



Macroeconomics and Gender Inequality

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Organization of Presentation

- Introductory Remarks
- Feminist and Mainstream Perspectives on Inequality and Macroeconomics
- Feminist Project of Engendering Macroeconomics: Main Contributions
- Pathways by Which Macro Aggregates and Gender Inequality Interact
- Gender-Aware Policies
- Take-home Points

Introductory Remarks

- Since early 1980s, gender-aware analyses have shown adverse effects of gender-blind macroeconomic policies on livelihoods and well-being of women in developing countries
- Feminist project of engendering macroeconomics
 - Makes visible the way gender relations permeate the workings of the economy
- Studies in the field of feminist economics have contributed:
 - Gender-aware macroeconomic theory
 - Gender-aware macroeconomic methodology
 - New research findings on gender-aware policies with demonstrated links to macroeconomic outcomes
 - Links with international dialogues on financing for development

Introductory Remarks

- Economists ought to develop knowledge and policies that create conditions for people to provision for themselves and their families.
 - Analysis should not just explore how economies function
 - Macro fundamentals (price stability, robust growth) are not enough
 - Inequality is a constraint on achievement of human well-being, and it translates into unequal power that affects resource distribution.
 - Any systematic form of stratification based on group characteristics inhibits ability of subordinate group to achieve human well-being.
- Human well-being. Key requirements:
 - Capabilities (ability to provision for oneself and the family with meaningful, secure work and with adequate social safety net)
 - Agency (ability to participate in decision-making).

Introductory Remarks

- Need to emphasize equality of opportunities as well as equality of outcomes
 - Inequality makes it difficult for those at bottom of distribution to provision for families
 - Social norms that assign women responsibility for childcare contribute to pervasive gender inequality in labor market (and to costs for society as a whole)
 - Social hierarchy that justifies inequalities in material outcomes also inhibits equality of opportunities in access to education, health, jobs, and voice

Introductory Remarks

- Equitable expansion of people's capabilities is synonymous with development
 - Depends crucially on how proceeds of growth are utilized.
 - Growth enables expansion of capabilities, but is not a guarantee
- This presentation aims to:
 - Reflect on the ability of market-oriented reforms and economic growth to generate broadly shared gains in well-being and a reduction in inequality.
 - Explore various channels through which gender equality and development affect each other
 - Discuss examples of gender-aware policies with links to macroeconomic outcomes

Feminist and Mainstream Perspectives on Inequality and Macroeconomics

- Growing body of research on links between gender inequality and growth, with contrasting views
- Mainstream: emphasizes equality of opportunity (i.e. formal, legal equality) but not equality of outcomes.
 - Promoting equality of opportunity can achieve economic efficiency (“prosperity”); inequality of opportunity linked to poorly functioning markets that must be fixed by promoting greater competition.
 - This approach led to policy prescriptions that privilege market liberalization and privatization, within an idealized society of small producers as the economic agents to spur economic growth.
 - Seeking equality of outcomes is argued to undermine efficiency.

Feminist and Mainstream Perspectives on Inequality and Macroeconomics

- Feminist economics perspective: The mainstream view ignores that markets encompass unequal bargaining power and that operation of markets reproduces the inherent inequalities.
- Major point of divergence between the mainstream economic perspective and the feminist economics perspective:
 - Mainstream: support Washington Consensus policies (trade liberalization, investment & financial liberalization, privatization, deregulation)
 - Feminist economists: these policy reforms have worked against development and have generated inequality. Liberalization should not be an end in itself.

Feminist and Mainstream Perspectives on Inequality and Macroeconomics

- Feminist economists seek equality of outcomes.
 - Market processes do not alleviate inequality, they exacerbate it.
 - Labor market example:
 - ❖ designating men as “breadwinners” provides rationale for hiring them into jobs with upward mobility
 - ❖ women slotted into low-wage insecure jobs
 - ❖ competition in labor markets stacked against women who have unpaid housework and caring responsibilities.
- Gender-aware lens on the macroeconomy highlights the reciprocal relationship between inequality and macro aggregates
 - Macro policies have gender differentiated effects and shape the possibilities for gender equality
 - ❖ Macroeconomy acts as a structure of constraint in the achievement of broadly shared well-being
 - Gender inequality has macroeconomic effects

Feminist Project of Engendering Macroeconomics: Main Contributions

- Understanding of macroeconomy as a structure of constraint has shaped large body of feminist research.
 - This research grew well before recent calls for a new international financial architecture and move away from unfettered liberalization.
 - Research often found that reforms generated uneven burdens and economic inefficiency.
 - Led to new gender-aware macroeconomic models that incorporate the unpaid reproductive economy
 - Highlighted the *deflationary bias* and *commodification bias* of macro policies that disproportionately hurt low-income women
 - ❖ Through budget cuts for basic services (deflationary bias)
 - ❖ Through the need to rely more on cash incomes and markets for provisioning of livelihoods (commodification bias)

Feminist Project of Engendering Macroeconomics: Main Contributions

- Feminist research has produced macroeconomic models and empirical approaches that:
 - Define the economy as a totality of interconnected paid and unpaid activities that are necessary for provisioning of human beings
 - Pay attention to gender differences that shape choices and well-being
 - Provide a yard-stick for evaluating macroeconomic policies
 - ❖ Yardstick based on social justice criteria
 - Embrace pluralistic research approaches, including theoretical models, SAMs and CGE analysis, regression analysis, case studies, and qualitative methods.
- Macroeconomic policies labeled as sensible are less so when viewed through a gendered lens.

Pathways by Which Macro Aggregates and Gender Inequality Interact

- Area 1: Trade liberalization and expansion.
 - Feminization of foreign exchange earnings through female-labor intensity of export production
 - Growth of informal employment without job/income security
 - Poor working conditions with few if any labor rights
 - ❖ Employment gains for women, but under unfavorable conditions and precarious conditions in LDCs. Firms turning more to flexible and informal work arrangements
 - ❖ Also tendency to sub-contract to smaller-scale, home-based operations
 - Rising discrimination with trade competition

Pathways by Which Macro Aggregates and Gender Inequality Interact

- Area 2: Financial liberalization.
 - Greater integration in world capital markets contributes to vulnerability to financial shocks and exchange rate shocks
 - Financial liberalization can potentially help women and men through greater access to capital and new job opportunities in multinational factories
 - Women can bear disproportionate share of burdens associated with shocks and footloose capital due to:
 - ❖ Women's unpaid workloads and caring responsibilities
 - ❖ Women's relative lack of bargaining power in industries where they are concentrated
 - Women often sequestered into mobile, labor-intensive industries
 - “Soundness” of financial liberalization is undermined by the macroeconomic instability it generates.

Pathways by Which Macro Aggregates and Gender Inequality Interact

- Restrictive monetary policy can have gendered effects through three channels:
 - ❖ **Labor market.** Some evidence that labor market contraction from inflation reduction had disproportionately negative impact on women's employment rates due to male breadwinner bias.
 - ❖ **Access to credit.** In principle, reduction in supply of credit can disproportionately affect women if they have more uncertain credit histories or less collateral. Higher debt service costs can also squeeze women out of credit market.
 - ❖ **Consumption.** Women and low-income earners may be helped if restrictive monetary policy succeeds in reducing inflation
- Very little published evidence that isolates gendered impacts of monetary policy from other macroeconomic reforms; area for new research.

Pathways by Which Macro Aggregates and Gender Inequality Interact

- Area 3: Fiscal austerity, deregulation, and privatization.
 - Cuts in subsidies on essential items and reductions in government services disproportionately affect women
 - ❖ Women hold more responsibility for purchasing food and necessities for their families, and demand for education and health services is relatively sensitive to price and income shocks.
 - Women's relative lack of ability compared to men to respond to new opportunities in private markets
 - ❖ Examples of constraints: lack of clearly defined property rights, inadequate transportation, poor marketing structures
 - Higher gender wage gaps following public sector downsizing
 - ❖ Public sector a major source of jobs with higher wages and benefits, especially for women
 - ❖ Women experience more difficulty securing similar private-sector jobs
 - Fiscal policies labeled as sensible are less so when viewed through a gendered lens.

Pathways by Which Macro Aggregates and Gender Inequality Interact

- Area 4: Economic growth
 - Growth affects gender inequality
 - ❖ Growth has led to reductions in disadvantages faced by women, especially in educational attainment, life expectancy, and labor force participation.
 - ❖ Yet growth does not necessarily mean inequality will decline, especially if women continue to face constraints in obtaining new, well-paid employment opportunities
 - Gender inequality affects growth
 - ❖ Can enhance short-run growth
 - ❖ Women's low wages hold down production costs in manufactured exports; FX generated by exports funneled into imported capital goods
 - ❖ But inequality in education and employment can act as a drag on long-term growth

Gender-Aware Policies

- Three examples of gender-aware policies with demonstrated links to macroeconomic outcomes
 1. Labor standards enforcement through positive trade incentives
 - Model program is Better Factories Cambodia
 - Origins: Bilateral Trade Agreement btw U.S. and Cambodia (1999-2004)
 - Positive trade incentives to increase quota limits if proven compliance with labor standards
 - Factory inspections by International Labor Organization (first time in this role); results posted on-line; factories named
 - Evidence that working conditions in Cambodia improved without employment losses.
 - ❖ Leaving labor standards enforcement to market forces has resulted in persistence of poor working conditions in Bangladesh

Gender-Aware Policies

2. Public sector investments that reduce women's unpaid labor burdens and promote remunerative work
 - Infrastructure expenditures on roads, clean water, and power
 - Provide financial assistance for out-of-home child care
 - Offer business-development services
 - Strengthen property rights (e.g. land titling programs)
 - Expand women's access to credit (microfinance, rural banking reforms)
 - ❖ Evidence shows positive impact on food production in SSA, which reduces reliance on food imports and conserves FX
 - ❖ Also linked to increased entrepreneurial activities among women with potential for employment creation
 - ❖ Strengthens women's bargaining power in the home

Gender-Aware Policies

3. Mobilize domestic and donor resources for investment in human capital. Examples include:
 - Promote skill development through better education and vocational training
 - Support small-scale farmers with extension services to improve productivity.
 - Fund conditional cash transfer programs
 - ❖ Research showing that women spend a greater proportion of their income on health and education inputs than men
 - ❖ Common conditions: (1) children must be in school, and (2) children must be immunized and have regular health check-ups.
 - ❖ Examples: *Oportunidades* in Mexico, *Bolsa Familia* in Brazil
 - ❖ Success of these programs indicates that small budgets can go a long way if they are properly targeted.
 - Requires a new approach to fiscal budgeting recognizing that returns from human capital investments are realized over the long-run

Take-home points

- Gender-aware analyses have shown that growth is not sufficient to improve gendered well-being in all its dimensions.
 - Macroeconomic policy reforms can have contradictory effects on well-being of women and men
 - Pursuit of macroeconomic stability has come at a high cost
 - Soundness and sensibility of macroeconomic policies should be based on extent to which they integrate social objectives into their macroeconomic goals

Take-home Points

- These approaches promote equity, raise productivity, and improve long-run growth and well-being.
 - Higher incomes generated as a result of such investments can be used to pay down accumulated debt used to fund such investments.
 - Incorporate gender goals into financing for development
 - Financing gender equality thus generates financing for overall development.