Research shows that in many countries and sectors women are an untapped economic resource. Their underutilization has a negative impact on the growth that would help boost development and fight poverty. Moreover, most Millennium Development Goals (MDGs) have a strong gender component. Also, targeting women and ensuring that they benefit from IFC’s activities can offer new business and development opportunities that IFC cannot afford to overlook. In 2008, the Development Effectiveness Unit (DEU) in collaboration with the Women in Business team embedded gender in IFC’s Development Outcome Tracking System (DOTS) following an extensive consultation process among DOTS Champions across investment departments as well as social and environmental specialists. The objective of adding gender indicators in DOTS was twofold: 1) to enable IFC to have a better measure of its development impact on women; and, 2) to improve IFC’s understanding of the role that women play in economic growth, private sector development, and poverty reduction. In 2008, IFC’s Executive Vice President and CEO Lars Thunell presented the annual IFC CEO Gender Award to the Development Effectiveness team, acknowledging the importance of gender impact tracking to IFC’s mission. What follows are the key lessons derived from the first gender-specific data collected during calendar year 2008 (CY08) and reported at the end of Fiscal Year 2009.

The first year of data collection was promising though more work remains to be done.

Some indicators being easier to collect than others, coverage of the gender indicators collected in CY08 varied considerably: between 16 and 88% of client companies provided IFC with gender disaggregated data. Coverage tends to be particularly low where IFC has an indirect link to the ultimate beneficiaries, e.g., the small and medium enterprises that supply IFC’s clients. “Employment” was the only indicator tracked across virtually all industries, with coverage ranging from 40% (companies supported through private equity and investment funds) to 90% (oil, gas, mining & chemicals, and health & education). As for the highest coverage of sector-specific indicators, almost 88% of clients tracking “female patients” provided IFC with the requested information. On the other hand, more and better data on women’s wages, representation of women in management, and women-owned businesses benefiting through linkages projects will need to be collected going forward.

Recruiting and retaining female employees is likely to be important particularly for those IFC clients who compete in the global marketplace for highly skilled workers. In CY08, women were nearly a third of IFC clients’ workforce.
According to the International Labour Organisation, out of the 3 billion people that were employed around the world in 2008, 1.2 billion (or 40.4%) were women. The agriculture sector accounted for a majority of female employment, followed by the services sector with 46.3% of all female employment. To increase the share of total paid wages captured by women in the non-agricultural sector is also an explicit target of the MDGs. According to IFC’s data, women constituted nearly 30% of the workforce of clients for which IFC received data by gender. Regional differences – clients’ female workforce ranged from 43% in Central and Eastern Europe to 15% in the Middle East and North Africa – reflected the composition of IFC’s regional portfolios and the extent to which formal employment opportunities are available to women across the world. Among the clients reporting on employment by gender, the health care, education and textile sectors provided most employment opportunities to women, while traditionally male-dominated sectors provided the least.

Women captured slightly more than a fifth of IFC’s manufacturing and services clients’ wage bill, but current data are insufficient to assess potential gender inequalities. Paying equal wages for equal work is not only the right thing to do, but the “smart” thing to do to achieve a productive working environment.

One of the dimensions of access to decent and productive employment is the measure of the gender pay gap (or gender wage differential), i.e. the ratio of female to male wages. Among the top business reasons cited as to why employers should promote fair and equal wages are “to reduce operational inefficiencies linked to discrimination” and “to avoid costs associated with employee turnover”. But few organizations are likely to report on existing gender wage gaps, be it for legal and/or reputational reasons. Gender wage gaps are persistent throughout the world, including the top ranking gender equality countries like the Nordic countries where the reported gender wage gap is in the range of 25%. It should be noted that the gender wage gap is typically wider in the private sector than in the public sector.

To get a flavor of IFC clients and their gender wage bill, IFC captured - on a pilot basis - data from manufacturing and services (CGM) clients, where 21% of the total wage bill accrued to women. Yet, this number does not necessarily equate with gender inequalities, as women’s share of clients wage bill reflects the composition of clients’ workforce (if mostly men, women would obviously capture only a small portion of total wage expenses). A more meaningful measure is the ratio of average female to average male wages. This ratio showed that, among IFC clients, women made on average 70 cents for every dollar made by men, with significant variations by sub-sector that resulted in three clusters (women paid less than 90% of men, women paid between 90% and 110% of men, women paid more than 110% of men). Going forward, the coverage of this indicator (currently at 48%) will need to be improved to have more meaningful data points. Though this ratio does not control for other variables (e.g. blue vs. white collar jobs) as it is generally done in studies as those cited in the above paragraph, the initial data seem to indicate that in sectors where women are traditionally less likely to be found, their salaries are higher – possibly as a result of having higher level, better-paid jobs than men or because their relative scarcity commands higher wages – while their salaries are lower in those sectors where outputs are less tangible, hence leaving room for more inequalities.
Including women in corporate boards and management is gaining significantly greater importance among companies and shareholders around the world. On average, IFC reporting clients had five women in top management or board positions.

Based mainly on research in developed markets, arguments for board diversity (including women on boards) and representation of women in management rank from 1) a positive correlation between gender diversity on corporate boards and companies’ financial performance; and, 2) improved work environment, higher levels of innovation, accountability and profits; to 3) higher returns on equity, sales, and on capital. This includes a 2007 research study by McKinsey on the largest European companies, which found that those companies with at least three women on their executive committees significantly outperformed their sector in terms of average return on equity by about 10%, and operating profit was nearly twice as high. The study stopped short of attributing this performance to a “critical mass” of women, but found that companies with pronounced gender diversity at the top tended to rank highly in terms of management quality and organization. According to recent (March 2010) research by Governance Metrics International, countries with the largest percentage of companies with boards comprising at least three women directors were Norway (56.5%), Sweden (38.8%) and South Africa (30.2%).

Indications from emerging markets, ranging from China, India to the UAE/Gulf Cooperation Council countries, suggest that more diverse boards may lead to more relevant engagement of women’s talent across all levels, and may offer future opportunities for dialogue with IFC clients. On a pilot basis, two IFC departments – Information & Communication Technologies (CIT) and Oil, Gas, Mining & Chemicals (COC) – collected data on women in management and board positions. Clients tracking this information that provided IFC with the requested data were 44%, and half of them had less than 3 women in top management positions.

Promoting women-owned businesses is likely to improve women’s employment levels. As of the end of CY08, IFC clients reporting on “female-owned businesses supported” purchased goods and services from local suppliers worth over $2 billion, providing opportunities to 363 female-owned businesses.

Female employment creation can be an important tool for promoting development and thus is relevant at the micro, small, medium and large enterprise levels. According to World Bank Enterprise Survey Data, worldwide female-owned firms hire more women than male-owned firms (36 vs. 27%) and female-owned firms hire 17% more women. The same source of data also seems to suggest that female-owned firms hire more women professionals than male-owned firms across all regions. In other words, when supporting a woman-owned company one is more likely to support female employment levels than when supporting a men-owned company (ceteris paribus). This is important as increased women’s labor force participation and earnings are associated with reduced poverty and increased growth; women will benefit from their economic empowerment, but so too will men, children and society as a whole.

As of the end of CY08, CGM and COC clients reporting on female-owned businesses supported, purchased goods and services from local suppliers worth a total of over $2 billion, providing business opportunities to many local suppliers, including 363 female-owned businesses for which we had data. Yet, the coverage on this indicator was low (16%) partly because obtaining data on ownership of an enterprise is a more difficult undertaking to begin with as data is typically collected around the enterprise without recording the gender of the owner(s). Moreover, it should be noted that definitions of a small and medium enterprise are not necessarily the same across the board and may vary even within countries. In addition, the definition of a “women’s enterprise” is likely to vary. In the United States of America, for example, the National Women’s Business Council defines a women’s enterprise as “a business which is at least 51% owned, operated and controlled by a woman or women.” While the US definition is the one aimed for, data collection should be based on the reality of the country/project context (for example, not all databases may record ownership, but may capture the management information instead).
Promoting girls’ and women’s educational levels is key to overall development. Female students were roughly half of clients’ total number of students.

Research shows that women can benefit marginally more than men from one additional year of schooling because women have lower average schooling. Even in rural economies, where wage work is scarcer, reducing the gender gap in schooling or other resources increases productivity. For example, in Kenya increasing the education and input levels of female farmers to those of male farmers could increase yields by as much as 22% (Quisumbing 1996).

Our data (77% coverage) showed that female students were roughly half of clients’ total number of students, equally divided between primary and secondary schools and colleges and universities. In East Asia, however, female students were only a quarter of the total number of students, and no data were reported by clients from South Asia and Sub-Saharan Africa.

Female patients were about half of clients’ total number of patients, ranging from almost three quarters in Latin America to less than a third in the Middle East and Eastern Europe.

According to the United Nations Development Fund for Women, access to skilled health care remains a problem for many women in developing countries. This is most notable in Sub-Saharan Africa, where only 44% of total births are attended by skilled health personnel, compared to an average of 47% in South Asia, and 84% in the Middle East and North Africa.

While IFC-supported health projects are not necessarily addressing primary health care issues, reach data (88% coverage) collected in CY08 indicated that female patients were about half of clients’ total number of patients. They represented almost three quarters in Latin America, but less than a third in the Middle East and Eastern Europe. However, more information on the type of health care facilities will have to be obtained for more meaningful analysis. No data was reported by clients from Sub-Saharan Africa, the region where women’s access to general health care is particularly challenging.

Where we stand and the Road Ahead

Supporting women is good for business and development. The MDGs call for the promotion of gender equality and the empowerment of women. Enabling women to work in a paid job or to run their own business is one way IFC can support women to provide for themselves and their families, and to play their part in generating economic growth and job creation.

As part of its mission to foster sustainable growth in developing countries, IFC supports the participation of women in business. Enhanced monitoring and reporting of gender data – especially employment data – by our client companies is therefore a crucial element that allows IFC to improve its understanding of the kind of employment opportunities generated by clients.

A “first” among multilateral development banks’ development results tracking, this collection of gender-based data enables IFC to have preliminary insights with regard to its impact on women around the world. Yet, in order to have more meaningful dialogues with IFC colleagues and clients, improvements will be needed in particular with respect to coverage and data quality. Building on the experience of the first year, the DEU has improved indicator definitions and guidance with the intent of making gender data collection easier and smoother. The recent introduction of an improved IT system (DOTS2) and ongoing conversations with investment departments are steps in the right direction.