



How macro-level gender-responsive policy solutions can promote women's economic empowerment in Tanzania

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Key messages

- The informal sector in Tanzania disproportionately employs women. The sector's characteristic lack of social protection and low wages accelerates women's vulnerability and marginalization.
- Gender-responsive macroeconomic policies are crucial to reducing gender inequalities in the labour market—resulting from the unequal division of labour between paid and unpaid work—and associated inequalities in accessing valued resources and opportunities.
- Investing in road infrastructure development can increase women's participation in the formal labour market and their contribution to total household labour income by reducing commuting time and boosting economic growth.
- Providing wage subsidies to employers in formal sector activities that mostly employ women—such as manufacturing, accommodation and food services, trade, and other services—can improve women's labour market outcomes and welfare. To maximize the effect, this intervention should be financed by a reallocation of public expenditures.

Current initiatives to support women's economic empowerment in Tanzania

Women's economic empowerment (WEE) is now globally acknowledged as an essential condition for a country's sustainable, social and economic development.

According to UN-Women (2019), women's involvement in economic activities improves their ability to secure a livelihood. Their participation in the labour market generates more bargaining power to influence the distribution of resources at the household level, which impacts overall macroeconomic indicators (e.g., consumption, savings, asset investments, etc.).

Indeed, empirical evidence (IMF, 2018; UN Women, 2019) also shows that countries that provide more socio-economic opportunities to women are more competitive in the global economy.

Recognizing the vital role of women in the economy, the Tanzanian government has undertaken various initiatives to support women's economic empowerment, such as through the Women Empowerment Funds.

The main government programs and initiatives that demonstrate the government's commitment to gender equality and inclusive economic growth can be grouped as follows:

- **Economic Empowerment initiatives**, such as the National Entrepreneur Fund (NEDF);
- **Gender programs**, such as the Gender Budget Initiative (GBI) that promotes gender mainstreaming in all ministries', and regional, and local authorities' budgets;
- **Formulation of policies designed to ensure equity** and the full participation of women, youth, and people with disabilities (PWDs) in all economic and social areas; and
- **Budget allocations to the informal sector** to support women operating in the industry.

CHALLENGES

However, despite these initiatives, funding for gender programs and plans has not increased significantly and remains an ongoing challenge in Tanzania. The Government has also not introduced any taxation measures (or subsidies) focusing on women over the past years.

Gender-based inequalities in the labour market persist. This is evidenced by the fact that women have limited access to decent work opportunities, and they are mainly employed in poor-quality jobs, typical of the informal sector.

Some key characteristics pertaining to women's labour participation in Tanzania include:

- Women make up a disproportionate share of the informal workers that dominate the fastest-growing sectors of the economy: over 50% in agriculture, 74% in the hotel and accommodation industry, and 35% in the trade industry (NBS, 2022);
- As a result, women encounter constraints in working conditions due to unreliable infrastructure—including water, electricity, and transport systems—that predominantly affect the informal sector;
- Women primarily participate in unpaid household care work and generally face inequalities in accessing resources and opportunities;

Broader macroeconomic policies, such as targeted public expenditures, are thus required to address these inequalities and enhance women's economic empowerment, which in turn will benefit the country's economy and development as a whole.

The study *Assessing the impact of targeted macro policies on women's empowerment in Tanzania*

In 2023-2024, a team of local researchers conducted a PEP-supported study to assess the potential of targeted policies to create a more inclusive and equitable labour market, benefiting both women and society.

The researchers sought to identify specific policy options that would achieve the highest impact or returns in terms of 1) increasing the economic empowerment of women in the informal sector; and 2) maximizing overall benefits for the country's national economy.

To do so, the researchers used a Computable General Equilibrium (CGE) model (see text box) and a Social Accounting Matrix of the 2015 Tanzanian economy to *simulate and analyze the effects of two distinct policy scenarios*:

Scenario 1

A 7% increase in public investment in road infrastructure between 2023 and 2030.

This scenario suggests that increasing public investments in road infrastructure development reduces women's time on domestic tasks and facilitates their access to the labour market.

Scenario 2

A subsidy rate corresponding to a reduction of the payroll tax rate by 25% for the formal sector, financed through either 1) an increase in indirect tax rates or 2) a reduction in public administration spending.

This scenario proposes an option to address the financial side of the wage subsidy provided by the government to formal sector firms to reduce their labour cost of employing women.



Photo: UN Women Tanzania

About the methodology

A Computable General Equilibrium (CGE) model is a simulation tool that compares the state of the economy under different policy scenarios. The simulated policy is the only change introduced in the model, which means that the resulting effects are "isolated" from any other shocks that could affect the economy.

CGE results should therefore be used to *guide* decision-making, rather than create expectations in terms of specific quantified impacts, as the actual outcomes of the policies may be affected by numerous other events and evolving conditions.

Key findings

Scenario 1

Increasing public investments in road infrastructure development reduces the time women spend on domestic tasks and facilitates their access to the labour market, especially among women with children under five years of age.

In this scenario, by 2030:

- Women's participation in the formal labour market would increase by 3.2% (i.e., over 2.2 million more women would be employed in the formal sector), which would outweigh the growth in informal labour.
- The contribution of women to total labour income would increase by 0.05%. Overall household income would increase due to higher labour supply, particularly among women in the formal labour market.
- Closing the gender gap in employment could increase real GDP by 1.01%, and household consumption by 0.5% on average, especially among households with children under five years of age.

In other words, **targeted infrastructure investments are a suitable policy option to reduce informality and increase women's labour market participation.** Furthermore, by stimulating economic growth, such investments create more formal employment opportunities for both men and women, which in turn contributes to poverty reduction.

Scenario 2

A wage subsidy program increases the labour supply of women in the formal sector by facilitating their transition from the informal to the formal sector.

The results from this simulation show that:

- Wage subsidy programs would benefit unskilled women in the formal sector the most, increasing their formal employment opportunities by 3.9% by 2030. It would also increase the earning share of unskilled and skilled women by 5% and 1.3%, respectively.
- Women's labour supply is more responsive to fiscal policy instruments than men's labour supply.
- By reducing labour costs, the program leads to an increase in production by 0.3% on average in industries where employers receive a wage subsidy (i.e., manufacturing, trade, accommodation and food services, and other services); and a fall in the consumer price index by 0.1% in the domestic market, which improves general household welfare.
- By 2030, the program would contribute to increasing government income from household income taxes by 0.16%, and from indirect taxes by 1.3%.
- The overall beneficial impact of the wage subsidy, both in terms of women's employment and the overall economy (GDP), is however greatest when the program is financed by reducing public administration spending, vs indirect taxes, resulting in 0.08% and 0.05% GDP growth, respectively, by 2030.

In sum, **a wage subsidy program for women workers in the formal sector reduces the production costs of private employers, and boosts women's formal employment. Increased access to formal jobs provides higher income and other benefits for women, which contributes to achieving WEE objectives.** It can also generate significant efficiency gains, improve aggregate labour market outcomes and enhance overall economic growth.



Recommendations

The results from this study demonstrate that **gender-responsive macroeconomic policies can play a key role in realizing women's economic empowerment objectives while also benefiting the overall economy and welfare in Tanzania**. In both cases, the proposed policy interventions would increase women's formal employment, which contributes to enhancing their economic empowerment.

In general, a mix of policy options is recommended to achieve women's economic empowerment objectives sustainably. However, given the significant positive effects observed from the simulations of the two specific policies examined in this study, the authors recommend the following approaches for consideration by the government:

- Integrate gender-focused objectives and considerations into strategies for road infrastructure investments. The government may fund additional studies to explore methodologies and best practices for designing gender-responsive infrastructure projects. Examples of how this might be implemented include:
 - Consulting local communities and women's organizations during the design of transport infrastructure projects;
 - Improving public transport connectivity, especially to remote areas, to ensure reliable access to essential services and reduced commuting time;
 - Ensuring pathways are well-lit and secure waiting areas are built as part of safety measures related to infrastructure investments;
 - Building pedestrian-friendly pathways for efficient commuting.
- Considering that Tanzania's fiscal position remains relatively solid and stable, according to the World Bank, the government may consider implementing a wage subsidy program for women workers in the formal sector, to facilitate their transition from the informal sector and reap related benefits described on p.3. Such a program may be financed by either:
 - Reducing government spending on public administration; or
 - Lowering payroll tax rates while offsetting fiscal losses by increasing indirect tax rates.

References

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This work was carried out with financial and scientific support from the Partnership for Economic Policy (PEP) through funding provided by the William and Flora Hewlett Foundation.

To find out more about the scientific research methods and findings, read the full [PEP working paper](#).

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