and 2009 client data, reported at the end of IFC’s fiscal years 2009 and 2010).

Comparing CY08 and CY09 - Highlights:

- In CY09, the number of clients reporting on gender-disaggregated development indicators as part of IFC’s reporting requirements increased;
- Data quality improved for some indicators, but not others;
- Two years of data have allowed us to measure “movements” at client level, opening up the doors to some potential firm-level gender-learning.
- Two years of data have provided a vast amount of information, but also raised many more questions.

Recruiting and retaining female employees is likely to be important for those IFC clients who compete in the global marketplace for highly skilled workers.

Women’s labor force participation has grown in the last 30 years as expanding economic opportunities have drawn many female workers into labor markets. According to the International Labour Organization, women now represent more than 40 percent of the global labor force. Moreover, they make up more than half of the world’s university students\(^1\). However, women are more likely to be self-employed or work in the informal salaried sector. In CY09, women were more than a third (32 percent) of the workforce of reporting IFC clients. Among these clients, retail, health care and education provided most opportunities, while traditionally male-dominated sectors the least. This is in line with global realities, where women’s formal employment is concentrated in “female” occupations and sectors. Tourism, retail, education and information were the sectors in which most female jobs were added during CY09.

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\(^1\) 2012 WDR Yellow Cover, April 15, 2011.
Looking at the 369 companies that reported on this indicator for two consecutive years, CY09 female employment was 8 percent higher than the previous year. However, two data points do not constitute a trend. Given the variety of sectors and countries in this 369-companies subset, it is difficult to attribute any cause(s) to overall female employment level changes at the aggregate level. The data collected also does not provide any information on the quality of employment provided.

At the firm-level, an analysis of female employment movements may be more meaningful – also for IFC clients. For example, a Romania-based IFC client in the health sector noted that its high female employment levels (at 85 percent of its overall workforce) were in line with the industry’s benchmarks. The client also reported that it offered benefits and flexible work schedules that were attractive to women (particularly mothers). We are now looking to better understand whether more efficient human resource management techniques/practices may have triggered this dynamic.

**Women captured more than a quarter of IFC’s manufacturing and services clients’ wage bill, but current data are still insufficient to assess potential gender inequalities.**

One of the dimensions of access to decent and productive employment is the measure of the gender pay gap (or gender wage differential), i.e. the ratio of female to male wages. Among the top business reasons cited as to why employers should promote fair and equal wages are “to reduce operational inefficiencies linked to discrimination” and “to avoid costs associated with employee turnover”. But few organizations are likely to report on existing gender wage gaps, be it for legal and/or reputational reasons. Gender gaps in earnings persist in countries at very different per capita incomes, including the top ranking gender equality countries like the Nordic countries where the reported gender wage gap is in the range of 25 percent. In almost all countries, women in manufacturing earn less than men, particularly in the comparatively less-regulated private sector.

To get a sense of IFC clients and their gender wage bill, IFC captured - on a pilot basis - data from manufacturing and services (CGM) clients, where in CY09 27 percent of the total wage bill accrued to women. Yet, this number does not necessarily equate with gender inequalities, as women’s share of clients’ wage bill is also driven by women’s overall representation within clients’ workforce. A more meaningful measure is the ratio of average female to average male wages.

![Ratio of Female to Male Wages Among Clients Reporting for Two Years](image)

This ratio shows that, among IFC clients, in CY09 women made on average 75 cents for every dollar made by men, with significant variations by sub-sector. When considering only the 59 clients for which we have two years of female employment and wage data, the overall wage gap from one year to the next was reduced by 11 cents (86 vs. 75 cents per dollar made by men), consistent with last year’s data and with sectoral variations that the limited number of data points does not allow to explain. It is possible, however, that the low number of reporting clients could result in biased reporting. In other words, mainly those companies that have favorable female/male wage ratios might be reporting.

Going forward, the coverage of this indicator will need to be improved to have more meaningful data points. Though this ratio does not control for other variables (e.g. blue vs. white collar jobs) as it is generally done in studies, the initial data
seem to indicate that in sectors where women are traditionally less likely to be found, their salaries are higher – possibly as a result of having higher level, better-paid jobs than men or because their relative scarcity commands higher wages – while their salaries are lower in those sectors where output measurement may be more subjective (e.g., service quality vs. product quantity), hence leaving room for more inequalities.

Including women in corporate boards and management is gaining significantly greater importance among companies and shareholders around the world. On average, among our reporting clients, women represent 9 percent of board directors and 17 percent of top managers.

Research from developed countries indicates companies with women on their boards can be more profitable than their peers. Studies suggest that companies with more women on their boards experience greater returns on total return to shareholders, return on invested capital, and return on equity. Studies have also found that companies with more women on their boards potentially outperform their sector in terms of operating margin and market capitalization. While there is a significant amount of information available regarding the status and benefits of women on boards from Europe, North America, and parts of Asia, there is little disaggregated data available from Latin America, the Middle East, and Africa. According to 2008 World Bank Enterprise Survey data, globally the percentage of women in senior positions ranges from 3 to 13 percent (South and East Asia at the lower end, Central and Eastern Europe and Latin America at the higher end, see box). More research is needed to gather figures from governments, stock exchanges, corporate governance institutes, and research institutions to quantify the status and effects of women on boards in these regions. Indications from emerging markets, ranging from China and India to Gulf Cooperation Council countries suggest that more diverse boards may lead to more relevant engagement of women’s talent across all levels, and may offer future opportunities for dialogue with IFC clients.

Among IFC reporting clients (oil, gas and mining and information and communication technology sectors) in CY09, women represent 9 percent of board directors and 17 percent of top managers, respectively, with peaks of about one fifth of top management among clients in the Middle East and South Asia. Going forward, IFC plans to expand the collection of board and senior management data to other sectors as well. This would also enable IFC to explore potential correlations between female management and female employment.

There is limited empirical evidence linking firm performance with procurement programs that target women’s business enterprises, but more and more companies believe that such programs can have positive effects on their bottom lines. As of the end of CY09, 30 IFC clients reporting on their purchases of goods and services from local women-owned businesses provided business opportunities to about 1700 female-owned suppliers.

This is the indicator with the least complete data, possibly because clients do not understand the potential value of collecting such data and/or because data collection efforts are not supported by adequate data management systems. Obtaining data on the ownership of the enterprise is often a difficult undertaking as data are typically recorded around the enterprise without recording the gender of the owner(s) and/or having a common definition of a women-owned enterprise within the local country context in place.

For this indicator to be more meaningful, the business case for collecting such data has to be better demonstrated. For example, a number of multinational corporations have diversified their global supplier base to better reflect their market and customer base. Survey findings also confirmed that awareness of a company’s commitment to buy from women-owned businesses can enhance consumers’ loyalty to that brand. They argue that this increases shareholder value and enhances their competitive advantage. A major responsibility for large corporations, particularly for those with close community interaction, is to create opportunities for groups who may be underutilized or marginalized, such as women and young people. Establishing women-targeted supplier programs can potentially also support companies’ licensee to operate within
those communities. Some argue that supplier diversity and inclusion (including women-owned enterprises) adds to purchasing options and increased competition in the supply chain, leading to greater cost economies in the long run. For example, companies like IBM have set purchasing targets from women-owned and diverse suppliers in their key-markets.

Going forward, IFC plans to work closely with select IFC clients to better understand how gender disaggregated data on women-owned vendors/suppliers can be collected in a more meaningful way. In addition, a more recently introduced definition of women-owned business will be applied on a pilot basis.

Access to education and health services is key to women’s participation in labor markets. Data show that in CY09, women were roughly half of our clients’ students and almost a third of clients’ patients, though the small sample size does not allow drawing any meaningful conclusion.

Access to education and health care is important to women’s participation in labor markets. Unfortunately, in many of the countries where IFC works women often suffer from lower average schooling and limited access to basic health care.

Our data showed that female students were roughly half the total number of students among reporting clients, equally divided between primary and secondary schools and colleges and universities; while female patients were less than a third of clients’ total number of patients, ranging from 55 percent to 8 percent in different regions. Both portfolios, however, are particularly small, hence preventing any significant generalization.

Conclusion

Enabling women to work in a paid job or to run their own business is one way IFC can support women to provide for themselves and their families, and to play their part in generating economic growth and job creation. Although still in the pioneering stage, IFC is working towards making gender data more meaningful and relevant to IFC’s business and clients. However, unless clients see the value of collecting gender data, it will be difficult to improve the quantity and quality of these data, and, consequently, impact our ability to use the data to inform our strategy and operations.

A “first” among multilateral development banks’ development results tracking, this collection of gender-based data enables IFC to have preliminary insights with regard to the impact of its operations on women around the world. Yet, in order to have more meaningful dialogues with IFC colleagues and clients, improvements will be needed in particular with respect to the number of reporting clients and the quality of data. IFC is committed to continue its efforts in this direction, with the ultimate goal of maximizing its development impact.

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2 From 2010 UNIFEM “Gender Justice: Key to Achieving the Millennium Development Goals”