The economic cost of gender-based discrimination in social institutions

OECD Development Centre, June 2016

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Key messages

- Discriminatory social institutions not only hold back achieving gender equality but also matter for economic growth.
- Gender-based discrimination in social institutions *costs* up to USD 12 trillion for the global economy.
- Gradually reducing discrimination in social institutions could lead to an annual average increase in the world GDP growth rate of 0.03 to 0.6 percentage points by 2030**.**
- Tackling discriminatory social institutions should be integrated into national growth and development strategies and mainstreamed in global development approaches.

1. Getting to the heart of gender-based discrimination

Side-lining women holds back economies from growing and prospering. The economy cannot operate at its full potential with hurdles for half of the world's population. Gender parity is not only a fundamental human right but also a critical economic opportunity.

Despite their catalytic impact on achieving gender equality and women's rights, discriminatory social institutions have been overlooked in development policies and programmes. Education, labour and health outcomes attract most donor and political interests. However, by focusing only on certain dimensions of women's rights and empowerment, international and national commitments fail to address the root causes of the issue holistically and, as a result, do not produce sustainable social changes required to "leave no one behind".

The first step to fully benefit from gender parity is to tackle discriminatory social institutions, the root causes of gender inequality. Discriminatory social institutions – formal and informal laws, social norms and practices restricting women's rights and access to opportunities – have gained prominence as a useful analytical framework to illuminate what drives gender inequalities (Ferrant and Nowacka, 2015). For example, promoting girls' access to secondary education requires first to delay the age of marriage and support married girls through a combination of legal framework promoting girls' rights to education, community awareness-raising and financial support for girls to remain in school (OECD Development Centre, 2014).

The economic case for gender parity in social institutions provided by this policy brief calls for growing political will to effectively tackle discriminatory social institutions. The SIGI analysis (Box 1) demonstrates that beyond gender equality in outcomes, such as education and labour, gender parity in social institutions is a key economic issue in its own right since it matters for economic growth. Such findings make the case for further including social norm policies and programmes in national growth strategies.

Box 1. What is the SIGI?

The Social Institutions and Gender Index (SIGI) measures discriminatory social institutions (formal and informal laws, social norms and practices that restrict women's rights and opportunities) in 160 countries. It classifies them into five groups, from very low levels to very high levels of discrimination (OECD, 2014).

For more information: www.genderindex.org

2. Quantifying the economic costs of discrimination in social institutions

Gender-based discrimination in social institutions matters for economic growth. Previous empirical studies demonstrate that gender inequality in outcomes (Ferrant, 2015) is bad for growth, especially when it comes to gender disparities in education and labour (OECD, 2012). Many policies and regulations drive these results. Underlying all of them are discriminatory laws, social norms and practices that perpetuate gender stereotypes and mind-sets that undermine women's empowerment. By shaping and influencing norms of acceptable behaviour and power relations between the sexes, discriminatory social institutions are additional key issues for economic growth by determining the economic choices and empowerment opportunities available for women.

Gender-based discrimination in social institutions hampers a country's income by lowering female access to education and jobs, and reducing production factor productivity. Higher levels of discrimination in social institutions, measured by the SIGI, are associated with lower levels of national income. This is explained mainly by the negative influence of discriminatory social institutions on the levels of female labour force participation and human capital. In turn, restricted women's access to education and labour has substantial negative consequences on GDP by reducing production factor accumulation and their productivity. Indeed, given a similar distribution of innate abilities between women and men, constraints on women's access to education and labour distort the economy by artificially reducing the pool of talent from which employers can draw, thereby reducing the average productivity of the production factor (Ferrant 2015).

The current level of discrimination is estimated to induce a loss of up to USD 12 trillion or 16% of global income. Regional income losses associated with current levels of gender-based discriminatory social institutions are significant (Figure 1): about USD 6 116 billion in OECD countries, USD 2 440 billion in East Asia and the Pacific, USD 888 billion in South Asia, USD 733 billion in Eastern Europe and Central Asia, USD 658 billion in Latin America and the Caribbean, USD 575 billion in the Middle East and North Africa, and USD 340 billion in sub-Saharan Africa (Ferrant and Kolev, 2016).

Figure 1. Income loss associated with discriminatory social institutions by region

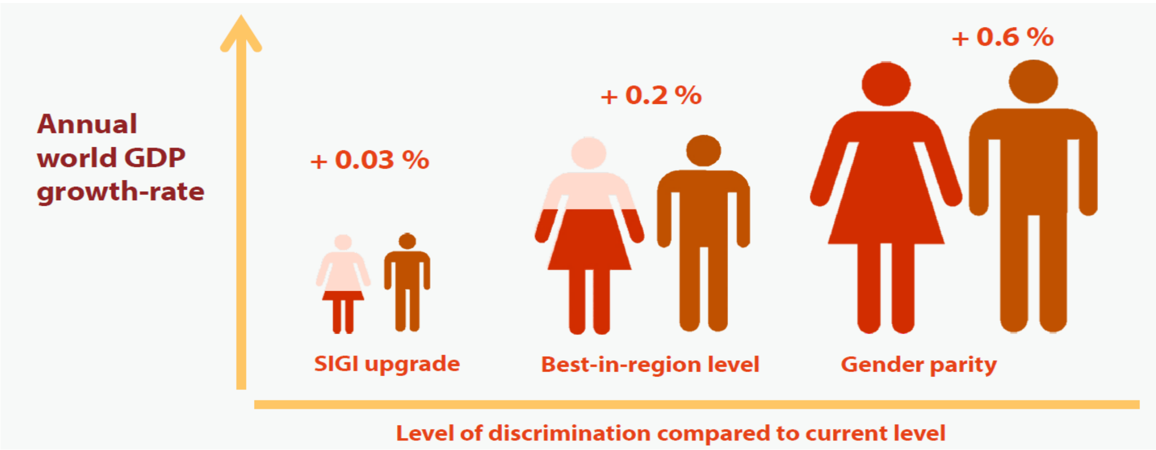
Notes: This figure presents the regional income losses associated with current levels of gender-based discrimination in social institutions. Income losses are measured in terms of 2011 real income at current PPP. The regional classification excludes OECD countries, which are represented as a stand-alone group.
Source: Ferrant and Kolev (2016).

3. *Quantifying the economic benefits of reducing gender-based discrimination in social institutions*

A world free of discriminatory social institutions could generate substantial macroeconomic gains benefiting all. This equal world would not only improve women's rights and empowerment but also increase countries' monetary living standards, as measured by their income per capita. Gender parity in social institutions could yield substantial economic benefits, leading to an annual increase in the world GDP growth rate of 0.6 percentage points by 2030. In other words, the world GDP per capita in 2030 is estimated at USD 8 378 without a reduction in gender-based discrimination in social institutions, compared to USD 9 142 if discriminatory social institutions were totally eradicated. This is an impressive gain of USD 764 per capita.

Moving towards greater gender parity in social institutions can also produce mid-term positive results. Eliminating all forms of gender-based discrimination in social institutions requires long-term commitments. By introducing gender-responsive policies and programmes, and gradually removing discrimination in legal frameworks and social norms, countries may improve their grades within the SIGI classification ("SIGI upgrade" scenario) or reach the SIGI score of the regional best performers ("Best-in-region" scenario). This step forward towards parity would have substantial macroeconomic gains: the world GDP growth rate would increase from 0.03 percentage points ("SIGI upgrade" scenario) to 0.2 percentage points ("Best-in-region" scenario) (Figure 2 and Box 2) .

Figure 2. Income per capita gains associated with reduced levels of gender-based discrimination in social institutions



Notes: This figure presents the annual increase of global GDP growth rate under three scenarios using a world with no change in levels of gender-based discrimination in social institutions between 2015 and 2030 as a benchmark.
Source: Ferrant and Kolev (2016).

Box 2: Levels of gender-based discrimination in social institutions: 2030 Scenarios

(i) Upgrade in the SIGI classification: decrease in a country's level of gender-based discrimination in social institutions to attain a lower group along the SIGI classification in 2030;
(ii) Best-in-region: decrease in a country's level of gender-based discrimination in social institutions to reach the regional best performer level in 2030;
(iii) Gender parity: eradication of gender-based discrimination in social institutions by 2030.

Source: Ferrant and Kolev, 2016.

4. Charting the way forward

Discriminatory social institutions represent an important cost for economic development. Focusing only on the economic cost of gender-based discrimination in outcomes underestimates the income loss associated with gender-based discrimination.

These findings make the case for further including social norm policies and programmes in national growth strategies, while helping countries identify their own specific entry points and levers to make gender equality a reality at home. Non-discriminatory and gender-sensitive laws are the first step to challenge discriminatory social institutions: the introduction of laws has seen positive impacts for decreasing early marriage (e.g. South Africa), reversing the skewed sex ratio (e.g. Korea) and increasing women's access to land ownership (e.g. Uganda). However, laws are not enough to challenge entrenched acceptance of discriminatory social norms by communities, including women, that undermine gender equality. Fostering inclusive economies and societies notably requires a mix of policy responses that can address these deep-rooted biases: recognising, reducing and redistributing (the three "Rs") unpaid care work, encouraging girls and women to enter traditionally "male" domains (e.g. STEM subjects), offering incentives to families to discourage early marriage of girls, and working with men and boys to combat negative stereotypes regarding working mothers.

For the global community to implement the Sustainable Development Goals (SDG), addressing gender-based discrimination in social institutions will be paramount for progress. Discriminatory social institutions feature high up the priority scale in SDG Goal 5: ''end all forms of discrimination against all women and girls everywhere''. The proposed indicator to track progress on this is ''whether or not legal frameworks are in place to promote, enforce and monitor equality and non-discrimination on the basis of sex''. This greater inclusion of discriminatory social institutions reflects the international community's commitments to transformative change. However, "enforcing and monitoring" these committments would be key for catalysing real and long-lasting empowerment for girls and women and providing economic gains.

References

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