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Women at Work

How Can Investment Incentives Be Used to Enhance Economic Opportunities for Women?

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Abstract

Around the world, women face persistent barriers in seeking to enter the labor force, attain leadership positions, and launch businesses. Gender inequality not only prevents women from achieving their full potential and gaining economic independence, but also inhibits the growth of national economies. In a context of growing global competition for private investment, policymakers face the timely challenge of ensuring that women are not left behind in the development agenda. This working paper identifies and analyzes investment incentives that governments can provide to businesses with the aim of promoting gender equality. Barriers to gender equality in the workplace include supply-side barriers that make it difficult for women to find jobs or investment financing, and demand-side barriers that make it more costly for firms or investors to hire or fund women. The paper discusses three main types of investment incentives that governments may use to address these barriers: (i) subsidies and grants, (ii) tax incentives, and (iii) public procurement incentives. Because incentives run the risk of creating market inefficiencies and leading to redundant outcomes, their use should be carefully conceived and implemented. The effectiveness of these instruments will depend on the underlying constraints to gender equality, the targeted policy goals, implementation features, and the broader enabling environment. Relevant studies and experiences from several countries are used to explore when and how governments might use investment incentives to promote gender equality.

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Women at Work:
How Can Investment Incentives Be Used to Enhance Economic Opportunities for Women?

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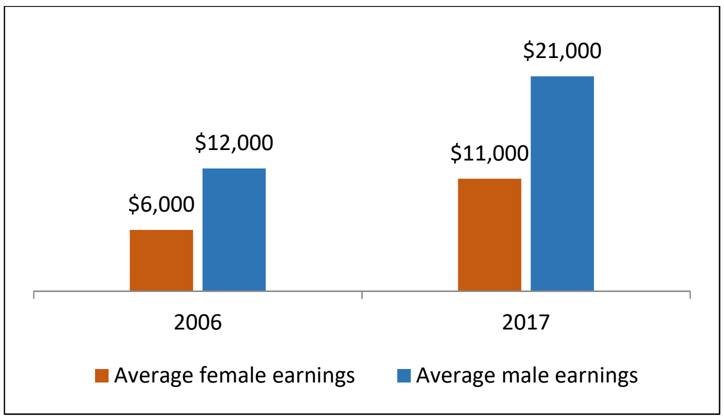
1 Context and key concepts

1.1 Introduction: The importance of addressing gender equality in the investment policy discourse

Around the world, women face persistent barriers in seeking to enter the labor force, attain leadership positions, and launch businesses. Globally, women comprise only 40 percent of the working population and are under-represented in leadership roles in business in all countries.[2] In OECD countries, 62 percent of women work, compared to almost 80 percent of men.[3]

When women are employed, they are more likely to work part-time, in the public sector, or in lower-skilled jobs. The pay is often lower and there are fewer opportunities for advancement. In the European Union (EU), only 3 percent of CEOs and 18 percent of board members are female.[4] On average, women earn around half of what men do, globally (**Figure 1**).

Figure 1. Globally, female earnings are approximately half of male earnings [5] [6]



When it comes to entrepreneurship, women also fall behind. In the EU, only 25 percent of business owners with employees are women (a percentage similar to that in Canada and the United States), and survival rates of female-owned businesses are lower than those for male-owned businesses. The gaps are similarly pronounced in the developing world. Globally, on average, only 18 percent of firms have a female top manager and 15 percent of firms of any size have majority female ownership (**Figure 2**). These figures differ significantly by region, likely reflecting in part, differing labor force participation, as well as attitudes and cultural norms surrounding the role of women in professional leadership.

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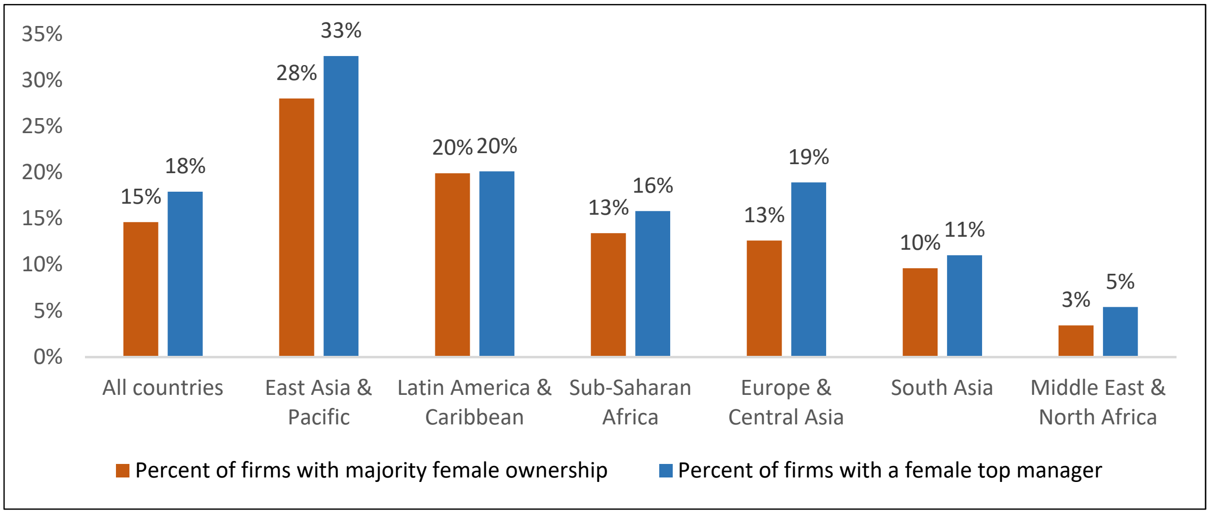
[2] Naoko Otobe, "Promoting Women's Economic Empowerment through Productive Employment and Social Protection," *World Institute for Development Economics Research*, May 2014.
[3] William Adema et al., "Enhancing Women's Economic Empowerment through Entrepreneurship and Business Leadership in OECD Countries," *OECD/CDRF*, 2014, http://www.oecd.org/gender/Enhancing%20Women%20Economic%20Empowerment_Fin_1_Oct_2014.pdf.
[4] Adema et al.
[5] "The Global Gender Gap Report 2015" (World Economic Forum, 2015), http://wef.ch/1MkmweN.
[6] Briony Harris, "What the Pay Gap between Men and Women Really Looks like," World Economic Forum, November 6, 2017, https://www.weforum.org/agenda/2017/11/pay-equality-men-women-gender-gap-report-2017/.

Figure 2. Women are disproportionally less likely to participate in firm ownership and management [7]



Providing work opportunities for women is also good for companies. There is evidence that firms with greater gender diversity in senior management and on boards enjoy better performance. Greater gender diversity allows companies to take full advantage of the talent pool, along with the wider range of perspectives and experience that come with it.[8]

Although the topic of gender equality in the private sector is widely covered by the development knowledge agenda, there is much less said on the particular role that investment incentives can play in changing firm and investor behavior. The research on when and how incentives can support gender equality is both limited and scattered, especially in the context of developing countries and for the purposes of evaluating the effectiveness of such instruments. Drawing on empirical evidence and international experiences, this working paper explores the potential role of investment incentives in advancing goals around gender equality, specifically, increasing female labor force participation, growing the number of women in leadership roles, and encouraging female entrepreneurship.

This paper is organized along three key sections. This opening section continues with the identification of supply- and demand-side barriers that can impede progress toward gender equality in the workplace, and then introduces incentive instruments that may be considered to address these barriers. Section two elaborates on when and how different incentive instruments can help promote gender equality, discussing their respective advantages and disadvantages, and providing design considerations for implementation. Finally, the paper concludes with a summary of key findings and suggestions on areas for further research.

1.2 Identifying key barriers to gender equality in the workplace

To understand which types of investment incentives can be effective in supporting gender equality goals, a first step involves discussing the barriers they aim to address. These can be categorized as "demand-side" barriers, which are barriers inhibiting firms and investors from hiring or investing in women-led

[7] World Bank Group, Enterprise Surveys, Latest available year.
[8] Elborgh-Woytek et al.

firms, and “supply-side” barriers, or those that inhibit women from entering or staying in the labor force, or starting businesses.

Supply-side barriers

- **Opportunity cost.** Women face a higher opportunity cost to engaging in market work due to the disproportionate share of home responsibilities for which they are responsible in many (if not all) cultures and societies. One of the most notable gaps is in terms of childcare responsibilities. Women spend more time taking care of children than men do—between 2 and 4.6 times as much, depending on the country.[9]
- **Imperfect information**. Women are more likely to lack information about employers’ or investors’ needs, expectations, and requirements, in part because of women’s smaller professional networks. For example, many venture capitalists and angel investors make investment decisions on the basis of information provided by their networks. Fewer women than men are active members of these networks, given that management positions in the venture capital industry are almost entirely occupied by men. (One survey showed that fewer than 5% of European business angel network members are women.[10])
- **Capital market imperfections**. Women are often not able to access capital as easily as men due to limited collateral, lower or nonexistent credit, lack of knowledge of lending practices, limited business experience and skills, or discrimination on the part of lenders and investors. Access to credit can be a significant barrier to starting and growing a business. In OECD countries, men are more likely to receive a loan from financial institutions. In the United States, in 2007, 11.1 percent of male-owned firms had requested a bank loan, while only 6.3 percent of female-owned firms had done the same.[11]
- **Gender role norms**. Societal, cultural, or religious norms that dictate what types of behaviors are acceptable or desirable for women can limit—explicitly or implicitly—the types of jobs that they seek out, or even whether they seek market work at all. In both developed and developing countries, for example, women are significantly underrepresented in certain occupations and roles including plant and machine operators and assemblers; craft and related trade workers; and legislators, senior officials and managers.[12]

Demand-side barriers

- **Higher costs**. Employers may believe that hiring women will be more costly. In some cases, this is due to employers paying for benefits and support services like childcare or maternity leave. For example, if childcare and/or maternal leave are paid for by the employer—rather than financed through taxes—the employer will perceive female employees to be more expensive to hire than an equivalent male. Even if maternal leave is financed through taxes, or not offered, employers may still perceive that productivity loss due to pregnancy and childcare needs will make female employees more expensive. In some countries, cultural or religious norms lead to higher costs. In Saudi Arabia, for example, female employees require separate work facilities, imposing an additional cost on the employer.[13]

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[9] “Gender Equality and Development,” World Development Report 2012 (Washington DC: World Bank Group, 2011).
[10] Adema et al., “Enhancing Women’s Economic Empowerment through Entrepreneurship and Business Leadership in OECD Countries.”
[11] Adema et al.
[12] “The World’s Women 2015: Trends and Statistics” (United Nations, Department of Economics and Social Affairs, 2015).
[13] “Back to Work in a New Economy: Background Paper on the Saudi Labor Market” (Center for International Development at Harvard University, Ministry of Labor of the Kingdom of Saudi Arabia, and Human Resources Development Fund, April 2015).

- **Imperfect information**. Low female participation in market employment makes it difficult for employers to form expectations about female workers' performance or productivity, especially in male-dominated sectors. For example, a woman with an engineering degree may struggle to be hired because the potential employer has little information about the performance of female engineers.
- **Skills gaps**. Women often lack the necessary skills or experience that employers require. While the global education gap is closing, women and men tend to acquire different levels of education, as well as different types of skills—both in the formal education system and in the labor market—with men more likely to acquire degrees and skills required for more prestigious, high-paying jobs.[14]
- **Discrimination**. Employers and investors may hold prejudiced views about women due to cultural, social, or religious norms. Discrimination may be intentional or statistical (i.e. using gender as a proxy for productivity or capability).

A challenge in identifying and addressing barriers to gender equality as they relate to the workplace is that many barriers have their roots in entrenched societal or cultural barriers to female equality, often arising at birth, such as unequal educational opportunities or unequal legal rights and responsibilities. It can be difficult to tease out how much of identified barriers rest at least partially on inaccurate or prejudiced perceptions of women, and their skills and capabilities.

Discrimination, biases, and entrenched norms play a large role in gender equality, and although the incentives laid out in this paper cannot specifically target employer or investor discrimination, many of the instruments aim to achieve conditions that will reduce the inherent biases that can result in discrimination (e.g. by encouraging more exposure to female workers or entrepreneurs, or more female business leaders as role models). Similarly, incentives may help in changing norms surrounding the roles and behaviors that are expected of women (or that they expect of themselves).

1.3 Investment incentives to address gender inequality

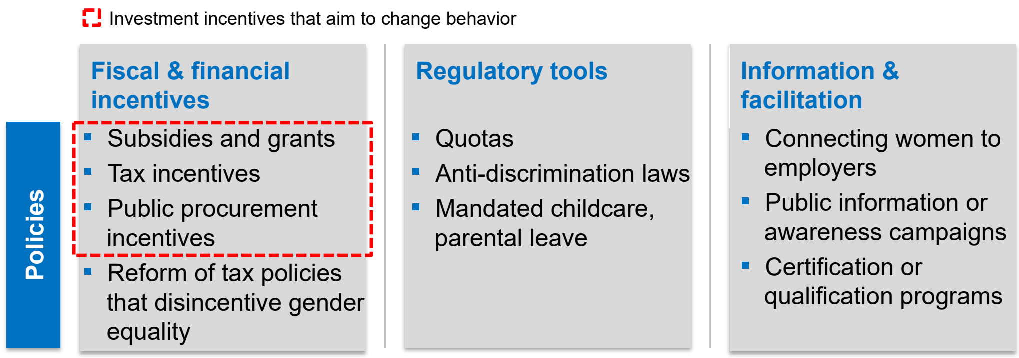
There is a wide range of policy tools that can directly or indirectly promote gender equality. They include approaches from direct government spending on social programs such as girls' education or healthcare to legal reforms of discriminatory laws.

From a private sector lens, governments can encourage gender equality in the workplace and in business through initiatives including providing information; enacting legislation and regulation; and offering fiscal and financial incentives. **Figure 3** identifies some of the different types of policies that fall into each of these three categories.

This paper adopts a private sector focus, focusing on investment incentives targeted to firms, investors, and entrepreneurs with the aim of achieving increased female labor rate participation; increased leadership opportunities for women; and higher levels of female entrepreneurship.[15]

[14] "Gender Differences in Employment and Why They Matter," World Development Report 2012 (World Bank Group, 2012).
[15] The scope of this paper is limited to incentives that target women as opposed to non-gender differentiated incentive programs that may impact women and men differently.

Figure 3. Governments can promote gender equality through a number of private sector interventions



The types of incentive instruments that are most relevant in this context for promoting gender equality fall into three broad categories:

1. Subsidies and grants (including direct transfers and credit subsidies)
2. Tax incentives
3. Public procurement incentives

It is important to highlight that in many cases, barriers to gender equality occur in combination, which can limit the effectiveness of any one policy tool. Policymakers may need to consider a combination of different incentives (or incentives and other policy instruments). Annex 4.2 provides a summary of key considerations as they relate to some of the other policy instruments that can be targeted toward investors, firms and entrepreneurs.

Given different policy options, policymakers should assess the opportunity cost of implementing incentives and weigh this cost against the value that direct government investment in services, infrastructure, or the investment climate could provide in promoting the welfare of women, as well as other policy instruments that may support related private sector solutions. Any incentive scheme should be based on cost-benefit considerations, with some of the key evaluation criteria summarized in **Table 1.**

When considering the results and reach of an incentive, it should be further noted that firms can be directly incentivized to hire or invest in women through wage or hiring subsidies, or they can be incentivized to address "intermediate" outcomes such as encouraging firms to provide training for women, childcare services, or parental leave, which may in turn lead to improved gender equality outcomes in the workplace. Section 2.4 provides further analysis and guidance on targeting intermediate outcomes supporting gender equality.

Table 1. Criteria to assess costs and benefits of incentive schemes

Assessment Area	Criteria	Description
Cost	Direct cost	What are the direct costs associated with the incentive (e.g. loss of revenue from tax incentives, or government expenditure on subsidies)?
	Additional cost	What are the costs associated with implementing and maintaining the incentive beyond direct spending or loss of revenue (e.g. administrative costs, monitoring costs)?
	Opportunity cost	Could resources be better directed towards another type of activity to promote gender equality?
Results	Outcome	Does the incentive achieve the desired outcome(s)? What does the chain of results look like?
	Indirect effects	What are the positive and/or negative indirect effects (or externalities) of the incentive?
	Additionality	Would the target outcome(s) be achieved even in the absence of the incentive?
Feasibility	Technical and administrative feasibility	How feasible is it from a technical and administrative standpoint to implement and maintain the incentive?
	Political feasibility	How likely are relevant stakeholders to accept the incentive?
Reach	Targeting	How narrow or broad are the eligibility criteria? How many firms, investors, or entrepreneurs will the incentive reach?

2 Assessment of investment incentive instruments

2.1 Subsidies and grants

Subsidies and grants represent a financial contribution by the government to firms and investors, or to female-owned and managed businesses, to reduce the perceived or actual costs associated with female employment or investment, or to overcome other barriers that discourage hiring or investments in female employees and businesses. Such incentives usually refer to a time-limited payment, connected to a specific investment or activity that allows firms or individuals to cover some or all of its costs.[16] They can also take the form of in-kind grants (e.g. provision of an asset or service at below market rates).

This category covers direct transfers and credit subsidies that target women economic participation, such as:

- Wage subsidies for female employees
- Direct payments to reward hiring or promoting women
- In-kind grants for female entrepreneurs
- Credit subsidies for female entrepreneurs

[16] "Subsidy Types | Global Subsidies Initiative," accessed November 2, 2016, https://www.iisd.org/gsi/subsidy-types.

Barriers addressed and effectiveness

The use of subsidies and grants may be used to help offset the higher costs, actual or perceived, that firms face in hiring or promoting female employees (see Country Example 1 for an example of a wage subsidy program in Jordan). Training subsidies for female employees and businesses can help reduce the skills gap and level the playing field for women. Credit subsidies can help women businesses overcome the gender gap in accessing credit. Because the benefits of such incentives are often structured to provide upfront funding or phased benefits based on progress or needs, they are more effective tools when firms face immediate financial constraints.[17]

2.1.1 Direct transfers

Strengths

Direct subsidies and grants are generally a more transparent incentive mechanism, as they must be budgeted as a government expenditure, and thus re-approved with each budget cycle (as opposed to tax incentives which may not be captured accurately in tax expenditure calculations or not included as part of an annual budget).[18] Subsidies can also be linked to a specific and time-limited activity, project, or investment more easily than other types of incentives, such as tax incentives. In addition, subsidies can be targeted more precisely at specific firms or types of firms. If done correctly, this could lead to a more narrow and cost-effective application of the incentive.

In some low-income contexts, grants and subsidies have been shown to have positive effects for female-owned businesses. In Nigeria, for example, receiving a large cash grant had significant positive impact on the likelihood of continued operations for women-owned businesses for both new and existing firms. In-kind grants of inventory and machinery were shown to have large profit impacts for women-owned businesses in Ghana, but only for firms that were larger at the onset. In-kind grants may be more effective in contexts where women's business resources are at risk of being diverted to household expenditures or to male-owned businesses, as it is more difficult to divert physical assets or services to other purposes.[19]

Weaknesses

As with other types of incentives, subsidies can have a distorting effect by incentivizing less efficient activities. The more prescriptive the incentive is, and the less targeted at achieving policy outcomes, the greater the opportunity for such distortion.[20] Subsidies may also become accepted as a normal part of doing business, and create dependence and moral hazard—potentially leading employers to demand them, for example, as a condition for new hiring. In addition, employers may take advantage of wage subsidies to pay lower wages.

While subsidies can be more easily targeted than other incentive types, they often involve greater administrative complexity and require more approval processes. In contrast, some forms of tax incentives, for example, can be provided for automatically.

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[17] Research comparing tax incentives to subsidies, in the context of business research and development activities, suggests for example, that subsidies may be better suited when financing constraints are among the main barriers for underinvestment, particularly for SMEs. See Isabel Busom, Beatriz Corchuelo, and Ester Martinez Ros, "Tax Incentives or Subsidies for R&D?," Working Paper Series (United Nations University, 2012).

[18] "Subsidy Types | Global Subsidies Initiative."

[19] Francisco Campos and Marine Gassier, "Gender and Entrepreneurship in Sub-Saharan Africa," White paper, 2015.

[20] "Subsidy Types | Global Subsidies Initiative."

Design considerations

Incentive schemes involving direct transfer of funds should consider:

- **Using subsidies to offset upfront costs that inhibit firms, investors, or entrepreneurs from promoting gender equality.** Subsidies tend to be less effective in situations where failure to promote gender equality is not primarily due to immediate financial constraints.
- **Ensuring that grants or subsidies for female entrepreneurs or for hiring women are sufficiently large to offset financial and other barriers.** Studies in West Africa show profit impact for female entrepreneurs from large grants (equivalent to six years of sales), but limited effect from small grants.[21] Results from a program in Italy to support hiring women on permanent contracts found that the subsidies were insufficient to stimulate hiring of new fixed-term workers—possibly because the incentive structure was not strong enough to counterbalance the risk for employers.[22]
- **Using in-kind grants to target female-owned businesses in low-income contexts, particularly in situations where women's business resources are at risk of being diverted** to other uses.
- **Complementing hiring subsidies with training and other support for unemployed or underemployed women**. Evidence from European hiring subsidy programs suggests that the impact of hiring subsidies is enhanced by implementing complementary measures to support female job-seekers, such as help in searching for open positions and preparing for job interviews[23] (government provision of information and facilitation services, as described in Section 4.2.3, can support this effort).
- **Setting up time-limited programs**. Direct transfer incentives should be linked to a specific project or investment, or a specific goal (e.g. reaching a certain percentage of female leaders), and should not be used indefinitely to subsidize firms or entrepreneurs.
- **Designing for maximum transparency.** Direct transfer schemes should be transparent, both to recipients as well as to those providing the funds (usually taxpayers). The criteria and conditions for receiving funds should be readily available and transparent.

Country Example 1. Jordan: Wage subsidy vouchers for female graduates give women more confidence to approach employers, but the long-term impact is less clear [24] [25]

> **Program:** The Jordan New Opportunities for Women (Jordan NOW) program was launched as a pilot program to evaluate the effectiveness of short-term wage subsidies and employability skills training for female graduates. Such efforts are important in a country where only 17 percent of 20- to 45-year old women work (compared to 77 percent of similarly aged men). Although 93 percent of female graduates want to work after graduation, female graduates often lack professional networks and employers lack experience with female workers.

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[21] Campos and Gassier, "Gender and Entrepreneurship in Sub-Saharan Africa."
[22] Giuseppe Ciccarone, "Stimulating Job Demand: The Design of Effective Hiring Subsidies in Europe," EEPO Review (European Employment Policy Observatory, March 2014).
[23] Ciccarone.
[24] Matthew Groh, "Soft Skills or Hard Cash? The Impact of Training and Wage Subsidy Programs on Female Youth Employment in Jordan," Impact Evaluation Series (World Bank, 2012), http://documents.worldbank.org/curated/en/654491468271825136/Soft-skills-or-hard-cash-the-impact-of-training-and-wage-subsidy-programs-on-female-youth-employment-in-Jordan.
[25] "Gender Equality and Development."

The wage subsidies were provided to women in the form of a voucher that would pay an employer a subsidy equal to up to six months of the minimum wage if they hired a graduate. By providing a no-cost trial period, the vouchers were intended to give young women more confidence to approach employers. At the same time, it provided the opportunity for employers to observe women working, and overcome gender stereotypes about females' professional abilities. The skills training was designed to complement the technical skills that female graduates learn in community college with practical and interpersonal skills, such as communications, team building, and business writing—skills that many employers reported that graduates lacked.

Outcome: The job voucher resulted in large immediate gains in employment for the graduates, with a 40 percentage point increase in employment in the short-term. However, four months after the voucher period ended, the effects declined and lost statistical significance. Outside of the capital city of Amman, the voucher program showed a more enduring impact, nearly doubling the employment rate of graduates, but this may have been connected to displacement effects (i.e. replacing other women already in the workforce).

Lessons learned: Evidence from the Jordan example suggests that hiring subsidies can offer a partial solution but may need to be complemented by other policies and measures to address underlying constraints affecting women. The voucher program was beneficial in the sense that it effectively provided job experience for female graduates who may not have received such an opportunity otherwise. In this case, however, the key challenge to female employment may have been more directly connected to the low supply of jobs available in Jordan. As such, it could be more cost-effective for the government to focus on policies or even incentives that more broadly target the recruitment of firms that will create these needed job opportunities.

Country Example 2. Japan: Financial incentives to promote female managers fall flat due to unrealistic targets [26] [27]

Program: In April 2014, the Japanese labor ministry launched a program to provide financial rewards of up to JPY 300,000 (USD 2,900) to companies that encourage women to attain leadership positions. The program aligns with Prime Minister Shinzo Abe's stated goal that women should hold 30 percent of all supervisory positions in private companies by 2020, up from 8 percent in 2015. It requires companies to set their own targets and reach them within six months. Firms must also offer at least 30 hours of training to educate employees about equal opportunity rights.

Outcome: As of the end of 2015, no companies had applied for the subsidy, and the government reduced the target from 30 percent to 15 percent. Observers also argued that a lack of affordable childcare and companies' failure to provide mentorship and training for women contributed to the failure of the program.

Lessons learned: Incentive criteria and targets should be carefully evaluated to ensure that they are ambitious but realistic, and targeted firms or investors should be consulted throughout the design process. In addition, incentives must take into account the broader policy environment and other barriers to gender equality. For example, in this case, the underlying constraint may have been more heavily tied to childcare provision.

[26] Sophia Yan and Junko Ogura, "Japan Slashes Target for Hiring Women in Senior Positions," CNNMoney, December 7, 2015, http://money.cnn.com/2015/12/07/news/economy/japan-women-senior-positions/index.html.

[27] "Japan Offered to Pay Firms to Put Women in Top Roles. None Responded," *The Telegraph*, October 1, 2015, sec. Finance, http://www.telegraph.co.uk/finance/jobs/11903528/Japan-offered-to-pay-firms-to-put-women-in-top-roles.-None-responded.html.

2.1.2 Credit subsidies

In addition to direct transfers, governments can also provide credit subsidies and loan guarantees to female entrepreneurs. Credit tools include subsidized credit, loan guarantees provided by the government, and favorable credit terms, such as longer repayment terms. Such interventions allow companies or individuals to borrow directly from the government, or from a commercial bank willing to offer more favorable terms if the government serves as a guarantor.

For example, in France, the "Garantie Egalité Femmes" (formerly called the "Fonds de Garantie à l'Initiative des Femmes") program guarantees 80 percent of bank loans borrowed by women for the purpose of establishing or developing a business, for a guarantee of up to EUR 50,000 (USD 56,965) per borrower.[28] [29] In India, the "Start Up India Stand Up India" program began requiring bank branches to offer loan amounts between INR 1 million and INR 10 million (USD 14,372 and USD 143,720) to at least one female entrepreneur (along with one entrepreneur from a disadvantaged caste), with loan guarantees provided by a national agency. Entrepreneurs are also offered mentoring and training services.[30]

Microlending is a related credit tool that is often targeted to female entrepreneurs in developing countries. Although microloans are not necessarily a type of subsidized credit, as they may be lent at market rates, they are commonly used as government-subsidized instrument to promote gender equality.

Strengths

Credit subsidies and loan guarantees can level the playing field for female entrepreneurs by overcoming capital market imperfections and biases that prevent women from accessing funds as readily as male entrepreneurs. Government-subsidized or guaranteed credit can also act as a signaling mechanism to other lenders, and can catalyze the flow of credit to female entrepreneurs who were not previously served by commercial lenders.

The subsidized microcredit model offers a route to credit access for women who would be unlikely to receive credit from a traditional commercial bank due to lack of collateral or credit history, or simply because their borrowing needs are too small to be profitable for banks. Traditional microcredit programs typically involve providing loans to a group of women, whereby the entire group shares joint liability for loan repayment. This has been found to lower risk of default, and allows individuals who lack collateral or credit history to obtain loans.

While evidence on the effectiveness of microcredit is mixed, studies have found positive effects on household consumption smoothing, as well as increased social and political power for women within their communities.[31] A study in Bangladesh found that taking out microloans led to more education of

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[28] Adema et al., "Enhancing Women's Economic Empowerment through Entrepreneurship and Business Leadership in OECD Countries."

[29] "Garantie EGALITE femmes (ex FGIF)," April 2018, https://bpifrance-creation.fr/encyclopedie/financements/dispositifs-garantie/garantie-egalite-femmes-ex-fgif.

[30] "Stand Up India Scheme Gets a Boost with Credit Guarantee Fund," My India, January 8, 2016, http://www.mapsofindia.com/my-india/government/stand-up-india-scheme-gets-a-boost-with-credit-guarantee-fund.

[31] Vani Kulkarni, "Women's Empowerment and Microfinance: An Asian Perspective Study" (IFAD, December 2011).

borrowers' children.[32] While microcredit may not directly lead to greater income generation from women's entrepreneurial activities, its indirect effects can lead to greater gender equality.

Weaknesses

Credit subsidies and guarantees are often not transparent. Unlike direct transfers, they do not appear in government budgetary statements, and thus, are often not accounted for explicitly.[33] In addition, they can distort resource allocation by providing lower-than-market rate borrowing for a select group of lenders. This can encourage low-efficiency activities and subsidize entrepreneurs who may be less able to form viable, profitable businesses.

Subsidized credit can also be harmful to lenders and the financial sector as a whole. While banks' unwillingness to lend to women can stem from a lack of information on female borrowers, or from simple bias, women may also be less creditworthy from the banks' perspective, for example, by lacking collateral or guarantors, or having less previous business experience. Lending to such borrowers can be risky and costly for banks, even with subsidies. Further, providing lower-than-market rates for borrowing can push down deposit interest rates, discouraging savers and leading to reduced flow of funds.[34] Within microcredit, subsidized lending has been associated with high default levels; it can hinder the development of more sustainable lenders and encourage rent-seeking.[35]

A series of rigorous, randomized studies found no evidence that microcredit raised household income, at least in the short-term, although it was associated with other positive effects, as mentioned above.[36] A 2015 study of six microfinance programs in Sub-Saharan Africa showed only modest effects on business investment and performance. It also showed that loans were mostly used for household expenditures rather than business investments, suggesting that merely alleviating a credit constraint may not be sufficient to grow female-owned businesses in low-income countries.[37]

Design considerations

Incentive schemes involving credit provision should consider:

- **Prioritizing credit access over credit price**. Expanding access for female entrepreneurs to lending products as a whole is likely to have a more sustained effect than narrowly targeting credit rates.[38]
- **Complementing access to credit with broader access to financial services and tools**, such as savings accounts and insurance products that meet the needs of female borrowers. Access to financial products beyond credit can contribute to business growth. In Kenya, providing women

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32 Anne Mikkola and Carrie Miles, "Development and Gender Equality: Consequences, Causes, Challenges and Cures" (Helsinki Center of Economic Research, April 2007).
33 "Subsidy Types | Global Subsidies Initiative."
34 Juan Buttari, "Subsidized Credit Programs: The Theory, the Record, the Alternatives," USAID Evaluation Special Study, June 1995.
35 "The Role of Governments in Microfinance," Donor Brief (CGAP, June 2004).
36 "Does Microcredit Really Help Poor People?," CGAP, October 2009, https://www.cgap.org/blog/does-microcredit-really-help-poor-people.
37 Campos and Gassier, "Gender and Entrepreneurship in Sub-Saharan Africa."
38 Buttari, "Subsidized Credit Programs: The Theory, the Record, the Alternatives."

with savings accounts enabled large increases (over 45 percent) in business investment.[39] Offering tailored insurance products can provide better downside protection for female-owned SMEs.[40]

- **Using innovative credit scoring models that better assess the risk of female borrowers.** Evidence from microfinance and other lending models in developing countries suggests that women are more reliable borrowers than men, but misconceptions exist that can impede access to credit. New credit scoring models, such as those based on psychometric testing, result in significantly fewer rejections of creditworthy would-be female borrowers than traditional scoring that relies solely on credit history and collateral.[41]
- **Supporting development of viable lenders that can sustainably meet lending needs of borrowers**. The credit market for female-owned SMEs is relatively untapped and represents a significant opportunity for lenders. Female entrepreneurs account for between 2 and 10 percent of commercial bank finance customers. Coupled with evidence that indicates that women are more creditworthy borrowers than men, this suggests there is significant unmet demand for financing models that would be beneficial for both lenders and female borrowers, and would encourage other lenders to enter the market.[42] Government-supported programs should aim to become self-sufficient within a reasonable time period, so lenders do not have to rely indefinitely on government subsidies.
- **Tailoring credit products to the specific needs of female entrepreneurs and local context**. For example, simply providing lower-than-market rate credit may not help female entrepreneurs who lack collateral or credit history. In this case, offering products that allow use of non-traditional assets such as farm equipment or jewelry as collateral may be an option to expand access (see Country Example 3). Governments can also partner with local organizations (such as NGOs), which often have more accurate and comprehensive information on borrowers and market conditions, and can serve as lending partners.
- **Pairing lending with training and advisory services** for female entrepreneurs. A 2015 study in Sub-Saharan Africa suggests that simply alleviating female entrepreneurs' credit constraint does not seem to be sufficient to help women grow their businesses, without complementary services.[43] Such services can include both business skills, as well as education on credit and financial services to overcome lack of knowledge that deters women from applying for financing.[44]

Country Example 3. Nigeria and Uganda: Targeted credit products, complemented by training, show success in growing female-owned businesses [45]

Program: In 2006, two large African banks—Access Bank in Nigeria and Development Finance Company of Uganda (DFCU)—partnered with the International Finance Corporation (IFC) to design and launch Women in Business programs in their respective countries. Both banks were interested in serving more female entrepreneurs, but had little experience lending to women borrowers.

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[39] Campos and Gassier, "Gender and Entrepreneurship in Sub-Saharan Africa."
[40] "Giving Credit Where It Is Due: How Closing the Credit Gap for Women-Owned SMEs Can Drive Global Growth" (Goldman Sachs Global Markets Institute, February 2014).
[41] "Giving Credit Where It Is Due: How Closing the Credit Gap for Women-Owned SMEs Can Drive Global Growth."
[42] "Giving Credit Where It Is Due: How Closing the Credit Gap for Women-Owned SMEs Can Drive Global Growth."
[43] Campos and Gassier, "Gender and Entrepreneurship in Sub-Saharan Africa."
[44] "Giving Credit Where It Is Due: How Closing the Credit Gap for Women-Owned SMEs Can Drive Global Growth."
[45] "Gender Equality and Development."

IFC provided an initial credit line to enable the banks to lend to women entrepreneurs, and also provided advice on implementation. The program enabled Access Bank and DFCU staff to offer targeted business advice to women entrepreneurs. The banks also trained female clients on business skills, and introduced potential clients to credit services. In addition, both banks piloted innovative lending terms and products. Access Bank began to accept alternative collateral, including jewelry and farm equipment. DFCU designed products to meet the specific needs of female entrepreneurs, such as a loan product for associations and groups whose members have passed the start-up phase but lack traditional collateral to secure individual business loans.

Outcome: Between 2006 and 2009, Access Bank disbursed USD 35.5 million and DFCU USD 16.1 million in loans to female entrepreneurs. The banks maintained a nonperforming loan ratio of less than 1.5 percent, and both banks' portfolios increased significantly, with Access Bank opening more than 1,300 new deposit accounts and 1,700 checking accounts, and DFCU opening more than 1,800 new deposit accounts.

Access Bank trained 650 women in business and management skills and DFCU trained 368. Due to the success of the program, Access Bank replicated its model in Gambia and Rwanda in 2011, and other commercial banks in Nigeria and Uganda have since adopted a similar model.

Lessons learned: Credit products should be designed and tailored to meet specific needs of female entrepreneurs based on the country and market context. The effectiveness of credit can be enhanced by providing training for female borrowers to increase the likelihood that businesses will be viable. It is also important to note that in the case of these African banks, offering credit to female entrepreneurs was good not only for the borrowers, but also for the banks, which gained a large pool of previously untapped customers. Female entrepreneurs should not be viewed as "charity cases," but rather as a new and profitable customer base that may require different, tailored types of products or credit terms.

2.2 Tax incentives

Tax incentives allow governments to encourage certain activities or outcomes by exempting firms from tax obligations. They are preferential tax treatments that deviate from the general tax structure and are provided only to a selected group of taxpayers.[46]

This category includes incentives such as:

- Tax incentives for hiring or promoting women
- Tax incentives for female entrepreneurs or female-owned/managed businesses
- Tax incentives for firms to provide services such as child care, parental leave, and training

There are four broad types of tax incentives most relevant to the discussion of incentives targeting gender-equality:

Type of tax incentive	Description
Tax deductions	Expenses are subtracted from taxable income
Tax credits	Credits are applied against the total tax due
Tax exclusions	Some type of income is exempted from taxable income
Tax deferrals	Tax payments are postponed for a specified period

[46] Chen Duanjie, "Framework for Assessing Tax Incentives: A Cost Benefit Analysis Approach" (April 2015).

In the Republic of Korea, for example, private firms receive tax credits if they employ female workers who wish to reenter to the labor market after childrearing.[47] Another example is a tax deduction scheme in Malaysia to encourage employers to train women reentering the workforce (see Country Example 4). However, in general, gender-specific tax incentives are not widely used, and the literature covering them is notably sparse.

Barriers addressed and effectiveness

Tax incentives can help encourage and/or compensate private actors (in this case, firms or investors) to invest in projects or policies that have positive externalities to society (such as increasing female employment) but may be costly for individual firms.[48] Tax incentives can offset the higher cost of hiring or training women that firms face. By incentivizing the hiring of women, they can also help to overcome imperfect information on the part of both employers and employees—allowing more exposure between women and firms. In addition, tax incentives can help counter discrimination in hiring.

Tax incentives can also be provided to female-owned businesses to help them compete with male counterparts who might have better access to finance or networks. Given the timeline of how the benefits are structured, tax incentives may be more effective as a tool to address firms' underinvestment in behaviors and actions when failure to do so is not primarily due to upfront financial constraints.

Strengths

Compared to subsidies, tax incentives generally entail a lower administrative burden for firms if they are provided for automatically.[49]

Weaknesses

Tax incentives have a number of weaknesses as a policy tool for incentivizing behavior or activities. Tax incentives can distort resource allocation by encouraging low-efficiency activities to crowd out more efficient ones. Moreover, because the costs are often less apparent through "revenue foregone," (as compared to instruments involving direct expenditures) policymakers often underestimate their costs or do not adequately assess the cost-benefit trade-off. For example, a 2013 study in the United States found that, on average, employment tax credits incurred a per-job-based cost of USD 37,000 to USD 75,000, which was less cost-effective than loan guarantees provided by the U.S. Small Business Association (SBA), with a per-job-based cost of USD 14,000.[50] Because governments may face less scrutiny in implementing tax incentives, particularly in developing countries, the opportunity costs can be uncounted yet very high.[51]

It is more difficult to target tax incentives, and thus they may not reach the types of firms, investors or entrepreneurs most affected by barriers and market failures. Furthermore, if tax incentives entail an

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[47] Jinyoung Kim, Jong-Wha Lee, and Kwanho Shin, "Gender Inequality and Economic Growth in Korea" (Korea University, November 2014), http://econ.korea.ac.kr/~jwlee/papers/Gender%20and%20Korea%20KLS.pdf.
[48] Duanjie, "Framework for Assessing Tax Incentives: A Cost Benefit Analysis Approach."
[49] "The Role of Incentives on Job Training," Trade & Competitiveness Global Practice (World Bank Group, December 2014; unpublished note).
[50] Duanjie, "Framework for Assessing Tax Incentives: A Cost Benefit Analysis Approach."
[51] "Options for Low Income Countries' Effective and Efficient Use of Tax Incentives for Investment," A Report to the G-20 Development Working Group by the IMF, OECD, UN, and World Bank (IMF, OECD, UN, World Bank, September 2015).

application process, large firms are more likely to be able to take advantage of these benefits, whereas they can be too confusing or complex for smaller firm to apply.[52]

They can also introduce discretionary layers and loopholes into the tax system as a whole, and increase government administrative costs.[53] In low-income countries, tax incentives generally rank low in investment climate surveys, and are often found to be redundant, meaning that the investment or activity would have been undertaken even without them.[54] [55]

Design considerations

Schemes involving tax incentives should consider:

- **Incentivizing firms' behavior or activities when lack of action is *not* primarily due to immediate financial constraints**. If failure to hire or promote women is simply due to short-term financial constraints (e.g. if firms are not able to financially invest in policies conducive to female employment, such as childcare and parental leave), grants or subsidies may offer a more responsive solution.
- **Adopting performance-based incentives** that directly tie the gender-related objective to the provision of the incentive (e.g. by providing allowances based on female employment levels) rather than using blanket exemptions or reductions.
- **Designing for maximum clarity and transparency** to promote accountability and reduce opportunities for rent seeking and corruption. Tax incentives should be transparent from a legal (i.e. having a foundation in tax laws), economic (i.e. costs and benefits clearly laid out), and administrative (i.e. criteria should be clear, simple, and objective) standpoint.
- **Setting up time-limited programs**. It is important that the incentives are sustainable and reflect market conditions. Applying sunset provisions creates the need to regularly evaluate whether the incentive should be continued or not. Making incentives time-limited also mitigates the risk that they will become entitlements for firms.

Country Example 4. Malaysia: Tax incentives aim to train women and encourage them to return to the workforce [56] [57]

Program: In 2013, the Malaysian government began offering tax incentives to encourage employers to train women who have re-entered the workforce after a career break (e.g. for childcare purposes). The incentive was available when a company hires a woman for a managerial role who has been out of the workforce for at least two years and provided her with a career development program designed by TalentCorp, a government partner responsible for addressing workforce talent needs in Malaysia. In conjunction, TalentCorp developed a database of female professionals intending to return to work,

[52] "The Role of Incentives on Job Training."
[53] Duanjie, "Framework for Assessing Tax Incentives: A Cost Benefit Analysis Approach."
[54] "Options for Low Income Countries' Effective and Efficient Use of Tax Incentives for Investment."
[55] M Andersen, B Kett, and E von Uexkull, "Corporate Tax Incentives and FDI in Developing Countries," World Bank: Global Investment Competitiveness Report 2017/18 (Washington DC, 2017).
[56] "PM Announces New Measures To Optimise On Malaysian Graduate And Women Talent," May 29, 2012, https://www.talentcorp.com.my/media-centre/press-office/press-releases-and-statement/pm-announces-new-measures-to-optimise-on-malaysian-graduate-and-women-talent.
[57] Jamny Rosli, "Minister: One-Year Tax Break for Women Rejoining Workforce," *Malay Mail*, November 26, 2018, https://www.malaymail.com/news/malaysia/2018/11/26/minister-one-year-tax-break-for-women-rejoining-workforce/1697183.

and would connect employers with potential female candidates. Companies were eligible for a double tax deduction on costs incurred for training women within one year of their hiring, up to RM 50,000 (USD 8,965). To receive the deduction, companies were also required to show that they had a company culture supportive of a diverse and inclusive workforce, to include flexible working arrangements and family-friendly facilities. More recently, in 2018, the Malaysian government announced that it would offer individual income tax exemptions for up to 12 months for women who return to the workforce.

The initiative falls under the country's Talent Roadmap 2020, which aims to better leverage Malaysia's female talent. Women graduate from university at higher rates than men, accounting for over 65 percent of students at public universities, but female labor force participation is just 46 percent, the lowest rate in Southeast Asia. Malaysian women tend not to return to the labor force after having children.

2.3 Public procurement incentives

Another incentive tool that governments can use to promote gender equality is through its purchasing power. Governments often practice preferential purchasing, by favoring one type of supplier over others, by paying higher prices for goods or services, or by offering special financing arrangements.

Public contract incentives provide certain types of firms (in this context, female-owned or female-managed firms, or firms that meet certain requirements with regards to hiring or promoting women) with preferential consideration in the bidding process to supply goods or services to public sector entities. For example, a firm that meets the defined criteria may receive extra "points" in the consideration process.

One example of such an incentive is when the Government of the Republic of Korea changed the rules in 2014 regarding public contracting to make it easier for female entrepreneurs to bid on contracts. Female entrepreneurs can now take advantage of a simpler set of procedures for bids up to 50 million won (USD 42,760), whereas male entrepreneurs can only use the simpler procedures for bids up to 20 million won (USD 17,100).[58] In addition, the Republic of Korea made it mandatory for public institutions to purchase 5 percent of products or services from female entrepreneurs. In the United States, federal law requires all federal agencies to set percentage targets to award contracts to small business, including female-owned businesses (see Country Example 5 for lessons learnt from this program). In 2015, the city of Albuquerque, New Mexico passed a bill that established preferential bidding for businesses seeking city contracts that can show that their gender pay difference for comparable jobs is no greater than 10 percent. The city made it straightforward for businesses to qualify, with an online form and a certification from the city's Office of Diversity and Human Rights.[59]

Barriers addressed and effectiveness

Public procurement incentives can help facilitate growth of women businesses through better market access. They are likely to work best when the constraints are primarily about market access caused by imperfect information on either the supply side (women entrepreneurs have limited networks) or the demand side (procurement entities lack knowledge about qualified female-owned firms). Introducing

[58] Adema et al., "Enhancing Women's Economic Empowerment through Entrepreneurship and Business Leadership in OECD Countries."
[59] Dan McKay, "ABQ to Offer First-of-Its-Kind Incentives on Pay Equity," *Albuquerque Journal*, May 5, 2015, https://www.abqjournal.com/579919/abq-to-offer-first-of-its-kind-incentives-on-pay-equity.html.

more qualified women businesses into the process can help overcome information gaps and perceptions that there are few female-owned firms that are able to participate in public contracts.[60] It can also encourage larger firms to work with smaller, female-owned firms as subcontractors.[61]

Public procurement incentives can also offset the higher cost of hiring women since firms try to meet eligibility criteria that often include a certain percentage of female employees (as is the case, for example, with the 2015 bill introduced in Albuquerque, New Mexico). Nevertheless, such incentives are less direct and consequently might be less effective compared to other instruments such as subsidies to incentivize firms' hiring behavior.

Strengths

Government procurement accounts for 10 to 15 percent of the GDP of developed countries and as much as 30 percent of the GDP of developing countries.[62] As such, public procurement incentives can provide a means for women-owned businesses to gain a foothold in the economy by supplying the economy's largest buyer and can help such firms establish credibility and gain a steady income stream.

Weaknesses

Procurement incentives can create conflicts of interest on the part of governments, as they must balance selecting the best supplier at the best cost with supporting certain types of firms or suppliers. This can also create market inefficiencies, as the best supplier is not always selected. Providing preferential consideration to female-owned businesses can lead to a perception that female-owned firms are not as qualified and only receive contracts due to preferential treatment.

In addition, in some situations, lack of clarity around the definition of a woman-owned business has led firms to misuse the incentive or attempt to "game the system" (for example, by appointing a "figurehead" female leader). Other issues include lengthy and complex contracting processes, lack of clear information on assessment criteria, and lack of feedback from procurement agencies.[63]

Country Example 5. United States: Procurement incentives increase opportunities for female-owned businesses, but complexity may reduce their impact [64] [65]

> **Program:** In the United States, the federal government purchases over USD 300 billion annually in goods and services. Federal law requires all federal agencies to set percentage targets to award contracts to small businesses, including female-owned businesses. The Small Business Association (SBA) is tasked with negotiating and establishing targets annually with each federal agency. The Women-Owned Small Business (WOSB) Federal Contract Program stipulates that 5 percent of U.S. federal contracts should be awarded to eligible women-owned small businesses, with the explicit goal of increasing women's entry into male-dominated sectors. Individual states also set targets for procurement and can be a major customer for small businesses. (For example, the state of Texas

[60] "Empowering Women through Public Procurement" (ITC, 2014).
[61] "Empowering Women through Public Procurement."
[62] "Empowering Women through Public Procurement."
[63] Adema et al., "Enhancing Women's Economic Empowerment through Entrepreneurship and Business Leadership in OECD Countries."
[64] Adema et al.
[65] "State Policies and Programs for Minority- and Women-Business Development," Inclusive Business Initiative (Center for Community Economic Development, December 14, 2007).

purchases over USD 12 billion in goods and services annually). However, most states, and many federal agencies, do not coordinate with each other to offer certification for WOSBs, making it challenging for small businesses to bid on contracts across states or agencies.

Procurement processes differ across agencies, but typically include requirements that prime contractors use a certain percentage of WOSBs, or demonstrate good faith efforts to do so. While WOSBs compete for contracts on equal terms with other companies, their utilization rate rises due to increased participation in the bidding process. In conjunction, the SBA operates local offices throughout the United States to support female business development. The SBA also administers several loan programs to help women access the credit and capital needed to start small businesses. In 2009, the SBA backed nearly 10,000 loans to female entrepreneurs, for a total loan amount of approximately USD 2 billion.

One trend that could negatively impact WOSBs in the bidding process is the increase in size of federal contracts. Between 2000 and 2005 alone, the size of such contracts nearly tripled. This could make it more difficult for all types of small businesses, including those owned by women, to successfully bid on competitive contracts.

Outcome: The National Women's Business Council (NWBC) reported in 2011 that the federal government awarded USD 16.8 billion to small businesses owned by women, accounting for less than 4 percent of all federal contracts, as compared to the goal of 5 percent. Analysis of the program indicates that it has been underutilized by female-owned businesses, and that success rates vary across agencies.

Lessons learned: Focusing efforts on getting more female-owned businesses to participate in bidding, rather than providing preferential consideration in awarding contracts (as the WOSB Federal Contract program does) can help female-owned businesses secure a greater share of public contracts, while keeping the bidding processes as competitive as possible. Tasking one central actor (the SBA, in this case) to set and monitor targets can reduce administrative complexity and abuse of the system. However, a lack of standard certification across state and federal agencies likely makes it difficult, or even prohibitive, for small businesses to bid on contracts across agencies. The large size of federal contracts, as well as a lack of a standardized, streamlined bidding process may impede reaching targets.

Design considerations

Schemes involving procurement incentives should consider:

- **Keeping contract award processes as competitive as possible**, while seeking opportunities to make tendering more accessible to female-owned firms. Technical and financial qualifications should not be compromised, but requirements should be appropriately tailored to the size and complexity of the contract. For example, governments can allow teaming arrangements, where two or more small firms tender together, allowing smaller firms to successfully compete. Governments can also seek opportunities to break a large contract into smaller individual contracts. In Zambia, for example, procuring entities can divide a contract into separate tenders if it is likely to increase the number of bids from small firms that would otherwise not be qualified to compete for large contracts.[66]

[66] "Empowering Women through Public Procurement."

- **Incorporating certification processes**, ideally conducted by a third party, and used across government agencies to ensure that businesses are aware of and meet eligibility criteria. A common certification process will also streamline and simplify the process of applying for eligibility. Policymakers must make efforts to ensure that the certification process is simple enough such that it does not become a barrier to participation. For example, a 2011 study in Botswana found that the cost of such certification requirements outweighed any potential benefit to small businesses.[67]
- **Providing clear and readily available information** to interested female-owned business on eligibility criteria, requirements, and the tendering process. Procurement entities should ensure that contract opportunities are widely disseminated, as in, for example, South Africa, where all government tenders are published weekly online and suppliers are able to search and download tenders.[68] Uganda has in place rules requiring procuring entities to publish the names of successful bidders, the proposed contract prices, the total scores for the highest evaluated bidders, as well as the names of unsuccessful bidders and the stage at which their bids were eliminated.[69]
- **Streamlining and simplifying the tender process**, for example by using standard bidding documents, accepting online applications, and publishing clear instructions for applications. Several African countries, including South Africa, Zambia, Liberia, and Kenya require the use of standard tendering and bidding documents.[70]
- **Complementing procurement incentives with capacity-building programs** that help female-owned businesses to compete successfully in public procurement markets and deliver goods and services for government tenders. Governments and supporting institutions, such as NGOs, should work together to enable more female-owned firms to meet technical and financial requirements. For example, the Small Business Administration in the United States offers business advisory services and loan guarantees to female-owned businesses.[71]

2.4 Additional design considerations for targeting intermediate outcomes around firm provision of childcare, parental leave and training

As discussed in Section 1.3, the targeting of incentives can be immediately tied to direct outcomes like increased female labor force participation, or they may involve intermediate outcomes like encouraging firms to provide services to women that in turn support the final outcome. In practice, some of the relevant key intermediate outcomes that have often been targeted in the context of gender equality include firm provision of childcare services, parental leave, and training for women. Additional design considerations relevant to these intermediate outcomes are discussed below.

2.4.1 Reducing opportunity cost for women through childcare and parental leave provisions

Given their disproportionate share of household responsibilities, women face a significantly higher opportunity cost to enter the labor market or pursue leadership roles. In many contexts, providing

[67] "Empowering Women through Public Procurement."
[68] "Empowering Women through Public Procurement."
[69] "Empowering Women through Public Procurement."
[70] "Empowering Women through Public Procurement."
[71] Adema et al., "Enhancing Women's Economic Empowerment through Entrepreneurship and Business Leadership in OECD Countries."

accessible childcare or parental leave provisions can be considered to target an increase in female labor rate participation and career progression. If costs to employers are subsidized, it can also reduce the perception that women are costlier to employ.

Incentive schemes can encourage firms to offer childcare or parental leave to employees through tax incentives or direct subsidies to firms that provide these provisions. For example, in the United States, a childcare tax credit is available to employers who pay a childcare facility to provide childcare services to employees, or help refer employees to a qualified childcare facility. The program provides a federal tax credit of 25 percent per firm, or up to USD 150,000 a year.[72] In OECD countries, paid parental leave was found to be beneficial in increasing female employment rates.[73]

Design considerations

To be effective, incentive schemes involving childcare and parental leave should consider:

- **Focusing on contexts where the cost of private childcare is a significant constraint**. If affordable childcare (formal or informal) is already widely available, then adding below-market rate childcare through employers can crowd out existing options without affecting labor force participation.
- **Targeting and structuring incentives for childcare and parental leave to reach women who face the greatest barriers to participating in the labor market** (e.g. low-income mothers), and to the firms or sectors that employ them. In many developing countries, most women (and men) work in the informal sector and cannot take advantage of parental leave. In those cases, parental leave policies might be less effective. How incentives are structured also matter for their distributional consequences. A study in Australia found that using childcare subsidies, as opposed to childcare tax incentives, redistributed benefits towards lower-earning and less-educated households.[74]
- **Evaluating whether family-friendly policies like childcare and parental leave should be targeted equally at both parents**. Family-friendly policies are often made available primarily to women, with positive intentions, but subpar outcomes. If firms are incentivized to provide childcare only for women, then the perceived cost of hiring women will still be higher than that of hiring men. It may temporarily lower the cost of hiring women, but will not alter the underlying reluctance of firms to employ women. In addition, offering incentives to women only reinforces gender norms that women should be the primary caretakers of children. At the same time, providing equal incentives for both parents can also result in unintended consequences if men benefit disproportionally from the same provisions. For example, the adoption of gender-neutral parental leave policies in research-intensive universities in the United States was found to substantially reduce female tenure rates while substantially increasing male tenure rates.[75] The results suggest the impact of gender-neutral leave policy will depend closely on the sectors and nature of work

[72] "Credit for Employer-Provided Childcare Facilities and Services," IRS, December 2013, https://www.irs.gov/pub/irs-access/f8882_accessible.pdf.
[73] Florence Jaumotte, "Female Labour Force Participation: Past Trends and Main Determinants in OECD Countries" (OECD, December 12, 2003), http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?doclanguage=en&cote=eco/wkp(2003)30.
[74] Xiaodong Gong and Robert Breunig, "Child Care Assistance: Are Subsidies or Tax Credits Better?," Discussion Paper Series (IZA, May 2012).
[75] Antecol, Bedard and Stearns, "Equal but Inequitable: Who Benefits from Gender-Neutral Tenure Clock Stopping Policies?" Discussion Paper Series (IZA, April 2016).

and competition within organizations. Several countries, such as Norway and Sweden, have experimented with making paternity leave broadly mandatory for both parents.[76]

- **Ensuring that the length of parental leave allows for adequate and appropriate time off to care for children.** If leave is too short, women are likely to leave the labor force.[77] However, leave that is too long can lead to deterioration of skills and make it less likely that women will return to work.[78]

2.4.2 Leveling the skills gaps through training subsidies and tax incentives

Globally, and especially in developing countries, a common impediment to women seeking to enter the labor force, attain a leadership role, or start a business is lack of skills or experience. Research in developing countries has found that women often lack knowledge and skills relating to information technology and entrepreneurial and management skills.[79] In some cases, investment incentives have been used to address this gap. For example, in Saudi Arabia, the Support Women's Jobs in Factories (SWJF) program offered financial incentives to firms to hire and train women for work in factories. The Ministry of Labor subsidized salaries and training, with subsidies of up to six months at SAR 500 (USD 133) per month and the program included general managerial, organizational, and behavioral skills training, as well as English language and computer skills training.

Incentivizing training is often merited, as training is generally under-provided in many private sector contexts. Training provides a transferrable benefit, and once trained, a woman "owns" those skills for life. Evidence suggests that women who receive training in addition to formal education are able to more easily obtain jobs. A 2015 study in Indonesia indicated that women with skills training were more likely to be in formal wage-earning jobs. Vocational training can be particularly effective. Women who attended junior vocational school were more likely to decide to join the labor force than women who attended junior regular school. In Colombia, a program that provided women with six months of classroom and on-the-job training only slightly increased the likelihood that the women would find paid employment, but raised earnings for those who did find jobs by 20 percent.[80]

Design considerations

To be effective, incentive schemes involving training should consider:

- **Incentivizing training in both general and specific skills that women lack,** based on country and market context. The United Nations highlights the following skills as ones that can generally benefit women in the workplace: career planning, project management, information technology, and financial management. In addition, in countries where women lack access to basic education, skills such as communications, problem solving and decision-making, and financial literacy can be

[76] Gong and Breunig, "Child Care Assistance: Are Subsidies or Tax Credits Better?" "Gender Equality and Development."
[77] "Gender Equality and Development."
[78] Jaumotte, "Female Labour Force Participation: Past Trends and Main Determinants in OECD Countries."
[79] Saskia Vossenberg, "Women Entrepreneurship Promotion in Developing Countries: What Explains the Gender Gap in Entrepreneurship and How to Close It?" (Maastricht School of Management, March 2013).
[80] "Women in the Workforce: An Unmet Potential in Asia and the Pacific" (Asian Development Bank, 2015).

critical. In male-dominated industries such as science and engineering, specific technical training is beneficial.[81]

- **Targeting training to those with binding constraints to acquire skills**. Training incentives are ineffective if targeted to those who would have acquired the same level of training without support. A 2003 OECD study suggests that incentives provided for firms to offer training are more likely to benefit workers in large firms, in high-tech industries, and in industries where the number of competitors is limited. This means that benefits might not accrue to the types of female employees who could most benefit from training—including those in low-skilled occupations, part-time or temporary workers, or less-educated workers.[82]
- **Identifying which actors can best provide training.** Firms can be incentivized to provide training directly, or can be incentivized to take advantage of employee training that is provided by the government, or by third parties (e.g. educational institutions). Since smaller firms may not be well equipped to offer training programs—apart from short-term, on-the-job training—they may find that relying on government or third-party training for their employees would be more impactful. For example, Malaysia incentivizes firms to offer training to women returning to the workforce, and training programs are overseen by a third-party partner (see Country Example 4).
- **Offering certification and qualification programs that will ensure the quality of training programs**, and providing beneficiaries with a "portable" training certification that will be recognized across firms or sectors.[83]

3 Conclusions

3.1 Summary of key findings

Given the lack of rigorous, comparative evaluations of different incentive types, and country-specific variations, it is difficult to provide prescriptive guidelines on which incentive types, or which combinations, may be more effective than others. Moreover, the various case studies highlight that these instruments are not "one size fits all" and no one tool can serve as a panacea to the social, legal, and cultural barriers that women face. The key premise, suggested through this paper, is to encourage policymakers to systematically think through the policy options for addressing gender inequality and to provide an initial framework for such an analysis in the context of investment incentives.

Incentives have the potential to create market inefficiencies and redundant outcomes and so their use should be limited to addressing clear and significant market failures or equity barriers, and providing societal benefits that outweigh private and social costs. The design of appropriate incentives will depend on the barriers that policymakers wish to address, which actors and outcomes are targeted, the approach to implementation, as well as country-specific conditions or regional context. **Table 2** broadly summarizes the strengths and weaknesses of different types of incentive instruments, and includes general guidance on when to consider using each.

[81] "Training Tool: Gender Equality," (November 2013), http://hrbdf.org/upload/training/HRBDF_TrainingModule_Gender_EqualityHR_V20_090514.pdf.
[82] Andrea Bassanini and Wooseok Ok, "How Do Firms' and Individuals' Incentive to Invest in Human Capital Vary across Groups?" (OECD, 2003), http://www.oecd.org/els/emp/34932778.pdf.
[83] Bassanini and Ok.

Finally, it is worth re-emphasizing that research suggests that incentives often need to complement one another in combination—rather than being perceived as substitutes—and be supported by other policy measures (some of which are briefly described in Annex 4.2). Critically, the success of any incentive program is intrinsically tied to how the overall economic and policy climate supports gender equality.

3.2 Suggested areas for further research

Suggested areas for further study on investment incentives targeting gender equality cover four main pursuits:

1. **Compiling a comprehensive set of incentive scheme case studies for evaluation of their role in promoting gender equality**. Case studies on this topic tend to be limited in detail on both the design of the incentive scheme, and critically, its effectiveness. Compiling a more comprehensive repository would require pulling together examples that currently exist in various formats and across various sources, as well as developing new case studies. A useful repository would include examples of incentive schemes from low-, middle-, and high-income countries, and include both successful and unsuccessful outcomes.

2. **Conducting rigorous comparative analysis of the effectiveness of different incentive schemes in achieving target policy outcomes**. While some individual incentive schemes have been evaluated, there is little existing comparative analysis on the relative effectiveness of, for example, tax incentives for childcare provision as compared to tax incentives for parental leave on increasing female labor force participation.

3. **Performing analysis of the interaction of different types of incentive schemes, or the interaction of an incentive scheme when paired with another type of policy intervention**. In addition to evaluating incentive schemes in isolation and against one another, it would be beneficial to evaluate the interaction of different types of gender-related interventions. Since incentive schemes are often most effective when paired with other policies, further research should be undertaken to more precisely understand the role and extent of these interactions.

4. **Expanding research on incentives that address entrenched gender discrimination or gender norms on workplace-related inequality**. While some of the incentives covered in this paper can help to reduce discrimination or harmful gender norms, it is worthwhile to further understand how behavioral incentives can address not just firms' behavior and actions, but also the conscious and unconscious biases and beliefs that lead to gender inequality. Such research could also look at the relationship between inequalities that arise earlier in life, such as childhood education, and inequalities in the workplace, to unpack how these early-in-life disparities affect a woman's opportunities throughout her professional career.

Table 2: Overview of key considerations, strengths and weaknesses of different incentive types

<table>
<tr><th rowspan="2">Incentive instrument</th><th colspan="2">Consider using…</th><th rowspan="2">Strengths</th><th rowspan="2">Weaknesses</th></tr>
<tr><th>…if the underlying constraints are related to:</th><th>…and when the following conditions are present:</th></tr>
<tr><td>Hiring and wage subsidies; grants</td><td>• Higher costs of hiring women
• Imperfect information
• Discrimination</td><td>• Failure to invest in gender equality can be tied to financial constraints
• Barriers to gender equality are concentrated in specific types of firms or sectors, providing higher potential for impact</td><td>• More transparent budgeting process (as compared to tax incentives)
• Can be directly linked to specific projects or investments and more precisely targeted to particular types of firms
• Help normalize concept of investing in gender equality</td><td>• Can create distortions by subsidizing less-efficient activities
• Can create dependence and moral hazard
• Little evidence of redistribution of wages and jobs
• Often administratively complex</td></tr>
<tr><td>Credit subsidies and loan guarantees</td><td>• Credit market imperfections
• Imperfect information
• Discrimination</td><td>• Credit-worthy female-owned businesses are not able to access credit
• Firms face a credit constraint associated with fixed or start-up costs
• Credit can be complemented by other financial services and training</td><td>• Can help level playing field for female entrepreneurs and overcome credit market imperfections
• Signal to lenders that women are creditworthy
• Provide credit options for women with limited experience or collateral (esp. microfinance)</td><td>• Can distort lending market and crowd out existing lenders
• Limited income effect shown from microfinance</td></tr>
<tr><td>Tax incentives</td><td>• Higher costs of hiring women
• Imperfect information
• Discrimination</td><td>• Failure to invest in gender equality is not primarily due to immediate financial constraints faced by firms
• Barriers to gender equality are spread more widely across the economy</td><td>• Can incentivize investment in activities with positive externalities across a larger base of firms
• Tend to be less administratively complex (as compared to subsidies and grants, esp. if tax incentives are granted automatically)</td><td>• Budgeting process less transparent; costs are often not well evaluated
• Difficult to precisely target specific types of firms to maximize impact
• Often primarily benefit larger firms
• Can create distortions in tax system, and result in rent-seeking and tax leakage</td></tr>
<tr><td>Public procurement incentives for women-owned or managed businesses</td><td>• Imperfect information
• Discrimination</td><td>• Qualified female-owned firms exist, but do not receive contracts due to small size or lack of experience
• Firms that contract with the government are not hiring or promoting qualified women</td><td>• Provide market access for female-owned firms</td><td>• May lead to selection of less-qualified firms
• May lead to perception that female-owned firms are less-qualified
• Subject to misuse (e.g. by undertaking superficial changes to meet qualifying criteria)</td></tr>
</table>

4 Annex

4.1 Key Definitions

4.1.1 Gender and Gender Equality

Gender refers to the socially constructed characteristics of women and men. Gender norms, expectations, and roles and responsibilities vary across societies and cultures and can change over time. A person's gender often, but not always, aligns with their biological sex. Individuals who do not fit into established gender norms often face stigma, discrimination, or social exclusion. Gender, and gender norms, can affect individuals' employment prospects, well-being, legal rights, and health outcomes.[84]

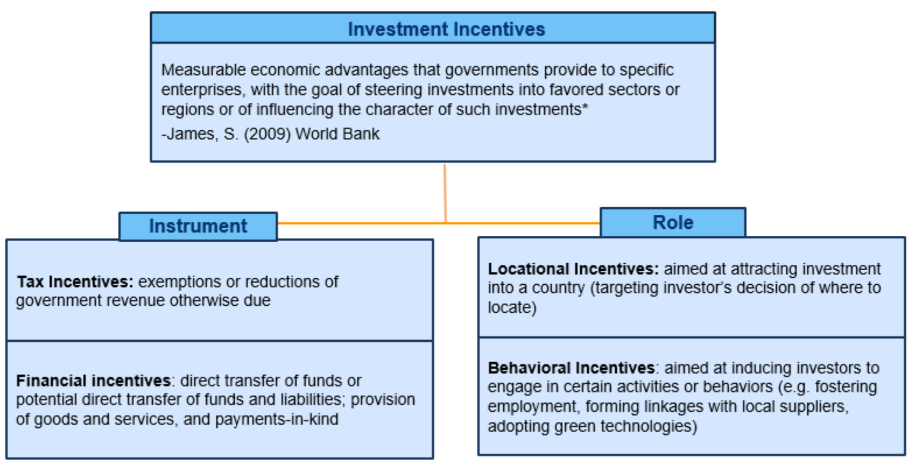
According to the UN, gender equality refers to "the equal rights, responsibilities, and opportunities of women and men." Equality assumes that these rights, responsibilities, and opportunities will not depend on whether an individual is born, or identifies as, male or female. Gender equality also assumes that the interests, needs and priorities of men and women are taken into account equally. The UN considers gender equality to be a human rights issue, as well as a requirement for sustainable development.[85]

For the purpose of this paper, gender equality is more narrowly focused on equal opportunities for men and women in accessing employment, seeking promotion opportunities and leadership roles, and obtaining funding and other resources to start and grow businesses.

4.1.2 Investment Incentives that aim to change firm and investor behavior

Investment incentives can take different forms and be adopted for different purposes. **Figure 4** outlines the key definitions as they relate to the modalities and role of incentives. This paper focuses on incentives designed to change firm and investor behavior.

Figure 4. Defining Investment Incentives



[84] "Gender, Equity, and Human Rights," WHO, accessed October 26, 2016, http://www.who.int/gender-equity-rights/understanding/gender-definition/en/.
[85] "OSAGI Gender Mainstreaming - Concepts and Definitions," accessed October 26, 2016, http://www.un.org/womenwatch/osagi/conceptsandefinitions.htm.

4.2 Overview of selected private-sector oriented policy tools to promote gender equality

In addition to investment incentives, there is a wide range of other policy interventions targeted to firms, investors, and entrepreneurs that can help address gender equality in the workplace. Incentives are often most effective if implemented in concert with other policy tools targeting the same or complementary outcomes.

Some related policy interventions include the following, and are briefly elaborated in the subsections below:

1. Tax policy tools: removing distortive tax incentives that disincentivize gender equality
2. Regulatory tools: creating a favorable regulatory environment for gender equality
3. Information and facilitation: providing information to firms and individuals, facilitating group action, and disseminating public education

4.2.1 Tax policy tools to promote gender equality

Some common tax policies around the world serve as impediments to gender equality in the workplace and could counteract any positive effects from investment incentives. For example, in many OECD countries, joint family taxation means that second earners (who are likely to be married women) face a higher marginal tax rate than primary earners and single people, as measured by the proportion of earning that goes towards paying increased household taxes. The marginal tax rate is higher because second earner incomes are taxed at a rate on the aggregate of both earners' income, often referred to as the "marriage tax" on women.

Countries including Iceland, Ireland, and the Czech Republic have very high relative tax burdens for second earners, while only eight of thirty OECD countries surveyed tax second earners and single individuals at the same levels. There is evidence that these high marginal rates for second earners reduce labor supply, and since female labor supply is more elastic, female labor force participation is negatively impacted.[86]

Reviewing tax policy to ensure that tax codes do not—inadvertently or intentionally—disadvantage women when it comes to entering the labor force or starting a business can help to overcome gender inequality in the workplace.

4.2.2 Regulatory policy tools to promote gender equality

Regulations, usually based on legislation, are designed to control behavior or actions. Some regulations may involve punitive measures for non-compliance. Regulations that promote gender equality in the workplace and in business may include gender quotas, anti-discrimination legislation, and minimum wage laws.

4.2.2.1 Gender quotas

One regulatory tool used to promote gender equality is the use of quotas, which require firms to reach a certain percentage of female employees, executives, or board members. Quotas may take the form of

[86] Jaumotte, "Female Labour Force Participation: Past Trends and Main Determinants in OECD Countries."

“comply or explain” legislation, or may have punitive measures associated with non-compliance, such as fines, negative consideration for state contracts, or suspension of director pay. The case for quotas rests on studies such as a 2015 meta-review of 200 individual studies showing that greater female membership on boards resulted in better financial performance for firms.[87] Female presence on boards can also serve as a signaling device and provide role modeling for women elsewhere in the economy.

Evidence is mixed on the success of different types of quota programs. A 2011 Harvard University review of randomized allocation of quotas for political positions in India and the unanticipated introduction of board quotas in Norway (see Country Example 6) provides some broad conclusions about the impact of gender quotas. The study found that quotas do increase female leadership in both politics and business, and suggests that the greater presence of women in political and business leadership roles can positively influence public perception about female leaders. However, the study also found some negative short-term impacts on firm financial returns from corporate board quotas.[88]

Research on quotas from the United States suggests that quotas will be most effective if they are time-limited so as not to be seen as entitlements, and are complemented by improvements in recruiting and screening processes, as well as on-the-job training for female employees.[89] Quotas with sanctions were found to be most effective, while quotas with no or limited sanctions (including comply-or-explain policies) were found to be less effective.

A weakness of quotas is that they have the potential to reduce efficiency in labor markets if less qualified women are hired and promoted. In addition, quotas can lead to a perception that female employees in general are underqualified and are only hired or promoted due to these requirements, or that firms are non-meritocratic.[90]

Country Example 6. Norway: Board gender quotas led to a substantial increase in female board members, but may have resulted in the appointment of less qualified directors [91] [92]

> **Program:** In 2002, Norway announced a quota of at least 40 percent women on corporate boards. Sanctions for non-compliance were severe: non-compliant firms would be de-listed from the Oslo Stock Exchange, leading all Norwegian companies covered by the law to comply within six months of the deadline.
>
> **Outcome:** The number and percentage of women on corporate boards increased substantially after implementation of the quota. Norwegian firms that complied earlier had boards with more women. Firms that were not covered by the quota law did now show significant increases in the number of female directors. Post-quota, the gender gap in earnings within boards fell substantially. However, it does not appear that the law benefitted female employees of companies subjected to the quota, and there was no accompanying change in female enrollment in business education. These broader

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[87] Kris Byron and Corinne Post, “Women on Boards and Firm Financial Performance: A Meta-Analysis,” *Academy of Management Journal* 58 (October 1, 2015).
[88] Rohini Pande and Deanna Ford, “Gender Quotas and Female Leadership: A Review," Background Paper for the World Development Report on Gender (World Bank Group, April 7, 2011).
[89] “Gender Equality and Development.”
[90] “Gender Equality and Development.”
[91] Siri Terjesen and Ruth Sealy, “Board Gender Quotas: Exploring Ethical Tensions from a Multi-Theoretical Perspective,” *Business Ethics Quarterly*, January 2016.
[92] Marianne Bertrand et al., “Breaking the Glass Ceiling? The Effect of Board Quoats on Female Labor Market Outcomes in Norway,” NBER Working Paper Series (National Bureau of Economic Research, June 2014), http://www.nber.org/papers/w20256.pdf.

observations suggest that there was limited overall impact on women's role in the workplace, beyond women appointed to boards.

Firm-level financial outcomes of the quota are mixed. There is a negative relationship between women on the board and firm value. However, this may be due to the changing profile of directors on aspects other than gender. A review also found that following the implementation of the quota, the percentage of both men and women with multiple directorships increased.

Lessons learned: Using non-compliance penalties ensured that firms would meet quotas within the time horizon. However, the short six-month deadline to comply may have made it difficult to find sufficiently qualified and experienced female board directors. The quotas also did not appear to have meaningful broader impact on women's role in the workplace in Norway.

4.2.2.2 Anti-discrimination legislation

Gender discrimination in pay and promotion can impact female labor participation, opportunities, and wages. However, it is difficult to assess the impact since gender differences in pay and promotion are challenging to definitively attribute to discrimination as opposed to unobserved differences between men and women. Anti-discrimination legislation makes it illegal for firms to discriminate against employees or prospective employees based on their gender.

Many countries have introduced gender-specific anti-discrimination laws that have had success in lowering the gender pay gap (including Australia, the United Kingdom, and the United States), which in turn stimulates female labor force participation.[93] A 2014 World Bank Group study found that introducing non-discrimination in hiring laws led to a positive effect on female employment, relative to male employment, with a greater effect in richer countries, as well as in smaller firms.[94]

According to the OECD, policies to improve gender discrimination enforcement should include the following features: [95]

- **Increasing awareness of legal rights for equal treatment**. While public awareness of anti-discrimination laws is low in the majority of OECD countries (less than 50 percent in most countries), in several countries national equality bodies have conducted information campaigns.
- **Setting the right incentives**. A strong burden-of-proof framework can encourage discrimination claims before courts while minimizing the risk of unjustified claims.
- **Empowering national equality bodies to conduct formal investigations** on their own initiative (without an individual, specific complaint) can increase employers' awareness of discrimination issues and help encourage potential victims of discrimination to come forward.
- **Providing alternative resolution mechanisms**, such as mediation and conciliation procedures, can reduce barriers to enforcing legal rights by avoiding court proceedings.

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[93] Jaumotte, "Female Labour Force Participation: Past Trends and Main Determinants in OECD Countries."
[94] Mohammad Amin and Asif Islam, "Does Mandating Nondiscrimination in Hiring Practices Influence Women's Employment?" (World Bank Group, October 2014), http://www.enterprisesurveys.org/~/media/GIAWB/EnterpriseSurveys/Documents/ResearchPapers/Does-Mandating-Nondiscrimination-Influence-Women-Employment.pdf.
[95] Elborgh-Woytek et al., "Women, Work, and the Economy: Macroeconomic Gains From Gender Equity."

Country Example 7. United States: Broad anti-discrimination legislation has contributed to improved outcomes for women in the workplace, but leaves some workers uncovered [96] [97]

Program: The United States is one of the few counties where there is sufficient evidence to evaluate the outcomes of anti-discrimination legislation. The United States has enacted a series of legislation prohibiting discrimination in employment, covering race, color, sex, ethnic origin, age, and disability status. Gender discrimination falls under Title VII of the Civil Rights Act of 1964. The law forbids discrimination based on sex and sexual orientation, covering all aspects of employment, including hiring, firing, pay, job assignments, promotions, layoffs, training, and benefits. It also prohibits sexual harassment.

Not all employees are covered by Title VII. An employer must have a certain number of employees to be covered by the laws, and that number varies depending on the type of employer and the type of discrimination alleged. Private companies are generally covered if they have at least 15 employees. In addition to federal laws, states have also enacted their own anti-discrimination legislation, which in some cases cover more types of workers and types of discrimination than federal laws.

The Equal Employment Opportunity Commission (EEOC) enforces Title VII and other federal discrimination laws. Employees must file a formal complaint with the EEOC, which may then file a discrimination lawsuit against the employer. Many cases end in settlements, with the employer providing payment to the employee and/or being required to implement more rigorous anti-discrimination policies.

Outcome: There is some evidence that U.S. anti-discrimination laws have contributed to reductions in gender wage gaps and helped women get jobs in male-dominated occupations. However, there is not as much documented evidence on these impacts as there is on outcomes of labor market differentials of ethnic minorities. In this case, the laws helped to improve the relative labor market situation of ethnic minorities, in terms of both earnings and employment.

Analysis of the early years of gender anti-discrimination legislation found that Title VII shrank the sex differential in earnings by about 7 percentage points, and the sex differential in the probability of being employed in a male occupation by about 6 percentage points.

Because effects of laws on gender discrimination materialized over time, as enforcement capacity increased and public opinion evolved, it can be difficult to evaluate the direct impacts. Anti-discrimination legislation may also have unintended consequences. For example, some evaluations suggest that early legislation in American states, which introduced gender equal pay provisions without additional employment protection covering hiring and firing, widened gender employment gaps, at least initially.

Lessons learned: Broad anti-discrimination legislation in the United States has shown positive impacts on many different types of workplace discrimination, not just gender discrimination. Evidence suggests that anti-discrimination laws contributed to small but significant improvements in pay gaps and female presence in male-dominated industries. Campaigns to educate employees about their rights (e.g. employers are required to post notices informing employees about equal employment rights), as well as the establishment of a centralized reporting and enforcement entity at the federal level (the EEOC) also likely contributed to positive outcomes.

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[96] "Anti-Discrimination - Prohibited Practices," U.S. Equal Employment Opportunity Commission, accessed January 30, 2018, https://www.eeoc.gov/laws/practices/index.cfm.
[97] "The Price of Prejudice: Labour Market Discrimination on the Grounds of Gender and Ethnicity," *OECD Employment Outlook*, 2008, http://www.oecd.org/employment/emp/43244511.pdf.

However, the failure to cover smaller employers, including many independent contractors, can create a two-tier system. Full-time employees in larger companies receive more protections, while more vulnerable workers, who face greater risk of gender (and other types of) discrimination, may find themselves without legal protection or recourse.

4.2.2.3 Minimum wage laws

Although not specifically targeted at women, minimum wage laws can improve the relative pay of women, given that a higher percentage of women than men are at the bottom of the wage distribution. However, evidence from various countries shows that minimum wages are generally set at levels too low to have meaningful impacts on female employment.[98]

4.2.3 Information and facilitation policy tools to promote gender equality

Governments can help to overcome information asymmetry on both the supply-side and the demand-side to influence the behavior of firms, investors, and entrepreneurs. Interventions to promote gender equality through information dissemination and facilitation can take different forms, such as:

- Expanding women's professional networks by connecting them with employers;
- Tackling gender norms that inhibit women from pursuing professional opportunities, to include actions such as sharing examples of the success of women in prominent roles in business; and
- Addressing information gaps that female workers sometimes face. For example, a 2013 study showed that the majority of women working in female-dominated sectors are not aware that women (and men) in male-dominated sectors tend to make higher salaries than they do.[99]

Depending on the context, the following types of programs, for example, may be considered:

- **A "clearinghouse" function to connect employers with female jobseekers**. Such a function can allow women to share information about their skills, and for employers to share information about opportunities, and can help women build professional networks. For example, Malaysia built a database of women who wish to return to the labor force to connect them with potential employers (see Country Example 4).[100]
- **Public information or education campaigns to raise awareness and reduce bias** among firms and investors about women's skills and abilities. Australia has a Workplace Gender Equality Agency that disseminates information to employers and the public laying out the business case for gender equality.[101]
- **Certification or qualification programs** that allow women to take advantage of standardized accreditation to signal to employers their competencies. In India, a network of government-run vocational training programs has been established to provide skills-based training and stimulate employment opportunities among women.[102]

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[98] Jaumotte, "Female Labour Force Participation: Past Trends and Main Determinants in OECD Countries."
[99] Elborgh-Woytek et al., "Women, Work, and the Economy: Macroeconomic Gains From Gender Equity."
[100] "PM Announces New Measures To Optimise On Malaysian Graduate And Women Talent."
[101] *Workplace Gender Equality Agency (Australian Government), September 2016, https://www.wgea.gov.au/sites/default/files/wgea-business-case-for-gender-equality.pdf.*
[102] "Overview: Directorate General of Training (DGT)," January 12, 2015, http://dget.nic.in/content/institute/overview-wt.php.

Country Example 8. United States: Getting rid of "pay secrecy" is a low-cost intervention that can remove a detrimental source of information asymmetry for women [103] [104] [105] [106]

Program: In 2014, then-U.S. president Barack Obama issued an executive order and a presidential memorandum that required federal contractors to allow employees to share salary information and to disclose more details about what employees earn. The actions were an effort to address pay gaps between men and women, specifically targeting "pay secrecy," a form of information asymmetry which can lead to women getting paid less for doing the same job as men. Almost half of U.S. workers are either banned or strongly discouraged by their employers from discussing salaries. While federal government pay rates were already transparent and based on a uniform standard, these policies did not cover contractors, who make up a significant portion of the federal workforce.

Outcome: While specific outcomes of the 2014 executive order are not known, evidence suggests that removal of pay secrecy policies is associated with reductions in gender pay gaps. A 2011 report from the Institute for Women's Policy Research found that the gender wage gap for all full-time workers was 23 percent. However, federal government employees, who generally have transparent and standardized pay bands, had a gender wage gap of 11 percent.

Pay secrecy may compound the challenge that women face in successfully negotiating higher salaries. A 2016 survey by the employment website Glassdoor found that 48 percent of men had negotiated their salary in their most recent job, compared to 32 percent of women. There may be signs of improvement, however, as a more recent 2019 Glassdoor survey indicates that these figures jumped to 61 percent and 58 percent, respectively, for men and women. A lack of information on how much male counterparts are being paid likely makes it even more difficult to negotiate. Increasing transparency can help women understand and ask for appropriate pay. More broadly, an article in Forbes magazine pointed to studies which showed that keeping salaries secret decreases motivation and performance, while sharing salary information increases performance.

Lessons learned: Although sharing information about salaries can seem contrary to social norms in many countries and cultures, evidence suggests that keeping salaries secret is often detrimental to women. Removing barriers to sharing of salary information, as well as requiring transparency in pay bands, is a relatively low-cost intervention that can level the playing field for women in the workplace.

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[103] David Burkus, "Why Do We Keep Salaries Secret?," Forbes, February 2, 2016, https://www.forbes.com/sites/davidburkus/2016/02/02/why-do-we-keep-salaries-secret/.

[104] "3 in 5 Employees Did Not Negotiate Salary," *Glassdoor* (blog), May 2, 2016, https://www.glassdoor.com/blog/3-5-u-s-employees-negotiate-salary/.

[105] Juliet Eilperin, "Obama Takes Executive Action to Lift the Veil of 'pay Secrecy' - The Washington Post," The Washington Post, April 8, 2014, https://www.washingtonpost.com/news/post-politics/wp/2014/04/08/obama-takes-executive-action-to-lift-the-veil-of-pay-secrecy/?utm_term=.2fcae87bbd03.

[106] Jackson Amy, "New Study: Job Seekers Expect Salary Negotiation & Transparency," *Glassdoor for Employers* (blog), April 10, 2019, https://www.glassdoor.com/employers/blog/job-seekers-expect-salary-negotiation-transparency/.

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