Gender and its relevance to economic performance

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Abstract: A number of researches reveal a difference in economic behavior between women and men, which may affect macroeconomic outcomes. Such gender differences can be found in decisions on consumption, savings, investment, or risk-taking. The implications are connected to economic performance: improving the status of women and reducing gender inequality may contribute to higher growth rate and greater macroeconomic stability. Importance of gender-aware research is well reflected in the efforts by the UN, OECD and the EU to highlight the unfavorable economic consequences of unequal opportunities for women and men in the labor market, particularly. The results of analysis of gender issues are closely connected to macroeconomic policy, which should take into account the benefits of measures reducing gender inequalities. Hungary also needs to take steps to diminish the traditional male-dominant attitudes in order to boost birth rates and to avoid long-term economic stagnation.

Keywords: economic behavior, economic growth, gender

1 The term of gender

The term of gender refers to socially learned behaviors that are associated with females and males. It is related to biological characteristics, but has been actually created by the culture itself and has a broader meaning. Society interprets biological differences between men and women to create a set of roles, attitudes, and social expectations that define the "appropriate" behaviors for women and men. Thus, gender is a basic term that determines the way of thinking and behavior of men and women. The society relates different values of life to women and men, and these values determine men's and women's different access to paid and unpaid work, the types of paid activities, income, wealth, education, production factors, public goods, or free time. Gender differences along these dimensions emerge in a way that a kind of power asymmetry exists between women and men, to the disadvantage of the former. It is mostly women, who have lower level of earnings, education, professional experience, wealth and access to credit and it is also women, who work longer hours, when we include both paid and unpaid work

Gender relations are multifaceted relationships between men and women and are regulated by social norms, conventions and practices. Gender roles slightly reflect biological characteristics, rather they are indicative of what the society regards appropriate for, and expects from a woman and a man.[1]

2 Economic behavior

There has been widespread research to find out whether women's and men's economic behavior differs and, if so, what these differences exactly are and how they might influence economic goals. Researchers have distinguished explicitly the effect of gender on individual decisions. The members of a household may respond differently to the economic environment, and thus household behavior reflects the outcome of the interactions between household members with diverse preferences and resource endowments. Gender-based differences in behavior that are systematic and widespread can influence consumption, savings, investment and the level of risk-taking at aggregate level.

2.1 Consumption behavior

As consumption represents a large component of aggregate demand and contributes significantly to growth and stability, understanding the private consumption behavior is critical from the macroeconomic point of view. Research findings on developing countries indicate that household behavior depends on the share of men's and women's control of resources at home. Researches on developing countries show that women may have a stronger preference than men for purchasing goods and services that contribute to the human capital of their children, such as food, education, and health care. A study on India and Brazil found that the nutritional status of children was directly related to the size of the mother's income, but not to the father's income. Moreover, this difference was highly significant. Quisumbing (2003) used data from countries in Southeast Asia, Africa and Central America, and found that improving women's access to economic resources had positive effects on the economic well-being of the household, both women and children, but similar positive change in the situation of men did not have this impact.

Related to the consumption behavior, gender seems to exercise fundamental effects on the elasticities of demand. Schultz (1987) made a research on ninety countries over several decades and obtained higher price and income elasticities of

[1] Girls and boys are raised and taught differently as to life values or roles in adulthood. This difference is continuously transmitted towards younger generations by the different role patterns of mothers and fathers, which are caused by and reflected in the different roles of men and women in reproduction and production. Further, the differences in men's and women's job orientation, amount of salaries or disposable income are basically influenced by cultural norms and gender values that are essentially determined by the ways of upbringing.

demand for primary and secondary enrollment and for the years of schooling for women than for men.

Gender inequalities in education have been in many cultures caused by the lower priority of girls, which discourage parents from sending female children to school. As girls become part of the household of their spouse, reducing their usefulness to parents, there is a strong preference for boys that may give explanations to the "missing women" phenomenon described in details in his works of Amartya Sen Nobel laureate in welfare economics.

Education of women tends to promote reduced fertility and may be associated with beneficial effects even through social networks. Weir and Knight (2004) found in Africa that the majority of farmers could be persuaded to adopt modern inputs by someone of the same gender. The benefits of increased education are partly internalized, but partly spill over to the society. Schultz (2002) concluded that social returns to the education of females are greater than those to males and this finding is highly significant. Those regions that have achieved the most economic progress over the past several decades, have also most successfully promoted equal educational achievements for women and men.

Thus, women's control of the allocation of household resources may well be reflected in the composition of consumption spending, at both family and nation level. It has implications at macroeconomic level: greater spending on goods and services that are related to the increase in human capital affects economic growth on long term. Bils and Klenow (1998) have found that economies in which women have a greater degree of control over household purchases would tend to be more stable, because spending on necessities is less responsive to variations in income. .

2.2 Domestic savings

The theory suggests a number of reasons for saving: precautionary purposes, smoothing consumption over the life span, bequest or investment motives. Considering the effects of gender on consumptions, we may extend this gender impact to saving and investment. Even the differences in the economic and social environments faced by women and men could produce differences in savings behavior.

Seguino and Floro (2003) mentioned various factors as reasons for the differences in savings behavior among men and women in developing countries. Women's role as the principal "home builders" may be reflected in a greater incentive to save than men. The greater availability of social insurance for men and the longer life expectancy of women may result in a saving behavior basically different by gender. A greater altruism of women may also play as an incentive to save higher amounts from income. Evidence suggests that poor women's propensity to save may be higher than that of men. Differences in women's and men's access to financial markets and financial instruments for cultural reasons may cause that women are more likely to save in informal markets. This has an ambiguous effect on the overall level of savings as the women's income would contribute to the increase in aggregate saving level, but the higher price of saving in informal markets would reduce it.

2.3 Credit and investment

Research on investment behavior is related to developed countries. The findings show that women exhibit more risk aversion and invest retirement funds in less risky assets than men. (Jianakoplos and Bernasek, 1998)
In developing countries micro credit initiatives targeting women could make a large improvement in the opportunities of women. Findings of Kevane and Wydick (2001) show that women outperformed men in the repayment, and lending to women improved the household welfare to a greater extent than credit towards men. This result reinforces the previous observation that an increase in women's resources may contribute to the increase of activities of higher productive value that has a direct implication to the economic growth and economic stability.

3 Gender inequality and growth performance

As follows from the above, women and men are featured by different propensity to invest in human capital. Thus, gender distribution of income can affect economic performance, and gender inequalities limiting women's ability to implement their investment motives may hinder growth. Related to this, Walters (1995) suggests that labor should be considered as a produced input of production emphasizing the recognition of women's labor in the reproductive sector. Cagatay, Elson, and Grown (1995) emphasized the interconnections between the paid and unpaid economies that perform activities critical to the market, the overall economy and the community as a whole. In total, women have higher total work hours than men. Considering the unpaid labor as a component of the labor market makes a more precise assessment of economic changes possible.
Knowles, Lorgelly, and Owen (2002) estimated that increase in female education by 1 per cent increased average GDP by 0.37 per cent, while the relation with male education was insignificant. On the other hand, those countries which do not achieve the Millennium Development Goals on education are likely to have lower growth rate, along with higher rate of fertility and child mortality.[2]
Even gender differences in social capital, such as political participation, has a link to the quality of governance, thus to the growth potential. For example Dollar, Fisman, and Gatti (2001) concluded that women tend to be less corrupt than men, thus contributing to a higher quality of institutions and investment.

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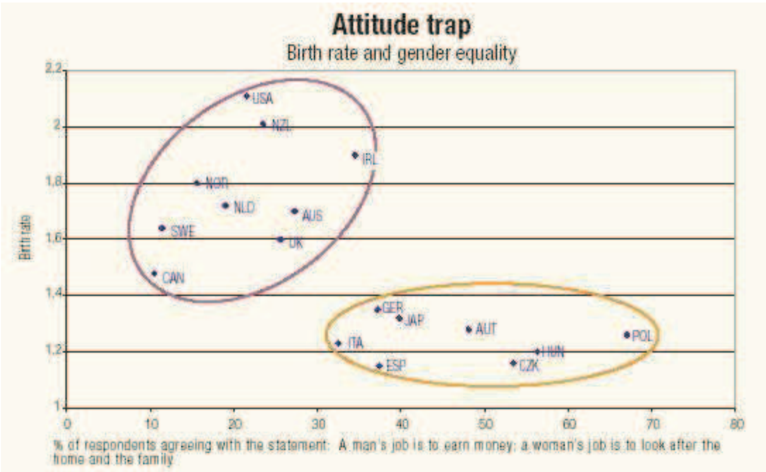
[2] Millennium Development Goals is a commitment of the international community aiming, among others, the halving of the extreme poverty, achieving universal primary education, promoting gender equality and empowering women.

Research on the OECD countries showed that gender inequality can give an explanation on the long-term lag in growth rate of some member countries. This observation is based on the analysis of relationship between birth rates and attitudes toward gender equality. During a survey the level of gender inequality was estimated by asking respondents if they agreed or disagreed with the statement that “a man’s job to earn money; a woman’s job is to take care of the home and family.”
Those countries, in which the traditional family structures are strong, are featured by a chronically low number of births. On the contrary, where gender equality is developed in the workplaces, the demographic structures are more balanced due to a positive birth rate trend. Favorable demographic changes provide a chance to avoid the problem of aging, to ensure the labor supply and contribute to a robust economy.

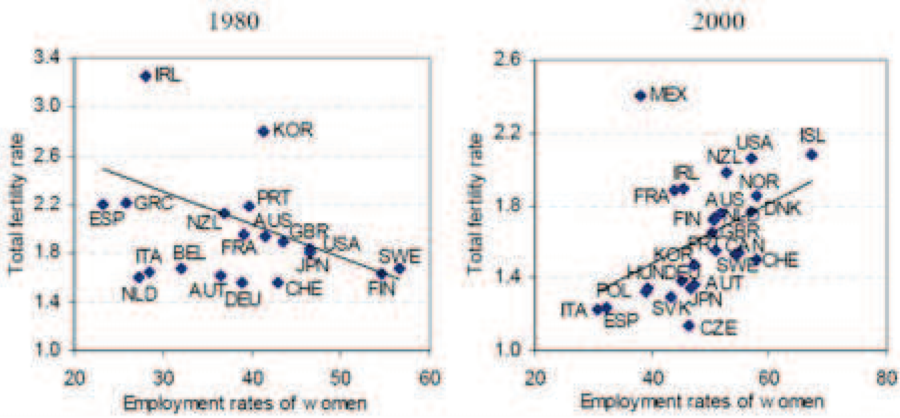


Sources: Mörtvik and Spånt, based on UN and ISSP data

As the graph shows, the countries represented can be sorted into two main groups: the group of the Nordic countries and the US and Canada is featured by a relatively favorable attitudes towards gender equality, and show a comparatively high birth rate supporting the perspective of a long-term economic prosperity; the other group of Germany, Japan, Italy or Hungary shows unfavorable attitudes towards gender equality and faces lower birth rates and lower long-term chances to grow. The attitudes differ widely across the countries, but even in the socially egalitarian country of Sweden more than a tenth of respondents agreed with the traditional gender role concept.
Douglass C. North emphasized the importance of institutional reform to support the economic growth. In his Nobel Prize lecture he told about that “societies that get "stuck" embody belief systems and institutions that fail to confront and solve new problems of societal complexity”. Modern societies are providing a wide

range of opportunities to people, but traditional attitudes that keep men at work and women at home make the combination of family with other life goals difficult. This confrontation sets back the birth rate and the chance for long-term growth. Modern economies are seemingly against the rigid family structures, which reflect an old, out-dated perception of family roles of women and men. Presence of male-dominant attitudes and unequal social status of women and men have a close connection with the economic potential. Weak political efforts to challenge the traditional views of gender roles result in low labor market participation, low birth rates, fall in labor supply, thus low growth.

According to an OECD research, there has been a reversal in the cross-country relation between fertility rates and female employment rates. While in 1980, countries with a lower female employment rate recorded a higher fertility rate, by 2000, those countries where female employment was lower recorded a lower fertility rate, and those countries where paid employment for women is more common had a higher fertility rate. The changes in female employment and the changes in fertility rates are only slightly associated with each other: countries where employment rates of women have increased do not necessarily show larger declines in fertility rates.



Source: OECD, 2005

4 Labor market and gender inequality in Hungary

In Hungary the female employment rate is well-below the EU and OECD average, but also the gender gap is huge, reaching even 20 per cent or higher number in the groups of middle aged. After the political and economic transition at the beginning of 1990s traditional gender relations have been reinforced, which are reflected in the horizontal and vertical gender segregation of the labor force. Women's voluntary refusal of career ambitions is closely related to the discrimination widely practiced by employers and other social actors, to the generous childcare benefits and to the disappearance of the previously strong childcare infrastructure.[3]

The lack of understanding the significance of gender equality is overwhelming with respect to national agencies, for instance, to the National Development Agency that is responsible for managing EU-funded projects. There is a widespread ignorance of Lisbon Targets which, within the plan for the economic regeneration of the European Union, aimed to increase female employment rate to 60 per cent by 2010.

Conclusion

Gender influences on behavior may result in systematic differences in consumption, savings, investment and risk-taking behavior. Improvement in women's economic control of household income may lead to an improvement in the quality of spending in a way that enhances economic growth and provides greater stability to aggregate demand. Women tend to direct saving and investment in more productive ways, which may contribute to a higher growth. Women prefer lower level of risk-taking, which may impart a negative consequence to growth, but may cause a greater stability in investment and financial markets, together with their superior record of repayment of debt.

The growth performance of economies is mostly explained by economic factors such as productivity, and market reforms. However, the analyses above show that difference in growth rates is closely associated with gender-related factors as well. Although the requirement to increase the participation rate of women in the labor market is widely recognized, it cannot be considered as a regulatory problem. It needs tackling the underlying social attitudes, the significance of which is often underestimated, or even neglected. In societies with traditional values towards family and gender roles, women, but many times also men face difficulties in meeting traditional family expectations and fulfilling their own personal targets at the same time. This constraint from the side of society causes a decrease in childbearing, impacting negatively on the long-term growth.

In Hungary, despite of the adoption of European normative to enforce gender equality, there is still a large gap between the de jure and the de facto equality of women and men. According to the empirical findings presented in this paper, this may hinder the long-term growth potential.

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