Section 1
Macroeconomics, well-being and gender equality
In the last two decades economic policies have reflected a drive for accelerated global economic integration (“globalization”), which is usually associated with greater economic liberalization, both internationally and within national economies. Policy institutions favouring economic liberalization—the international financial institutions (IFIs) and the World Trade Organization (WTO)—are often inspired by neoliberal and market-oriented thinking, and consider the extension and deepening of global markets, and the “rollback” of the state, to be on the whole desirable from the point of view of economic efficiency, growth, and even human welfare. Heterodox economists favour a much stronger degree of state involvement to govern markets and achieve economic growth, structural transformation and human welfare. For some, the East Asian experience, characterized by rapid economic growth, industrialization, and relatively egalitarian income distribution, underscores the need for strong public policy interventions, and industrial policies in particular. What have the implications of these different development models—liberalization as prescribed by the IFIs, and “governed markets” as they have been substantiated in East Asia—been for women and for gender equality?

The first chapter in this section, “Liberalization and deregulation: The route to gender equality?”, starts by examining the general parameters of macroeconomic policy in the current era of global economic integration. It then goes on to examine the various components of the agenda: trade and financial liberalization, deflationary macroeconomic policies, fiscal restraint and privatization. This is followed, in the second chapter, “Liberalization, labour markets and women’s gains: A mixed picture”, by an assessment of the principal effects of these policies on women and the search for gender equality. The third chapter, “Consolidating women’s gains: The need for a broader policy agenda”, looks at how women have fared according to a range of indicators broader than measures of income and wages. It ends by considering what kind of changes in the macroeconomic policy agenda would help to improve women’s well-being and promote gender equality.
Chapter 2
Liberalization and deregulation: The route to gender equality?

The macroeconomic terrain, and the degree to which economic liberalization—both international and domestic—should be pursued, rather than some degree of state intervention and market management, have been hotly contested issues over the last 20 years. The effects of liberalization on economic growth have been disappointing, and it has exposed millions of people to poverty and unemployment in the absence of effective social provisions and safety nets. There have therefore been increasing calls for interventionist and redistributive action, both to repair social distress and to reinstall equality in the policy equation.

In the debates on international trade and financial capital flows, restrictive monetary and fiscal policies, and in other critical areas such as privatization of welfare services, little attention has been paid to gender concerns. Feminist economists have, however, produced a thorough gender analysis of current macroeconomic trends and policies, identifying specific impacts on women and on gender equality. Before their findings are examined in the following two chapters, a broad-ranging description of the key areas of macroeconomic policy concern is presented as a starting point.

**LIBERALIZATION AND GLOBALIZATION**

The neoliberal agenda which became dominant in the early 1980s centres on the view that the best way to pursue human welfare is to reduce the role of the state, liberate entrepreneurial energy, in order to achieve economic efficiency and promote faster economic growth. Some governments, notably the US government led by President Ronald Reagan and the UK government led by Prime Minister Margaret Thatcher, embraced this agenda of their own volition. But many governments in the South had it thrust upon them as the condition for more loans from the International Monetary Fund (IMF) and World Bank in the context of the debt crisis of the early 1980s.

The debt crisis itself was a result of the neoliberal agenda. The roots of the debt crisis lie in the decisions taken in the 1970s about how to adjust to the dramatic increase in oil prices in 1973 and 1979. One possibility was to recycle the massive additional dollar earnings of oil-exporting countries to oil-importing countries via a low-conditionality facility at the IMF. However, much of the recycling of petrodollars took place via the emerging private international financial market. This was of enormous benefit to US, European and Japanese banks. But this international market turned out to be very different from the competitive market depicted in neoclassical economics textbooks. The over-selling of loans by private banks to sovereign governments was widespread. The debt burden of these dollar-denominated loans exploded in the early 1980s, when Paul Volker, the Chair of the Federal Reserve Bank, sharply increased interest rates as a means to control inflation in the United States. High interest rates coupled with the heavy loan burdens combined to produce the debt crisis.1 There were always critics pointing out that the oil price rises and the debt crisis were collective problems and needed internationally equitable solutions, but their warnings went unheeded. The debt crisis of the early 1980s thus provided a critical opening
for Washington to try to impose a succession of new international economic policy regimes through the Bretton Woods institutions, reinforced since 1994 by the Uruguay Round Agreements under the World Trade Organization (WTO).

**Neoliberal macroeconomic policies**

A key feature of neoliberal policy regimes is the deregulation of financial and labour markets. As far as labour markets are concerned, in the neoliberal perspective they need to be highly flexible to allow transnational and national companies maximum manoeuvrability in a trading and manufacturing environment in which product demand is subject to rapid change. However, it would be a mistake to think of this process as one in which regulation is entirely removed: the complete absence of regulations would give rise to anarchy. On the contrary, and in contrast to neoliberal claims, the deregulation or liberalization of markets has actually involved new regulations or re-regulation conducive to a particular international financial institution (IFI)-led strategy for global economic integration. These new forms of regulation tend to enhance the power of private corporations, and downgrade the relative importance attached to the interests of society at large.

Recent globalization has involved liberalization of international trade in goods and services on the one hand, and the flows of international capital (direct foreign investment, portfolio equity investment, bank lending) on the other; and it has involved new, often standardized, regulation, ostensibly to bring about level playing fields. One area of re-regulation designed in such a way as to confer advantage on corporate interests is the new regime of intellectual property rights. WTO agreements reinforce corporate rights in such areas as pharmaceuticals, thereby guaranteeing monopoly power to multinational manufacturers, leading to high prices for life-saving drugs. This has been particularly pertinent, for example, in the context of treatments for HIV/AIDS, and has a special bearing on women in sub-Saharan Africa who suffer high rates of infection and whose lives, and offspring’s lives, are especially at risk.

Monetary and fiscal restraint are also considered centrepieces of neoliberal policies; they are deemed necessary to control inflation, and thus help to attract mobile financial capital. This is because inflation erodes the yield on financial investments, and high rates of inflation are likely to repel, rather than attract, financial investors. Budget deficits are seen as inflationary, and thus reduced public spending is seen as crucial to attracting such flows.

While there has been a move to liberalize external economic relations as indicated above, there has been no corresponding push to liberalize international labour flows. Proponents argue that poverty can be reduced via a liberalized trade regime that generates employment, coupled with specialization in labour-intensive goods.

Neoliberal proponents acknowledge that greater domestic competition and the opening up of economies to international trade and capital flows might subject developing countries to internal and external shocks, and result in a degree of financial and economic volatility. However, they argue that this is compensated for by the resulting higher growth that generates new jobs in place of those destroyed, and that minimal social safety nets are sufficient to cope with the casualties.

As far as the situation of women is concerned, the neoliberal view, as espoused by the World Bank in particular, is that the promotion of the neoliberal macroeconomic agenda is conducive to bringing about gender equality. This case rests on the idea that market liberalization promotes higher levels of gross domestic product (GDP), that there is a correlation between higher incomes and improved female access to education and employment, and that this access leads to greater gender equality; therefore market liberalization itself promotes gender equality. This thesis is open to question, and much of this and the next chapter indicates the inadequacy of evidence to support it.

**“Managed-market” approaches**

While neoliberals emphasize the role of liberalization in promoting growth and thus improved well-being, a number of countries have achieved economic growth and development
without following neoliberal prescriptions. These “managed market” exceptions include several Asian economies, notably Republic of Korea, Taiwan Province of China, China, and to a lesser extent India and Malaysia. Their macroeconomic approaches can be described as “heterodox”: that is, governments exhibit a willingness to intervene strategically and regulate markets in order to promote development and growth. Although there is no “one size fits all” policy, these countries have to varying degrees selectively intervened to regulate exchange rates, financial flows, trade and foreign direct investment in order to promote technology acquisition and learning on the part of domestic industries.4

Although these countries industrialized and attained high economic performance before the era of globalization, their achievements are being claimed to be supportive of the neoliberal agenda.5 These reinterpretations after the event of successful development models ignore the central role played by state intervention and market management. The countries in question used state intervention to help domestic industries “catch up” with those in industrialized countries, generating a strong internal growth dynamic. To this end, strategic controls on foreign direct investment (FDI) have been used as a means to increase productivity and competitiveness, and to maximize spillovers to other domestic industries, thereby helping move the country up the industrial ladder, but without ceding the government’s ability to shape the industrialization process. A case in point is provided by the Republic of Korea during the late 1970s, where multinational enterprises were permitted to invest in the electronics industry, but barred from other sectors.6 When domestic technological capability had been sufficiently expanded in that industry, FDI was again restricted. Similarly in China currently, FDI is limited to targeted industries where the government desires to attain capability.

In many of these countries, moreover, trade was only liberalized strategically. In some cases limits were imposed on imports of consumer goods, particularly luxury items. This both saved on foreign exchange, and boosted demand for domestically produced goods. While neoliberals have labelled such policies protectionist and inefficient, in fact there was often a quid pro quo: domestic firms were required to meet export and investment targets in return for subsidies and import protection.7 As a result, protective industrial policy did not end up blocking structural change as it did in other countries. Such policies were also used to cushion the effects of structural change, with protectionism allowing firms an acceptable level of income while they retooled. They also indirectly protected workers’ wages, and thus stand in sharp contrast to the experience in economies that have adopted full-fledged neoliberal policies, where structural change can be accompanied by significant economic disruption and income losses for workers.

Asian economies have also placed limits on financial liberalization, to varying degrees. For example, China continues to maintain the inconvertibility of its currency, protecting the yuan from rapid fluctuations that might negatively affect the stability of the domestic economy, while maintaining a favourable exchange rate to promote exports. Malaysia, too, has intervened, most notably directly after the Asian financial crisis, at which time capital controls were temporarily reinstated as a way to protect the value of the domestic currency and reduce the necessity of raising interest rates. Those controls are widely believed to have helped Malaysia weather, and then recover from, the financial crisis more rapidly than countries that did not introduce such controls.8

Thus these countries have been willing to avail themselves of a broader set of policy tools as a way to promote domestic growth, to achieve competitiveness in a global economy, and to smooth economic fluctuations. They can be characterized as pursuing strategic economic openness—that is, managed economic openness, tailored to achieving the domestic goals of promoting industrialization and stable economic growth, while at the same time pursuing the means to acquire advanced technologies. As a result, many of these countries have managed to nurture more capital and skill-intensive goods production, and thus achieve higher per capita incomes. As for the earlier industrializers in this group—Republic of Korea, Taiwan Province of China and Singapore—such policies have allowed them to escape the negative effects of increased competition among low-wage export producers for a limited market share. Instead these countries have moved up the industrial ladder to compete in markets for more sophisticated goods.
Each of these countries represents a different and flexible approach to achieving growth and development, but they share a common feature with those countries that have adopted neoliberal policies: they are increasingly integrated economically with the rest of the world. This integration is indeed a key mechanism by which to raise domestic productivity. The outward orientation in many of these countries, especially Taiwan Province of China and the Republic of Korea, has however been strategically determined rather than the result of across-the-board liberalization. It is nevertheless notable that many of these countries have been increasingly adopting the neoliberal model, either voluntarily or due to pressures induced by the Asian financial crisis and other political tensions. For example, the IMF pushed the Republic of Korea to adopt the model of an independent central bank after the crisis, thus limiting the extent to which targeting of loans and subsidized credit could be used as a tool to promote industrialization and growth. China is currently under a great deal of pressure from the United States to revalue its currency, while Taiwan Province of China has moved to liberalize FDI flows.

Although these governments have exhibited a willingness to intervene to promote productivity growth, resulting in robust GDP growth, they have not adopted the same enthusiasm for the pursuit of equity. However, there are cases in which equity was pursued because redistribution was viewed as necessary to promote growth. For example, in the Republic of Korea wage guidelines were a tool to raise the wages of workers who otherwise possessed little leverage to bargain for increases commensurate with their productivity growth. In some cases, this provided the necessary incentive for workers to “exercise their intelligence on the shop floor”, thus accelerating the adoption of new imported technologies and raising productivity growth. This suggests that growth with equity is possible, and that the conditions under which this is pursued differ by country, economic structure and historical circumstances. In both the Republic of Korea and Taiwan Province of China male workers at least experienced wage-led growth, with higher wages spurring productivity and economic growth, generating funds to finance social expenditures that promoted equity.

For a variety of reasons, however, growth alone has been insufficient to close gender gaps in income and well-being. In part, this is because women are typically excluded from technologically advanced industries, and instead are confined to types of work in which they are less able to improve their terms of employment and access to social provision. This has ramifications for women’s ability to bargain for a better distribution of resources and labour effort within the household. Indeed, the experience of East Asia underscores the fact that, while growth can raise living standards in an absolute sense, it does not automatically lead to a reduction of inequality, and in particular gender inequality (see chapters 3 and 4).

MACROECONOMIC EFFECTS OF GLOBALIZATION

Policies that have contributed to globalization have led to several important shifts in macroeconomic variables over the last 20 years. Cross-border transactions, measured as FDI, portfolio flows, and traded goods and services as a share of GDP, have increased, in some cases dramatically. Although difficult to estimate precisely, financial flows have also seen a spectacular rate of increase. Even by 1994, gross financial flows to developing countries had increased by 1200 per cent over a decade earlier. FDI has also increased. Although the bulk of such flows still go to developed economies, the developing economy share has been rising. The flows are relatively concentrated, however, with just four countries—China, Brazil, Hong Kong (SAR China) and Mexico—accounting for roughly 60 per cent of all FDI flows to developing and transition countries in 2001.

Perhaps more importantly, FDI as a share of developing countries’ investment has been rising, as is shown in figure 2.1, which gives the sum of inward and outward FDI as a percentage of gross fixed capital formation (in other words, investment). This ratio provides an approximation of the degree of firm mobility (as opposed to financial mobility). That is, the sum of FDI flows between one country and another gives an indication of the ability of firms to relocate, should local conditions challenge the firm’s profit goals. As the figure shows,
the ease with which firms can relocate has increased dramatically. In part this is due to declining communication and transportation costs, which make it more feasible to shift segments or the entire production process to another country. It is also due to the liberalization of financial capital flows. Deregulation of national rules on foreign investment has facilitated this trend. In terms of effects on workers, one way to interpret these data is as a measure of trends in corporate bargaining power relative to local governments, workers and citizens. The fluctuations in this measure are significant, since they reflect the real potential for capital to relocate, and underscore the credibility of that threat to workers and governments.

A notable effect of the pursuit of neoliberal policies, in particular monetary and fiscal restraint, has been a decline in inflation rates. In the case of a number of developing countries, the decline has been dramatic (see table 2.1). Lower inflation is expected to produce a macroeconomic stimulus because it induces more investment. It is argued that this, coupled with the reorientation of production to tradeables as well as a reduced role for the state, should raise productivity, output and growth. These policies have been a central plank of neoliberalism. Reducing inflation (through fiscal and monetary restraint) can however have a negative impact on aggregate demand, output and growth, and this could offset the benefits of low rates of inflation.

The evidence suggests that the costs have been substantial, and have resulted in slower rates of economic growth in most regions (see table 2.2). With the exception of East and South Asia, growth rates for 1981–2000 are below those of the 1961–1980 period. The growth effects of liberalization are thus disappointing at best, particularly for the poorest countries. The slowdown in growth has serious implications for countries’ ability to improve incomes and well-being.
Not surprisingly, slow growth has resulted in limited employment options. Formal-sector job opportunities are insufficient, as evidenced by the growth of casual work and self-employment where workers lack protection and security.14 Moreover efforts to make labour markets more flexible have increased the tenuousness even of formal-sector jobs. Recorded unemployment rates remain high, even staggering, in a number of developing countries. They have also risen in Europe and Japan. In the United States too, average unemployment rates in the 1990s exceed those of the 1950s and 1960s, and there has been an increase in the rate of involuntary part-time employment. In general, paid work continues to be scarce and is increasingly precarious.

Other serious macroeconomic problems have emerged as a result of the process of liberalization and economic integration. Policies to liberalize financial flows have contributed to growing financial volatility. As a result, financial crises are occurring with increasing regularity and severity, particularly in middle-income countries, which have been major recipients of cross-border capital flows. Such crises have extensive costs in terms of lost growth, and contribute to a more unequal income distribution at the country level.15

Revenues, taxes and public expenditures

There is evidence of a fiscal squeeze in recent years, due to a reduction of revenues resulting from trade liberalization and tariff reductions. Over the period 1970 to 1998, for example, trade taxes as a share of total taxes declined from an average of 40 per cent to 35 per cent in low-income countries.16 As a result, the ratio of tax revenues to GDP declined by an average of 3 per cent in low and upper middle-income groups of countries in the wake of trade reform over the period 1985–9 to 1995–8. Domestic financial deregulation, the liberalization of capital markets, the phasing out of multiple exchange rates, and currency devaluations have also deprived developing country governments of other sources of revenue.17 Moreover, the emphasis on private investment and attracting FDI has resulted in declining tax rates on capital, with countries forced to offset the revenue loss by raising taxes on labour.18 There has thus been a
redistribution of the tax burden from owners of capital to workers. However, given the small size of formal-sector employment and the scale of the informal economy in many developing countries, most have had to resort to sales and value-added taxes, which are generally regressive.

The pressures on government revenues, due to lost sources of revenue, has contributed to a reduction in government expenditures as a share of GDP in a number of countries. While in some cases cuts in spending have been concentrated in capital expenditures—that is, infrastructure—social expenditures (on health, education, welfare and social safety nets) have also suffered in some regions, such as in Latin America and Africa.19

Human development, poverty and income distribution

Although trends in the basic macroeconomic magnitudes are not much disputed, the question of whether liberalization policies have led to an improvement in well-being is more contentious. The debate is fuelled in part by differing conceptualizations of well-being. Neoliberals have tended to define well-being and poverty in income terms, relying on monetary measures of poverty as a yardstick to evaluate liberalization policies. Recent years have seen more willingness to consider trends in inequality, and a major debate is under way among economists as to the extent to which the goal of equity should be pursued. Some have argued that equality (particularly in education) is a prerequisite to growth. Others argue that it leads to greater political stability and less dysfunctional macroeconomic policy. The emphasis on equality then tends to be instrumental, related to its potential effects on market outcomes.20

Those who stress human development, informed by a human rights focus, offer a different yardstick by which to measure progress.21 This latter approach emphasizes that the goals of development do not only comprise per capita incomes, but should also take into account “capabilities” and “functionings” (such as life expectancy and education) as well as power relations, inequality, dignity, and opportunities and rights of self-expression.22 All of these influence human freedoms and the ability to make meaningful life choices.23

Even using a money metric, the effect of globalization policies on poverty rates is much debated. The World Bank’s estimates of global poverty rely on an absolute poverty threshold of one US dollar a day, adjusted for country differences in purchasing power.24 Using this poverty threshold, the global poverty rate has fallen from 32 to 25 per cent between 1990 and 1999, decreasing the number of poor from 1.3 billion to 1.1 billion. However this threshold has been contested, and is regarded by a number of scholars as an underestimation of global poverty.

The challenges to the World Bank data are based on its method of converting local currency to international dollars, the choice of a poverty threshold, and the distortion provided in particular by China, which offsets trends of constant or increasing poverty in a number of regions: sub-Saharan Africa, Latin America and the Caribbean, and the Middle East and North Africa.25 Further, the Bank’s poverty threshold of one US dollar a day fails to capture poverty trends in developed economies, where income insufficiency induces social exclusion and thus deprivation.

A human development perspective expands the information on which to base an evaluation of trends in well-being. Evidence that emphasizes capabilities and functionings suggests a more problematic effect of macroeconomics trends over the last 20 years. For the period 1980–2000 compared with 1960–1980, for example, the rate of progress on a number of social indicators—infant mortality, literacy, life expectancy and education—has slowed.26 Globalization appears therefore to be correlated with, if not causally linked to, a slowdown in progress in human development.

In addition to basic capabilities measures, human development approaches emphasize the importance of inequality as a measure of well-being, since this influences power relations, which can determine the distribution of output in markets, by the state, and within the household. This emphasis has led to intensive scrutiny of the relationship between growth, inequality and poverty in recent years. There is substantial evidence of persistent and even widening income and resource gaps within countries, including a number of rapidly growing economies.
(table 2.3). The growth of inequality has been noted in a heterogeneous set of countries, including China, the United States, a number of Latin American countries, including those in the Southern Cone, and several Eastern European countries. This evidence may provide a partial explanation for the slowdown in progress in closing other human development variables. Much recent empirical evidence on trends in inequality suggests that income gaps between countries are also widening, although some controversy remains on data definitions and measurement.

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Table 2.3  Trends in income inequality in 73 countries, from the 1950s to the 1990s

<table>
<thead>
<tr>
<th>Countries</th>
<th>Share of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed</td>
<td>Developing</td>
</tr>
<tr>
<td>Rising inequality</td>
<td>12: Australia, Denmark, Finland, Italy, Japan, Netherlands, New Zealand, Portugal, Spain, Sweden, United Kingdom, United States.</td>
</tr>
<tr>
<td>Constant inequality</td>
<td>4: Austria, Belgium, Canada, France.</td>
</tr>
<tr>
<td>Declining inequality</td>
<td>2: Germany, Norway.</td>
</tr>
</tbody>
</table>

Note: The 73 countries included in the sample account for 80% of world’s population and 91% of world’s GDP-PPP.
Source: Adapted from Cornia et al. 2004, tables 2.7 and 2.8.
In sum, the evidence presented highlights the slowdown in rates of growth and increased firm mobility, accompanied by an exacerbation of financial and economic volatility. Further, consideration of human development, poverty and inequality indicators raises serious questions regarding whether neoliberal and globalization policies more generally are able to generate social development, in terms of either steady increases in GDP, or improved standards of health, education and human security.

Negative human development outcomes of the neoliberal agenda have been linked to the reduced ability of the state to provide a social safety net and promote human development goals, the destabilizing and disempowering effect of mobile capital, and the negative employment effects of slow growth. These trends imply that neoliberalism may not be necessary, or even good, for economic growth, and that a more heterodox set of policies, individually tailored to country-specific conditions, are a viable alternative, at least for promoting growth. Some countries that have had more rapid growth rates based on heterodox policies have not, however, done significantly better in promoting growth. Some countries that have had more rapid growth rates based on heterodox policies have not, however, done significantly better in promoting an important aspect of human development: that is, gender equality. Growth, adequate government revenues, and limits on capital mobility may provide a better foundation for the pursuit of well-being and equity but they are not sufficient, any more than neoliberal policies suffice.

Notes
1 Loxley 1997; Elson 2002.
2 Jomo 2003.
3 World Bank 2001a; Dollar and Garri 1999.
4 Amsden 1989; Wade 1990.
5 World Bank 1993a.
7 Jomo 2003.
8 Stiglitz 2002.
11 Data on these trends can be found in UNCTAD’s Trade and Development Report for various years and World Investment Report for various years (see UNCTAD 2004). For detailed data on FDI trends, see Braunstein 2004.
12 Eichengreen and Mussa 1998.
13 Braunstein 2004; South Centre 1997; UNCTAD 2004.
14 Heinz and Pollin 2003; ILO 2002b.
15 Kirkpatrick 2002; Blecker 1998; Bhagwati 2002/3; Singh 2002.
18 ILO 2004a.
19 Khattri 2003.
21 See UNDP 2003; Elson 2002; Cagatay and Ertürk 2003.
22 The terms “capabilities” and “functionings” were first coined by Amartya Sen (1985) and are now widely used.
23 Sen 1999.
26 Weisbrot et al. 2001.
Chapter 3
Liberalization, labour markets and women’s gains: A mixed picture

Women’s ability to achieve parity in well-being with men depends on the type of macroeconomic policies and development strategies undertaken. This is because women’s and men’s capabilities, and their access to resources such as time, land and credit, differ. Those differing starting points influence women’s ability to generate income and obtain social insurance. Macroeconomic policies are mediated through a system of gendered job segregation: an important factor, even where there is an otherwise level playing field between women and men in terms of qualifications, skills and control over assets. While there is some variation in country-specific conditions, job segregation between paid and unpaid labour, and within paid labour markets—by occupation as well as industry—continues to be globally pervasive, a tendency that has shown little sign of abating.¹

There are differences in women’s and men’s capabilities and possibilities for generating a livelihood, resulting from differential treatment in important markets such as labour, land and credit. The ability of macroeconomic policies to promote gender equality thus depends first on the degree to which economic growth is enhanced, and second, on the gender distributional effects of growth: via public expenditure, through intrafamily/household resource distribution, and through various markets.

This chapter considers the pathways by which liberalization policies produce gendered outcomes, emphasizing measurable labour market changes. This focus is in part due to the emphasis that globalization proponents place on the beneficial effects of liberalization on women’s employment and income. The evidence presented questions the validity of this claim.

Of course, women’s livelihoods, especially in developing countries, are affected more broadly than merely through employment. Liberalization policies affect agriculturally based economies via the impact on the types of goods a country produces, the extension and reach of markets (through commercialization), and the degree of integration with the international economy. As a consequence, women’s ability to provide for their families in the agricultural sector, either through subsistence production or through production of cash crops for domestic markets and commodities for export, is deeply affected by liberalization policies. Further, such policies have an impact on the degree of informalization of work. These issues are elaborated in greater detail in section 2 of this report.

LIBERALIZED TRADE AND INVESTMENT FLOWS

Employment effects

Trade and investment flows have increased in recent years, as noted in the previous chapter, whether this is a result of neoliberal policies or of state-guided efforts to promote an outward orientation in the economy. Changes in these policies can have important employment effects, which are gendered due to labour market segmentation.

Proponents argue that liberalization of trade in particular is a gender-equalizing strategy. More flexible exchange rate policies and lowering trade barriers (that is, reducing quotas and tariffs) permit countries to expand exports of goods they can produce most cheaply, stimulating export demand. Countries are also able to import cheaper intermediate and capital goods,
potentially reducing the costs of production and raising productivity. For developing countries, trade liberalization is expected to stimulate foreign demand for labour-intensive manufactured goods and high-value agricultural export crops (HVAE). With firms pressured to hire least-cost labour as a result of international competition, women’s relatively lower wages make them an attractive source of labour, and this should give rise to increased female employment.

The liberalization of foreign direct investment (FDI), it is argued, should also improve women’s access to paid work. FDI acts as foreign savings that stimulate investment above what would be possible if countries had only domestic sources of saving and investment to rely on. FDI should therefore act as an employment generator. Women in developing countries are likely to benefit differentially, since FDI to those countries is often directed to labour-intensive industries that seek out low-cost production sites. FDI-induced employment growth may also result in women’s indirect employment by multinational enterprises (MNEs). They may, for example, work for local firms that are subcontractors for larger offshore corporations, with local employment dependent upon contracts from MNEs.

Some evidence exists to suggest that over the last three decades, women’s employment and share of paid employment have risen as a result of liberalized FDI and trade. It is increasingly difficult however to distinguish the gender effects of trade liberalization from those of investment liberalization, since the two partly coincide, sometimes because MNEs that employ women are largely concentrated in the production of low-cost exports. Quite similar gendered employment trends are observed across diverse regions and countries, and by level of per capita income. This has led to the notion that employment

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**Box 3.1 High tech and high heels in the global economy: Women, work and pink-collar identities**

In the early 1990s, Barbados saw a sharp increase in female employment in the informatics industry. Women employed in these jobs perform work until recently unheard of on this small island in the eastern Caribbean, representing vast changes in labour patterns and technology use in the global arena. As offshore data processors, they are linked with service workers in such disparate places as Ireland, the Dominican Republic, Jamaica, Mauritius, and the United States, as the informatics age signals intensification of transnational production and consumption of labour, capital, goods, services and styles.

This (pink-collar) work is gendered not only because it recruits women workers almost exclusively, but also because the work process itself is imbued with notions of appropriate femininity, which include a quiet responsible demeanour along with meticulous attention to detail and a quick and accurate keyboard technique.

Globally, the new pink-collar informatics worker represents both a reconfiguration and a cheapening of white-collar service work. What was once considered skilled information-based computer work can now be performed offshore without compromising the product or the speed with which it is produced.

The pay received for such work is sometimes less than could be earned in the cane fields, but the clean office atmosphere is attractive to women. Despite the image of prosperity and professionalism portrayed by pink-collar workers, a street scene between Christine, an informatics worker, and her former boyfriend Paul tells a different story. As the worker emerged from the building with her friends, Paul began shouting and motioning wildly for everyone around to look closely. ‘You see she? You see she?’ he exclaimed. ‘Don’ mind she dress so. When Friday come, she only carryin’ home 98 dollar.’ What this outburst conveyed was, ‘In case you people might mistake her for a middle-class woman with a good office job, let me tell you, she is really just a village girl with a factory wage.’ By exposing the reality of Christine’s meagre wage in contrast to her impressive appearance, the disgruntled former boyfriend threatened to undermine a powerful image conscientiously created and enforced by women workers and the informatics industry that employs them.

*Source: Freeman 2000.*
has become “feminized” or female-intensive in the developing world, induced by a shift to an outward orientation. The trend extends to the service sector, and encompasses a diverse set of jobs, including tourism, informatics and data processing, all of which generate foreign exchange. Service-sector employment—at least, in the sense of office jobs—is sometimes viewed as more desirable than manufacturing jobs since these jobs are seen to have higher status. They may not, however, provide significantly more in terms of pay and security (see box 3.1).

Female employment in the agricultural sector, where trade liberalization has created seasonal employment in the area of agricultural exports, has also risen. In the case of Chilean and South African export grape industries, for example, women are the preferred source of temporary labour and hold a small share of permanent jobs. This phenomenon is visible in a number of sub-Saharan countries. Such work opportunities can be viewed as a means for women to diversify their income sources, but livelihoods earned under these conditions are inherently precarious, a topic that is covered in greater detail in chapter 6.

The quality of employment

The benefits of employment resulting from trade and FDI liberalization depend on a variety of factors, including wages (discussed in the next section), the conditions of work, and the security of work. Using these criteria, the benefits of trade and FDI for gender employment equality are questionable. In part, this is because those jobs that women can find lack stability to a greater extent than jobs in male-dominated sectors. Data suggest, for example, that women’s employment gains are not always permanent. Declines in the female share of paid employment are evident in the manufacturing sector of a diverse set of countries. In some cases, it appears that as developing countries “mature” industrially, shedding labour-intensive manufacturing jobs, women lose employment in declining industries but face difficulty in obtaining slots in the more capital-intensive manufacturing industries. This is particularly evident in the first-tier East Asian economies, such as Taiwan Province of China, Singapore, Hong Kong (SAR China), and Republic of Korea (table 3.1). In those cases, as wages rose and lower-wage sites emerged, firms relocated labour-intensive operations to Southeast Asian countries as well as Central America. In some of these countries, declines in the female share of manufacturing employment are in part due to competition from even lower-wage sites (such as China), underscoring the precariousness of employment in labour-intensive export-oriented industries.

### Table 3.1 Female share of paid employment in manufacturing, selected Asian economies (1991-2000)

<table>
<thead>
<tr>
<th>Country</th>
<th>1991 (%)</th>
<th>2000 (%)</th>
<th>Percentage point change</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>42</td>
<td>46</td>
<td>+4</td>
</tr>
<tr>
<td>Hong Kong (SAR China)</td>
<td>47</td>
<td>43</td>
<td>–4</td>
</tr>
<tr>
<td>Korea, Rep. of</td>
<td>41</td>
<td>36</td>
<td>–5</td>
</tr>
<tr>
<td>Singapore</td>
<td>45</td>
<td>41</td>
<td>–4</td>
</tr>
<tr>
<td>Taiwan, Prov. of China</td>
<td>45</td>
<td>42</td>
<td>–3</td>
</tr>
<tr>
<td>Thailand</td>
<td>50</td>
<td>49</td>
<td>–1</td>
</tr>
</tbody>
</table>

Notes: (1) Data for 1990; (2) Data for 1992; (3) Data for 1999; (4) Data refer to total employment in manufacturing.

Source: Data are from ILO 2004b except for Taiwan Prov. of China, which are from Directorate General of Budget and Statistics 2003, and China, which are from National Bureau of Statistics 2004.

In a number of African countries, female employment in manufacturing has declined as a result of import competition from cheap manufactured goods from other developing countries—the other side of trade liberalization. The decline of textile manufacturing in Zimbabwe and Tanzania, for example, resulted in employment losses in female-dominated industries, due to the flood of cheaper imports from Asia after tariffs were reduced. Similar trends were evident in Côte d’Ivoire, Nigeria, Kenya, Ghana and South Africa. In many developed countries, too, increased trade has led to a disproportionate loss of female employment in many industries with large concentrations of women (textiles, wearing apparel, footwear and leather goods).
The precariousness of female jobs resulting from FDI in labour-intensive industries, and also through subcontracting, is linked to firm mobility. Firms in these sectors have an easier time shifting production to other locations to meet their profit targets than do firms in more capital-intensive industries. Men, on the other hand, are more intensively hired in MNEs which tend to generate more stable employment, due to the sunk costs of training in capital and skill-intensive industries. Layoffs thus tend to be less likely.

The attractiveness of women as workers in labour-intensive export industries, whether they be domestically or foreign-owned, is related to the ease of shedding these workers, based in part on gender norms that relegate women’s paid work to secondary importance after their domestic and care responsibilities. This neatly fits with the desire of employers to reduce labour costs by also shifting the burden of uncertainty over product demand to workers, whose conditions of employment are increasingly flexible and intermittent. The flexibility of employment is more accentuated the more labour-intensive the industry. This is feasible because less investment in worker training is needed in such industries. Competitive pressures amongst firms to lower costs in the context of an increasing number of suppliers vying for access to developed country markets (such as those from China, and Mexico since the North Atlantic Free Trade Agreement (NAFTA)) also mean that firms have little incentive to train workers to upgrade their skills. Workers are thus seen primarily as a cost, rather than an asset. Their job trajectory in such firms is often short and precarious, with little chance for movement up the job ladder or acquisition of such skills as would enable them to move to more secure employment in other sectors. These are in other words dead-end jobs.

There is thus a coincidence between gender roles, job segregation by industry, and firm needs in a competitive international environment. The segregation of men and women into different types of jobs, due to gender norms that reserve higher-paying more stable work for men, suggests that FDI and trade liberalization may reinforce the tendency toward job segregation. Indeed, as noted, there is little evidence of a decline in job segregation by gender with liberalization.

The work conditions in the jobs women can obtain also place in question whether such employment is gender-enabling. In cases where women have gained formal-sector export jobs, such as in East Asia, for example, the conditions of work are often harsh, hazardous, and in some cases women work longer hours than men employed in non-tradable industries. Whether they are directly employed by MNEs or employed by local firms hired as subcontractors to larger firms in global commodity chains, female workers in the export sector have little bargaining power for better work conditions, partly because of the mobility of firms. Thus demands for better work conditions, shorter hours or more secure employment can lead firms to relocate or outsource to cheaper production sites, causing job losses. Because women are concentrated in such jobs, they face greater challenges than men in improving their conditions of work.

Even where beneficial employment effects are noted, such as the increase in female garment-sector employment in Bangladesh, competition between low-wage countries makes workers vulnerable if lower-cost producers emerge. In Bangladesh, for example, job opportunities are expected to diminish in the near future due to the planned phase-out of the Multi-Fibre Agreement (MFA) in 2005. That agreement had defined quotas for textile imports to developed economies. A number of countries with guaranteed access to developed country markets can expect to be squeezed out by lower-cost producers with well-developed textile industries, for example China. In other words, a redistribution of global garment employment among developing countries is anticipated, with countries with the lowest unit labour costs being well positioned to gain. This highlights the problem of a growth strategy predicated on exports to developed-country markets. Export-oriented growth based on labour-intensive goods is difficult to sustain in the context of competition from many other low-cost producers. This is exacerbated by overproduction in the face of insufficient demand for goods from developed countries, due to slow growth. Given women’s concentration in the production of such goods, the limits to employment and wage growth are evident, as are the constraints on achieving gender equity via this growth strategy.

In sum, there are clearly beneficial effects of globalization via women’s increased access to employment. In some cases,
pay and conditions are better in formal export sector jobs than in domestic enterprises and the informal economy. This gain is not to be underestimated. Women who have taken up such employment, particularly in the more patriarchal societies, tell poignant stories of their increased ability to provide for their families and children. These are frequently short-term gains, however, as a result of the precariousness of such work. Further, it should be born in mind when evaluating the gender effects of globalization that women so employed are only one segment of the global commodity chain. These outcomes must be compared with those of the larger segment of “invisible” workers in home-based production, many of whom work under terms and conditions far inferior to those in formal-sector jobs. Indeed, there is evidence of an accelerated move to informalize many formerly formal-sector jobs since the Asian financial crisis.

There are other concerns that should be borne in mind. Although such employment can raise women’s absolute status, and can provide some escape from oppressive patriarchal relations, the potential to erode unequal gender relations is limited. Overcoming patriarchal structures of power, including social norms that result in gender inequality, requires sustained improvements in female livelihoods and the stability of those livelihoods. Such income-generating opportunities as have been created through globalization do not meet that criterion, since the jobs many women can get are insecure and often dead-end. That is, they do not provide a ladder to higher-paying and more prestigious types of employment. To attain equity requires an approach that generates access to livelihoods that are stable, and that provide a clear mechanism for increasing female incomes. The strategy of globalization in and of itself would not seem to yield the requisite conditions.

**Gender wage gap effects**

According to advocates, trade and investment liberalization should lead to improved wage prospects for women, and a narrowing of the gender wage gap as women’s wages are bid up more rapidly than men’s. This will occur if women’s job opportunities expand relatively more rapidly than men’s, and if women are in a position to translate increasingly tight female labour markets into higher wages. This should produce spillover effects onto wages in other sectors, since higher manufacturing wages set a floor beneath which female wages would not fall. Thus, theoretically women employed in all sectors of the economy should benefit, including those in less formal types of employment. FDI is also often thought to raise wages, both by stimulating employment growth and because it is often argued that foreign firms pay higher wages than local firms, thus pushing average wages higher. Some thus claim that female wages will benefit from liberalized FDI. Of course, women’s relative wages can also rise as they attain higher levels of education, or due to changes in wage-setting institutions that affect wage bargaining.

But as noted above, there are a number of counteracting factors that reduce women’s ability to bargain for higher wages. First, the process of “crowding” women into some sectors of the labour market, particularly the labour-intensive export-oriented parts, artificially induces an “oversupply” of female labour for these jobs. Second, in these industries there is intense pressure to keep costs low, and firms can relocate relatively easily. The result is that employment conditions make it structurally difficult to raise women’s wages and to close gender wage gaps.

Nevertheless, simple wage ratios (average female wages as a percentage of average male wages) indicate that wage gaps have narrowed in a number of developing countries. The most extensive internationally comparable data are for the manufacturing sector and, as the data in table 3.2 show, the ratio of female to male wages has risen in a number of developing countries. This data is likely to overstate this ratio, since labour surveys that generate these data are often limited to firms of five or more workers. Thus women who work in small enterprises that subcontract are excluded from surveys, and their wages tend to be much lower than those of women working in larger firms. Nevertheless on the basis of this information, declines are evident in some Latin American countries as well as in Hong Kong (SAR China). A central question is to what degree these trends are attributable to trade and investment liberalization, rather than to other factors that influence wages, such as increased female educational attainment relative to men.
Explaining gender wage gaps

In order to isolate the effects of trade and FDI liberalization, numerous studies have carefully controlled for alternative factors that might affect female and male wages. Several have found that increasing international trade (measured as export orientation) tends to widen gender wage gaps. It is particularly interesting that these negative effects are evident in several rapidly growing East Asian economies. This implies that although increased female education relative to men’s could potentially lead to a narrowing gender wage gap, the downward pressure on female wages—resulting from women’s lower bargaining power under trade and investment liberalization—works in the opposite direction, thus expanding the gender wage gap. The downward pressure of liberalization on female relative wages is often construed as discriminatory: women fail to be paid a wage commensurate to their productivity.

Examples from Asia are illustrative. One study of Taiwan Province of China and the Republic of Korea found an inverse relationship between trade shares (the ratio of imports and exports to GDP) and the ratio of female to male wages, adjusted to take account of gendered skill differences. In China, the data indicate that inequality between men’s and women’s wages increased. The proportion of the gap between male and female wages that is unexplained by skill differences is larger in the most deregulated sectors of the economy, and smallest in the least deregulated (the public sector). Thus the private sector shows evidence of greater wage discrimination against women than the public sector. In Viet Nam, there has been only a slight change in the economy-wide gender wage gap. An increased return to skills has helped women, but there is a larger negative effect of discrimination that holds down women’s wages.

As the data in table 3.2 show, wage gaps appear to have increased in some Latin American countries as well as in Hong Kong (SAR China). In a number of cases both male and female wages declined, but the decrease in women’s wages was greater, partly because of their concentration in the hard-hit apparel sector. In Uruguay, an otherwise gender-equitable economy with a fair macroeconomic performance in the 1980s and 1990s, gender gaps have narrowed, although this is primarily due to declining wages for men rather than rising wages for women. Statistical analysis shows the portion of the wage gap that is due to discrimination has risen in Uruguay, and that gender gaps are wider in the private than the public sector. In Chile also, while the economy-wide gender wage ratio has improved, the portion of the wage gap attributable to discrimination has increased. By way of contrast, in Brazil there is evidence of a decline in the discriminatory component of the gender wage gap in the 1990s, although in part this was the result of a decline in male wages resulting from stringent austerity policies. Brazil is also much less export-dependent than many of the Asian economies, and thus the pressures to hold down female wages may be attenuated.
With regard to FDI, there is little evidence that investment liberalization can contribute to narrowing of gender wage gaps. One study showed that the positive effect of FDI on the wages of both men and women ended in the late 1980s when capital became more mobile. A number of more recent studies show a negative effect of capital mobility on wages due to the “threat effect” of firm mobility, and among those, several indicate that FDI has widened the gender wage gap. In Taiwan Province of China, which witnessed rapid growth of female employment in the 1970s and 1980s, FDI rules were later liberalized. The resulting shift abroad of labour-intensive industries caused a fall in relative female wages. This stands in contrast to the Republic of Korea’s experience. There, FDI rules remained rigid for a longer period of time, with consequent immobility of firms and a continued narrowing of the gender wage gaps.

Another example of the negative effects of FDI on gender wage gaps is Mexico where, in the period 2001–2, there was a massive relocation of “maquila” firms mainly to China, with the loss of 160,000 jobs in labour-intensive industries. Wage differentials between China and Mexico were one of the major considerations in this shift, and these pressures may explain the widening gender wage gap that has emerged in Mexico.

Firm mobility also makes it easier for firms to appropriate the gains of productivity growth, thus making the distribution of income between capital and labour more unequal. In the case of Bangladesh’s female-dominated garment industry, profit margins increased from 13 per cent to 24 per cent in the early 1990s as productivity rose, with the wage share of value-added falling, which signifies women’s lack of bargaining power vis-à-vis employers.

As is evident from this discussion, trade and investment liberalization are two differing but complementary aspects of the current period of globalization, although most studies analyse their effects separately. What is clear, however, is that the employment and wage effects of globalization imply a tendency for greater inclusion of women in the paid economy but under exploitative conditions, related to the intense competition amongst countries for labour-intensive export market share. Not surprisingly, there is evidence that the growth of exports of labour-intensive goods and economic growth has been most rapid in those countries that have the widest gender wage gaps. It is particularly significant that even in some of the most rapidly growing Asian economies, the discriminatory portions of wage gaps have not been reduced during this era of globalization. Indeed, part of the success of the East Asian “tigers” can be attributed to such gaps.

The benefits of women’s increased access to paid work are thus attenuated by the insecurity of such jobs and the limited power women possess in the jobs into which they are segregated to demand higher wages and better working conditions. While some women may experience improved bargaining power at home, as a result of their improved status as wage earners, for others, the insecurity and low wages do not translate into improved ability to renegotiate the distribution of labour and resources in the household.

SLOW GROWTH AND ECONOMIC VOLATILITY EFFECTS

While rapidly growing economies have witnessed an increase in female employment and thus women’s inclusion in the paid economy, there are also gendered implications in slow-growing economies, with women often at the back of the job queue. Slow growth has been linked to deflationary macroeconomic policies. These include monetary policy designed to rein in aggregate spending as a means to control inflation; cuts in public-sector spending to reduce budget deficits (which are perceived as inflationary); and increases in interest rates. In all cases, a major goal is to establish credibility with financial markets in order to attract financial capital, which is interested in receiving high rates of return on investment.

There is the danger, however, that the goal of attracting financial capital can come into conflict with development objectives, due to the negative effect such policies have on aggregate demand and GDP growth. There is some evidence that the deflationary bias of these policies outweighs the possible benefits of lower inflation, financial liberalization, and low public-sector deficits. Further, financial liberalization tends to contribute to the volatility of capital inflows and outflows,
which may amplify the ups and downs of the business cycle. The financial crises that have occurred over the past decade in Mexico, Asia, Russia, Brazil, Turkey and Argentina, with contagion effects on countries not initially implicated in the crises, have been linked to such volatility.

Gendered effects of deflationary macroeconomic policies

The deflationary bias in macroeconomic policy has direct implications for progress towards gender equality. The evidence from diverse regions is that slow growth and recessions have more serious negative effects on women than men.

In the Caribbean region, for example, which began liberalizing in the late 1970s, growth rates have been inadequate to provide sufficient employment. As a result, despite women’s high levels of education and the attractiveness of lower-cost female labour in export-intensive small open economies, women continue to face greater exclusion from employment than men. In most countries of the region, female unemployment rates exceed those of men, and in some cases they are almost double.

In Latin America, unemployment rose steadily in the 1990s, even though GDP growth rates improved. With regard to Uruguay, there is clear evidence of gender effects. The onset of inflation and crisis after the adoption of liberalization policies led to the emergence of unemployment as a significant problem, and the negative effect on women was greater than on men. Women’s unemployment rate almost doubled between the early 1970s and the 1980s, while men’s increased by half that amount. The gender effects of slow growth are masked when those who cannot find work take up self-employment or wage work in the informal economy, a phenomenon that affects women in particular, given that they constitute a higher share of informal-sector work despite their much lower share of the labour force. This trend is evident in Latin America (as elsewhere); the decline in formal-sector employment has been paralleled by the spread of informal employment.

In the transition economies, which formerly had high rates of female labour force participation, recent slow or negative rates of growth have resulted in particularly adverse implications for women. In Central Europe, for example, female labour-force participation rates have fallen absolutely, and in some countries, more than men’s. For example, in Hungary from 1990 to 2001, men’s participation rates declined 16 percentage points, compared with women’s decline of 23.5 percentage points. Unemployment rates for women exceed those of men by several percentage points in the Czech Republic and Poland, although not in Hungary. In the latter case, the female unemployment rate may be artificially low since women have withdrawn from the labour force by a greater margin than men (see chapter 5). Even in developed economies, and in particular in Western Europe, slow growth has resulted in increased unemployment that has affected women more than men.

Financial crisis, economic instability and gender

Mounting evidence indicates that women bear the brunt of financial and economic crises, both in the short and the longer term, as research-based evidence from the 1997 Asian crisis attests.

While the gendered employment effects of crises depend in the first instance on the particular sectors affected and the degree to which they constitute “women’s” or “men’s” work, women workers in general are particularly vulnerable to dismissal in times of economic downturn. They are often the first to lose their jobs, due to their less secure employment conditions and also due to discrimination based on the “male breadwinner bias”. During the Asian financial crisis, for example, women in the Republic of Korea were laid off at a rate twice that of men. The decline in total female employment was almost three percentage points greater than that of men (–6.9 per cent compared with –4.1 per cent). Among the category “regular workers”, the negative effects on women were even more evident. The numbers of female regular workers fell by 18.8 per cent, while the number of male regular workers fell by 6.6 per cent. Similarly in Thailand, women suffered greater job losses due to the economic downturn induced by the financial crisis.
The societal calamity that these financial crises produced was seen as highly gendered, for public expressions focused mainly on the woes of male workers, while women, who suffered a disproportionate share of job losses, were perceived mainly in their role as “carers”. This speaks to the tenuousness of the movement toward gender equity via liberalization. If employment gains are not secure and long-term, highly gendered job perceptions reassert themselves and turn back the clock on gender equality. Further, the very considerable reversals in poverty reduction achieved in preceding years in some Asian countries were undermined, affecting women in particular. Reductions in women’s incomes were more sharply felt, owing to falling real wages or lower earnings when shifting to informal-sector work in efforts to maintain a livelihood, in the absence of public welfare benefits and widespread unemployment benefit schemes.

Other impacts of such crises include the withdrawal of children, often young females, from education to assist with household tasks while the mother seeks income to make up for the household’s decline in earnings. Frequently this withdrawal is permanent, especially when educational charges are introduced to deal with budget deficits resulting from economic crisis. Gender gaps in educational enrolments are therefore reinforced, preventing the accumulation of female human capital and thus prejudicing women’s future earnings potential and keeping their economic productivity lower than it otherwise might be. It is at times of economic crisis that women’s unpaid labour and the “care” economy become both more obvious and more crucial, particularly in developing countries where the family functions as the surrogate social safety net or refuge of last resort. Under the prevailing gendered division of household labour, women have the main responsibility for the provision of family food security, health care, basic services such as water and energy and also “affective” care. While even during normal times in developing countries, the burden on women of stretching their energies between paid and the unpaid work is substantial, in times of economic crisis it becomes severe. The cost is not only in terms of women’s health and well-being but also in terms of micro and macroeconomic efficiency.

**FISCAL RETRENCHMENT**

The ability of low-income developing-country governments to fund public expenditure depends on domestic macroeconomic policy, and also on the cost of borrowing and the proportion of Official Development Assistance (ODA) given for budget support. Government ability to spend has come under increasing pressure from the international financial institutions as well as liberalized financial markets, which encourage tight fiscal policies involving the reduction of budget deficits to keep inflation low. Hence governments have to tailor expenditures to their ability to raise revenue, principally from domestic sources. Government tax revenues have been subject to contradictory pressures. In the context of trade liberalization, countries are encouraged to reduce trade taxes (tariffs and export duties), which in developing countries constitute on average one-third of government tax revenues. A second revenue-weakening effect of liberalization is tax competition. Global competitive pressures make governments wary of raising income and capital taxes for fear that foreign, or even national, capital will flee elsewhere. The tax base is also constrained by the increasing informalization of the economy. Hence, over and above the reduction of state revenues derived from international trade, tax reforms have included a reduction of income and capital taxes. Efforts to expand the tax base (to collect taxes from those previously not taxed or in compliance with tax laws) have also been made, although these have not been particularly successful partly due to the weak capacity of tax authorities. As a result many governments have increased sales and value-added taxes, regressive taxes which tend to hit the poor hardest.

The combined effect has often been a reduction in government resources for infrastructure spending, and for expenditures on social programmes and safety nets. There is also pressure to privatize government-owned enterprises, including those that provide public goods, such as water, electricity and telecommunications, with a concomitant reduction in public-sector employment. The gender effects of such policies are significant because the state is an important agent in redistributing resources and income.
The contradictory effects of globalization

While government fiscal capacity is constrained, globalization enhances the need for the development of infrastructure, investment in human capital, and mechanisms for social protection. Increased economic volatility and the reduced security of employment increase the turnover rate of labour, and thus the number of workers who are in transition, and women figure predominantly in this group. To cushion these negative effects, interim and in some cases long-term expenditures for unemployment insurance are required, as well as other forms of income support to ensure access to health care and adequate housing.

In addition to social protection, globalization also increases the need to invest in education and training to make sure that a country’s labour force is sufficiently adaptable to changing conditions of competition in a global environment. Because most workers do not have the resources to finance their own training and education, there is an increasing need for the state to provide the resources necessary for human capital investment.

Moreover, to make their country an attractive location for investment, governments must also invest in physical infrastructure. These public expenditures are in general complementary to private investment because they raise the productivity and thus the profitability of private firms. The East Asian economies of Taiwan Province of China and the Republic of Korea are examples of developing countries that have made significant investments in education (beyond the primary level), while Singapore, noted for a more hands-off approach to development, nevertheless made substantial public infrastructure investments, which led to substantial MNE investment.39

Gender effects of fiscal retrenchment

The gender effects of fiscal retrenchment operate mainly through the following four channels: (1) the distributional effects of tax reform; (2) the net effect of fiscal spending cuts on social safety nets and social welfare, with implications for women’s unpaid labour burden and their security of income; (3) the effect of fiscal retrenchment on female and male employment; and (4) the privatization of public utilities, enterprises, services and common property resources.

As mentioned earlier, financial liberalization places pressure on states to lower income taxes on corporations, as well as on the wealthy as a means to reduce capital flight and attract foreign capital. The result has been a shift of the tax burden from capital to labour. Further, the move to user fees and indirect taxes as a way to supplement tax shortfalls results in a more regressive tax structure, which demands that low-income households provide a disproportionate (to their income) share of the revenues raised through taxation.

Given the lower labour-force participation rates and lower earnings of employed women, the low rates of direct taxes clearly favour males, because they are higher income earners and more likely to be owners of companies or shares in corporations than women. Men constitute a stronger tax base and would have to pay more if the rate structure was more progressive and exemptions lower, and—most of all—if the laws were enforced. The same is true for the low share of total taxes coming from property taxes. The gendered effect of the shift to greater reliance on indirect taxes such as sales taxes is difficult to assess. To the extent that indirect taxes are regressive, which they clearly are in many countries, we can assume that women as lower income earners are more disadvantaged. Where the degree to which they are regressive is tempered through exclusions focused on basic goods and services in health and education, as in Costa Rica and Jamaica, the incidence is presumably more gender-neutral.40

Under conditions of globalization and market liberalization, it appears that the limits on the state’s ability to provide social expenditures and investment in infrastructure have become more pronounced. While the 1980s saw severe pressures on
public spending due to rising interest rates and costs of servicing external debt, there has been a lessening of those pressures in the 1990s. Still, total government expenditures as a share of GDP (which includes capital or infrastructure spending) increased only marginally (0.45 per cent) in low-income countries, while declining significantly in lower-middle-income countries (−12.8 per cent) and in upper-middle-income countries (−5.5 per cent). While there have been improvements in per capita social expenditures (education, health, social security and welfare) in the late 1990s, as the data in table 3.3 show, these expenditures as a share of GDP have declined in a number of developing countries. These negative trends are most pronounced in sub-Saharan Africa and in Eastern and Central Europe. Moreover, given the need for expanded social expenditures, some of the increases in expenditure noted here are insufficient.

Table 3.3 Social expenditure per capita in constant international prices, five-year averages (1975–1999)

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Low income</td>
<td></td>
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<tr>
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<td>Upper-middle income</td>
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<td>High income</td>
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<tr>
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<td>437</td>
<td>759</td>
<td>970</td>
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</tbody>
</table>

Note: Social expenditure comprises public expenditure on education, health, and social security and welfare. Income groups are based on World Bank 2004b. Some countries lack some years on the averages due to unavailability of the data. Numbers in bold indicate decreases in average per capita expenditures compared with the previous five-year average. Base year for constant prices is 1996. Sources: Calculated from IMF Government Finance Statistics (several years); Heston et al. 2002.
Governments have responded to fiscal pressures in various ways. In some instances social expenditures have been protected, but infrastructure spending has been forced to bear the brunt of revenue shortfalls. In others, social spending has also declined. This has impaired the ability of developing countries to promote human development, exacerbating the growing problem of inequality.

The need for public expenditure is even more pressing if the objective of achieving gender equality is to be taken seriously, with both the level and composition of public spending playing a crucial role. Women are often disadvantaged in labour and credit markets, making them more cash-constrained than men. Where women are responsible for financing their own and their children’s health and education (as in many parts of sub-Saharan Africa), when access to these services requires cash payment, the result can be particularly detrimental for women and children. If there are also gender biases in the intrahousehold distribution of resources, due to the gender-biased social norms that value boys more than girls, the result can be particularly disadvantageous for girls. State spending on education and health aiming to achieve gender equity in access to these services is an important means of improving female capabilities (see chapter 8).

Evidence from gender budget initiatives, designed to evaluate the effects on women and men of government expenditures, thus far suggest that cuts in public infrastructure spending have especially negative effects on women. Lack of access to clean water, for example, impacts more heavily on women, who are largely responsible for household management and care. Reduced government expenditures on health care, such as rural clinics and public hospitals, means that women’s unpaid care work increases. Negative health effects of excessive work can result (see chapter 8).

Downsizing of the government sector also negatively affects employment, and some studies indicate that women have been more negatively affected than men, though systematic evidence across countries and regions is lacking. In many cases women shift to service-sector work, frequently in the informal economy where the terms and conditions of work are adverse.

There has also been pressure to reduce social safety nets. And yet women even more than men are in need of social safety nets, due to their heavier representation in insecure jobs as well as their care responsibilities. Of course most social safety nets provide broader coverage to formal-sector full-time paid workers, thus excluding most women from coverage. To the extent that pressures to reduce budget deficits erode the coverage of such schemes, there is less protection for men, which reduces differences in coverage between men and women, but through “downward harmonization”. Nevertheless, and perhaps more importantly, as work becomes more insecure the state is less able to afford to smooth the income flows of its citizenry, and given the preponderance of women in informal and insecure work as well as in unpaid work, fiscal constraint acts as a major impediment to gender equality through “upward harmonization”.

Privatization

Privatization of services and the introduction of user fees for state services have been major thrusts of neoliberal agendas. Privatization is argued to promote economic efficiency, and can result in lower costs and higher quality for essential goods such as electricity and water, health care and education, while user fees are seen as a mechanism for financing state services.

The benefits of privatization for low-income groups and in particular women are, however, disputed for a variety of reasons. Through privatization, public-sector providers are replaced by private monopolies. The result has been lack of competition, evidenced by inflated prices, under-investment, intermittent supplies and exclusion of consumers unable to pay. Privatization may not even save public finance, when public money is spent on improving the efficiency of public-sector enterprises to make them more attractive to private buyers. The low rate of corporate taxation together with evidence of tax avoidance suggest that privatized entities are not likely to make much of a contribution to the public coffers.

The implications of privatization for the macro economy can only be assessed for each specific country, taking into account which state assets are privatized, the terms and conditions of
privatization, and the national and international economic climate. However there is widespread evidence of considerable short-term costs, and reason to think that the cost for women may be long-term. In Africa and Latin America, privatization has been more detrimental to women’s employment prospects. Experience shows that the poor are not effectively protected from user fees, as exemption systems rarely work in practice. Moreover in the area of public services, because the anticipated expansion of services has often not materialized, nor have fees fallen—in many cases they are higher—women frequently bear the burden of managing household budgets on less income and with fewer essential services.

GLOBAL ECONOMIC INTEGRATION AND WOMEN’S PARTICIPATION IN DECISION MAKING

The period of global economic integration has coincided with processes of democratization as well as decentralization of decision making. Such political transformations, to which women’s movements have contributed, can both increase the space for women in decision making and improve the accountability of governments to female constituents. Women’s greater access to political decision-making bodies in local political institutions, or as participants in advocacy groups, can thus improve their ability to effect gender-equitable change (see section 3). There is clear evidence of such changes in recent years, as numerous countries have passed legislation that can improve women’s lives, including laws against domestic violence as well as reform of family law. While these changes have indeed been beneficial, one area that has not seen improvement is women’s ability to influence economic policy. This is because advances in women’s access to decision-making bodies have coincided with a diminished opportunity for parliaments in particular to influence macroeconomic policy.

Note worthy in the reduced control of national governments over economic policy is the enlarged role of the international financial institutions in setting macroeconomic policies in economies that confront serious balance of payments difficulties due to adverse trade balances or capital flows. In such contexts these organizations directly influence, and often set, policy by influencing exchange rates, public-sector spending levels, and rules that affect liberalization of trade and capital flows. They are able to enforce their policy programmes by withholding needed balance of payments support and other aid, subjecting developing countries to pariah status in international markets should their governments default on their external debts. The irony is that the shift in power to these global institutions tends to subvert national control at a time when women are making noteworthy advances in gaining access to parliamentary seats.

In addition to their influence over national macroeconomic variables, these organizations have also pushed for central bank independence—that is, giving central banks the ability to maintain the value and stability of the domestic currency, free from pressure from the central government to pursue other goals such as full employment or industrial development. Independent central banks have increasingly pursued inflation targeting as the primary, even single, focus to the exclusion of other goals that might promote development and well-being. The independence of central banks can weaken democratic accountability by insulating critical centres of policy decision making from participatory processes and public debates over the ideal inflation target and other critical policy choices.

Debate over targets can be contentious, with many economists arguing for example that the goal of low inflation produces costs that far outweigh the benefits. While monetary restraint may keep inflation low, which can be beneficial to consumers and to financial investors who desire higher real rates of return on investment, the costs are felt in higher unemployment rates. Indeed, even World Bank economists note that there is little empirical evidence that inflation under 40 per cent annually has a negative effect on growth. And yet central banks often pursue inflation targets that are close to zero, with negative effects in terms of lost employment and income. In the absence of greater public debate and decision making on these matters, a second-best option would be for the governing bodies of independent central banks to embrace a more diverse set of social interests, including those of women.
Notes

2. UN 1999; Deere 2004.
27. Standing 1997; ILO 2002b.
34. Elson and Cagatay 2000.
42. Zammit 2003.
43. Van der Hoeven 2000.
47. Bruno and Easterly 1996.
The preceding chapters underscore that neoliberal policies and globalization produce contradictory effects on individual well-being. While under current rules of liberalization, capital becomes increasingly less encumbered by national rules and constraints, there are contradictory effects on productivity growth and standards of living. Although competition might stimulate productivity, this is not guaranteed since increased firm bargaining power can allow firms to rely on low wages to reduce costs instead of embarking on innovation. Furthermore, the public sector's ability to manage the process of growth and development can become more limited. In this process, women can benefit from employment possibilities that heretofore had not existed, but at the same time they are confronted with a macroeconomic environment that is more volatile than before, and there is little social protection. How have gender gaps in well-being changed during the era of liberalization and outward-oriented growth? Further, do those countries that grow more rapidly do better in closing gender gaps?

To answer these questions requires a method of evaluating gendered well-being. Measures of average income are inadequate because they most often use the household as the unit of analysis, and assume equal sharing of household resources between males and females; they are not therefore a good measure for tracking changes in women's access to household income. Furthermore, macroeconomic aggregates such as gross domestic product (GDP) per capita do not take into account unpaid labour, which is largely undertaken by women. In any case, well-being is more extensive than can be measured by a money metric. These concerns have resulted in a profound transformation in the way that gendered well-being is conceptualized.

The newer frameworks for evaluating trends in gender well-being bear some similarity to the human development approach. In that approach, development is conceptualized as the broadening of people's choices, created by expanding “capabilities”. Central to the notion of capability is the ability to live a long and healthy life, to be well nourished and clothed, to be knowledgeable, to have access to the resources and opportunities that ensure an adequate standard of living. Other less quantifiable capabilities include the ability to have self-esteem, to be treated with dignity, to be able to be connected—that is to be able to care, to be cared for, and to be free of systematic social exclusion due to discrimination or other factors. It includes too the freedom to have a voice in economic, social and political arenas: to be empowered and to exhibit agency. In this approach, inequality is seen as an “unfreedom” because it contributes to social exclusion and can lead to disempowerment, lack of political and economic voice, and possibly to a degradation of other basic capabilities. This concept of well-being is complex, extending beyond the material realm, which makes translation into measurable indicators a challenging prospect.

Most gendered analyses of well-being evaluate not only women's absolute status, but also their status relative to men: that is, the degree of gender inequality in well-being. Measures of female well-being relative to men's are useful because the gaps both affect and reflect power dynamics that influence the process of resource distribution. Gender wage inequality, for example, can contribute to unequal bargaining power within the household and thus an unequal distribution of family...
resources, and this condition, as a result, can affect women’s absolute level of well-being. This implies that measures of both absolute and relative well-being are necessary, not only to capture status at a point in time, but also to illuminate the potential for change in a positive direction over time.

Research on gender equity in well-being focuses assessments on three distinct but interrelated domains: capabilities, access to resources and opportunities, and empowerment. In empirical research to date, capabilities are more narrowly defined than in the human development literature, and capture basic human abilities as measured through indicators of health, education and nutrition. The second domain refers to equality of access to resources (such as credit, land and property) and to opportunities for generating income (such as through participation in labour markets). Finally, empowerment refers to the ability to make choices from a meaningful set of alternatives that can alter outcomes, and is meant to reflect the degree of participation relative to men in deliberative bodies as agents of change.2

INDICATORS AND MEASUREMENT

In practice the selection of indicators is shaped by data availability, although in some instances this difficulty can be overcome by using more easily quantifiable proxies. In the category of capabilities, educational attainment and enrolment ratios are important indicators, along with measures of life expectancy and sex ratios in the population. Additionally, measures of maternal mortality may be used: this is narrower because it captures women’s absolute status, rather than gender inequality. Indicators of health and education are markers of capabilities that have intrinsic value and are also the preconditions for participation in provisioning and decision making.

There are many serious concerns about the existing data sets. For example, the ratio of girls to boys in schools reflects educational inputs into children, but this is not strongly correlated with completion rates, and does not reflect the quality of education and student learning.3 Completion rates are not, however, as widely available as enrolment ratios. While overall life expectancy is useful as a measure of well-being, the use of male and female life expectancy to capture gender differentials in well-being masks age-specific differentials in mortality. In India, for example, the higher life expectancy of women is largely the consequence of the greater survival chance of older women, which “more than compensates (mathematically speaking) for the lower survival of younger females”.4

Data problems to do with reliability and comparability are as limiting in the area of social indicators as they are in the case of economic data. Very few developing countries, for example, have comprehensive and reliable systems, for registering vital statistics (that is, births and deaths) from which demographic profiles can be obtained, India being perhaps an exception. And even for those with complete registration systems the estimates of mortality and life expectancy produced by international agencies may not be accurate because of the overuse of model life tables.5 Many of the statistics used for estimating under-five mortality are based on mathematical models rather than on up-to-date data.6

Data challenges also make it difficult to assess gender equality in access to resources and opportunities. The measures most frequently relied on are labour market data, including labour-force participation rates and employment rates. The scarcity of data on unemployment, hours of paid and unpaid work, security of employment and wages makes it difficult to gain a complete and reliable picture of income-generating opportunities in labour markets. Ideally, such data would be combined with information on job segregation to paint a more complete portrait of gender gaps in opportunities. Of all of these variables, what are most needed are improved data on gender wage gaps in different industries and occupational categories, and on unemployment, for measuring status in labour markets. For countries in which income is generated by other means, such as through small-holder farming, information on the extent of women’s access to, and control over, land, labour, capital and crops would be useful but is not widely available. All of this suggests that we only have a partial picture from which to infer trends in access to resources and opportunities.

Empowerment reflects a dynamic process, with power exercised in a variety of settings, including in the household, in the...
economic, legal and political arenas, and in cultural institutions (such as religious bodies). As yet, the development of measures of empowerment is at an early stage, rendering difficult the quantitative analysis of trends. It is also intrinsically difficult to capture processes of social change, such as empowerment, through indicators. Measurement of empowerment cross-nationally and over time therefore has to rely on innovative proxies to capture the ability of women to make meaningful choices and to influence decision making. It is most frequently tracked as the female share of parliamentary seats, one of the few measures for which global data are available. The indicator is imperfect since it says little about whether women in parliament can make an impact on the shape and content of policies. However, as noted earlier, the economic power of national political bodies has, in some countries at least, been circumscribed in the period of global economic integration.

Other measures of empowerment have been used, though less broadly. For example, the age of women and men at first marriage reflects bargaining power in the household, and this has implications for resource distribution and opportunities. This indicator is salient in a number of developing countries that tend to be agriculturally based, but may not be broadly relevant for global comparisons of trends in well-being. Women’s economic empowerment is also sometimes represented by their share of executive and managerial positions. There is limited data on this variable, however, and it may be more relevant in countries with extensive labour markets, than in countries with large agricultural sectors. Violence against women is also now recognized as a measure of dis-empowerment. Such violence is a barrier to women’s use of capabilities or access to opportunities. Worldwide, it has been estimated that violence against women is as serious a cause of death as cancer among women of reproductive age. While accurate data on violence against women could tell us a good deal about women’s status and well-being, efforts to measure this variable are constrained by serious under-reporting, as well as difficulties in disaggregating acts of violence into specific acts. Thus while little comparable cross-national data is available, efforts are being made to address this gap.

Progress in closing gender gaps in well-being

Analyses of well-being have to take into account that, while there may be progress in one domain, there may be lags or setbacks in others. Thus, assessments of well-being need to evaluate progress not only on individual indicators, but also across a wide spectrum of measures in the three domains, in order to achieve a more comprehensive picture of women’s relative status. It is, however, useful to review the evidence on the three domains separately before turning to an analysis of the composite state of gender equality of well-being.

Trends in capability gaps

Several UN reports have assessed trends in life expectancy and education and observed the narrowing of gender gaps. There are notable exceptions. Female to male secondary enrolment ratios have declined in a number of countries in recent years, including in Central and West Asia (seven countries), sub-Saharan Africa (10 countries), Eastern Europe (six countries), Latin America and the Caribbean (six countries), and Asia and the Pacific (two countries). This is a disturbing and perplexing finding, contradicting the notion that progress toward gender equity is a positive though slow-moving process due to change in social norms and institutional rules that disadvantage women. That there are substantial reversals in a short period of time suggests that positive changes are not stable or enduring. These reversals require scrutiny to understand more fully the dynamics that can undermine progress.

As further evidence of the persistence of gender inequality, several recent studies have found that the ratio of females to males in the population has declined in a number countries, including in several with rising per capita GDP—China, India and the Republic of Korea—as well as in several Latin American countries. The causes for the declines are varied. Low sex ratios often reflect excess female infant and child mortality, primarily due to sex bias in access to health care. But, in some
countries at least, they seem to reflect sex-selective abortion, especially of higher-order daughters. This underscores the notion that growth is not sufficient to improve women’s status, and indeed that, in spite of growth, women’s relative status can worsen.

Further, dismal statistics from Africa and Asia on death, disabilities and chronic illness related to preventable complications during pregnancy or childbirth underscore that women continue to lack access to essential and emergency obstetric care, as well as more comprehensive reproductive health services. In addition to these problems, HIV/AIDS has developed into a serious health threat in Africa, with women’s infection rate exceeding that of men: they comprise 55 per cent of infected persons. This underscores the continued power differential between women and men, with women frequently unable to protect themselves from sexual encounters or to ensure that those encounters are safe. The epidemic puts heavy costs on women in terms of care work. Increasingly, older female family members are left to care for orphaned children.

In contrast to these statistics, there are numerous cases in which women have surpassed men in various categories of capability. The most frequently discussed are cases where female enrolment rates in educational establishments now exceed those of men. One analysis showed that 72 of 191 countries in 1999/2000 had female to male secondary enrolment ratios of one or greater, implying gender parity or a reverse gap in favour of females at the secondary level. On its own, this statistic might suggest greater gender equality and improvements in female absolute well-being. Other data, however, belie that interpretation. For example, of these 72 countries, only one-third have high rates of female enrolment (above 90 per cent). Further, in a number of countries, particularly in the Caribbean, ratios of greater than 1 reflect male departure from schooling at an earlier age, for different reasons including the availability of lucrative income-earning activities—for some at least.

In sum, while there is evidence of progress towards closing gender gaps, especially in education, it is noteworthy that in a number of countries, gender gaps in secondary school enrolments have widened over the last decade. Evidence of widening gaps in female to male population ratios likewise signals that progress is uneven and indeed reversible.

Trends in gender differences in access to opportunities and resources

The translation of capabilities into access to opportunities is not automatic, especially in slow-growth economies where social tensions may emerge over a small and sometimes shrinking economic pie. Gender norms in those cases can play an important part in influencing the distribution of resources and jobs. Data from the 1995–7 World Values Surveys, for example, showed a significant percentage of men (40 per cent compared with 32 per cent for women) agreeing that when jobs are scarce, men have more right to existing job slots than women.

Such gender norms are apparent in Latin America and the Caribbean, where from 1990 to 2002, of 18 countries for which data are available, 13 experienced increases in unemployment. In all but three of those countries, women bore the brunt, with unemployment rates rising by a larger margin for women than for men. Unemployment data do not suffice to evaluate gender gaps in access to opportunities. This is in part because unemployment data are scarce, but it is also because women’s constrained access to paid work often results in their withdrawing from the labour force, leading to artificially low female unemployment rates. Further, women may move into informal work as “self-employed” workers. In reality, much of this type of work is disguised unemployment, although data are lacking to estimate the extent of the problem. We may infer, though, that the existing unemployment data are a minimum estimate of lack of access to reasonably remunerated work. Women’s real unemployment rates are likely to be higher, given their greater representation in poorly remunerated, makeshift work in the informal economy.

Another measure of women’s relative access to opportunities is the female share of paid employment. This measure does not completely overcome the data weaknesses just noted. Nevertheless, it does capture those who work for a wage (in contrast to the self-employed). Here, there are strong indications that women’s relative access to paid work has increased in a number of countries, although progress is not even, and there are again some reversals. A report on progress towards meeting Goal 3 of the Millennium Development Goals—to promote
gender equality and empower women—found, for example, that of 124 countries that have data for 1990 and 2002, 81 had increases in the female share of non-agricultural employment and 30 had declines. Figure 4.1 provides data on women’s share of waged work for 1990 and 2002. Particularly notable are those regions in which women’s share of non-agricultural wage employment lies below 25 per cent, a challenge that is particularly evident still in some countries of South Asia, West Asia, and Africa.
As noted in chapter 3, declines in the female share of manufacturing jobs are also apparent in mature semi-industrialized economies, starting around the early 1990s. Slow growth or a decline in the female share of job openings in the manufacturing sector has led women to either withdraw from the labour force or move into service-sector work. The degree to which the shift to service-sector employment provides decent work remains unclear, however. In some cases, well-educated women have moved into financial services employment, where work conditions tend to be favourable. Employment has also expanded in export service-sector jobs, such as informatics, data possessing and call centres. While work conditions sometimes appear more favourable than in export manufacturing, the downward pressure on wages in these jobs is similar to export manufacturing-sector jobs, insofar as competition amongst developing countries places serious limits on women's bargaining power and wages.

Another export service-sector industry—tourism—has begun to absorb significant numbers of female workers. While conditions may be favourable in formal-sector jobs, work is often seasonal and insecure. Still other women, particularly those with a secondary education or less who cannot find manufacturing employment, take up informal work in the services sector, which in some cases is precarious and badly paid, or depends on “self-employment” on any terms.

Data on agricultural employment is sparse, but there is some evidence that the female share of employment in that sector has increased. In part, this may be due to the expansion of high-value agricultural export crops in different regions, including Asia, sub-Saharan Africa and especially Latin America, with women frequently serving as temporary wage labourers (see chapter 6). In other countries, including in Central America and some African countries, male migration has increased the number of female household heads and female participation in agriculture (see chapter 6). The impact on women’s overall labour burden in such cases is likely to be severe. This underlines the fact that a simple increase in female share of employment is not a sure indicator of improvement in women’s situation.

While wage-gap data would be useful in assessing women’s relative opportunities, the scarcity of such data makes a complete analysis impossible. From the data that do exist, there is evidence of a narrowing of gender wage gaps in a large number of countries as noted in the previous chapter, with notable exceptions. However, given the closure of education gaps, the reduction in the gap between female and male wages is not necessarily a result of a decline in discrimination. Indeed, simple female-to-male wage ratios can mask an increase in female exploitation. As the previous chapter indicated, country-level studies that isolate the effects of trade liberalization find that the discriminatory portion of wage gaps is rising in a number of countries. The evidence of greater gender wage exploitation in some rapidly growing economies, including China and Viet Nam as well as wider gaps in Chile, tells a cautionary tale about the benefits of trade liberalization for women’s relative well-being.

Table 4.1 provides data on selected indicators of well-being for Latin America, the Caribbean and Asia. This is a useful comparison as the Latin America region has been plagued by slow growth over the last two decades while Asian economies, with few exceptions, have had rapid growth, and many of these countries have chosen to follow the managed-market rather than the neoliberal model. The data indicate that in two areas—fertility and labour-force participation—there have been improvements in gender equity in well-being. For all other indicators, however, there have been reversals in both slow and in rapidly growing economies. For example, in 8 out of 21 countries, female-to-male population ratios fell. Secondary school enrolment ratios also declined in several countries. Particularly noteworthy is the worsening gap between female and male unemployment rates, observed in 14 countries in this group. This contrasts with the rising ratio of female-to-male labour-force participation rates, and suggests that while more women may be seeking employment, a smaller proportion of women than men are able to find employment.

Empowerment trends

Most of the indicators used to measure empowerment are proxies, often imperfect ones, that can lend some insight into the degree of change in women’s ability to influence decision making on matters that have an impact on their own lives as well as those of others. The most frequently used is female share of parliamentary seats.
We might expect that as women gain capabilities and opportunities in other domains, this will improve their status as well as their ability to move into decision-making bodies within economic and political institutions. There have been some other innovations in measuring empowerment across a broad range of countries, including contraceptive prevalence, and various databases that assess women’s political rights (measured as the right to vote and participate in the political system equally with men) and social rights (the right to equal inheritance, and equal power to enter into a relationship of choice with a partner).

Using the data that is widely available, a variety of UN reports find that female share of parliamentary seats has increased in

### Table 4.1 Changes in indicators of gender equality in well-being (1970–1999)

<table>
<thead>
<tr>
<th>Country</th>
<th>F/M population ratio (1)</th>
<th>Fertility</th>
<th>Ratio F/M secondary school enrolment</th>
<th>Ratio F/M total yrs. educational attainment</th>
<th>Female share of labour force</th>
<th>Female share of non-agricultural employment (2)</th>
<th>Ratio F/M unemployment rate (2)</th>
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</thead>
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<td>7.84</td>
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<td>–0.08</td>
<td>3.16</td>
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Notes: Changes in indicators are calculated as the difference between the value of the indicator in 1999 and its value in 1970 (unless other dates are specified). For instance in Argentina, the ratio of females to males in the population increased by 0.05 points (from 0.99 in 1970 to 1.04 in 1999).

1. Population ratio is defined in this case as number of females/number of males.
2. Data for change in female share of non–agricultural employment are from 1990 to 2000 or closest year available.
3. Data for change in ratio of female to male unemployment rates are from 1990 to 1999.
4. Data are for change in ratio from 1993 to 1999.

Sources: Seguino 2003a, 2002; ECLAC 2004; World Bank 2004b; ILO 2004b.
many countries (see section 3). While this progress is gratifying, there have been numerous cases of reversals, emphasizing once again that progress towards gender equality is not necessarily permanent or stable, and that gains can be tenuous. The data further indicate that progress is unrelated to the level of per capita GDP of a country, which is a widely used indicator of growth and development. As a case in point, between 1995 and 2004 the female share of parliamentary seats declined marginally in China, despite its rapid rates of economic growth, while those in many sub-Saharan African countries rose considerably over the same period in the context of economic stagnation.

Given that multilateral financial institutions have considerable influence over national economic policies, the power of parliaments to determine these matters is often circumscribed, particularly now that many countries are committed to the legally binding Uruguay Round Agreements under the World Trade Organization (WTO) concerning trade-related matters. The World Bank, however, has made efforts to improve participation in policy decision making through Poverty Reduction Strategy Papers (PRSPs). More specifically, in return for financial assistance developing country governments are expected to prepare a poverty reduction strategy, to specify the budgetary resources needed to implement it, and to establish a monitoring framework for assessing the achievement of strategic goals. This strategy is to be developed by the government in consultation with civil society.

Although the PRSPs are to be developed through a process of consultation, criticisms of the participatory nature of this process have been noted. Often national legislatures are not involved in decisions on the policy content of these strategies, and some observers argue that civil society participation does not translate into influence. It has been observed that generally there is a very low level of consultation with women’s groups throughout the PRSP process, limiting women’s agency in decision making. Rather than facilitating democratic debate on macroeconomic policies, these documents often incorporate the macroeconomic policies that the IMF has set for borrowing countries.22

A review by the World Bank’s Gender Division of 15 Interim PRSPs (I-PRSPs) and three PRSPs completed by early 2001 found that less than half discussed gender issues in any detail in their diagnosis of poverty. Even fewer integrated gender analysis into their poverty reduction strategy, resource allocation, and monitoring and evaluation sections. Gender issues were, however, better integrated into the health, nutrition and population sectors, and to some extent in education. But gender did not feature as an issue in macroeconomic and development policy. Similar findings are reported in independent evaluations of PRSPs.23

Given the important effect of macroeconomic policy on gender outcomes and the limited space for negotiating the World Bank and IMF basic policy prescriptions, PRSPs do not at present appear to be a fruitful avenue for women’s empowerment.

MACROECONOMIC STRATEGIES FOR GENDER-EQUITABLE DEVELOPMENT

Movement toward gender equity in well-being requires strategies that enhance women’s capabilities and opportunities to provide for themselves and their families. In achieving both capability and livelihood goals, the aim is to raise both women’s absolute well-being, and also their well-being relative to men, partly so as to improve their bargaining power in the household and in other social institutions. It would be reasonable to expect that improvements in women’s well-being and a reduction in various gender inequalities are most likely to be achieved when there are relatively rapid economic growth, macroeconomic stability, a favourable external economic environment, expanding formal employment opportunities, redistributive taxation and public spending, and social policies that favour women.

Improving women’s well-being and reducing gender equality: Would faster economic growth be enough?

The significant progress that has been made in some domains of well-being, and the failure to achieve sufficient progress in others, make it imperative to understand the factors that have
contributed to closure of gender gaps in well-being. In particular, have gender gaps closed as a result of globalization and employment trends, or have other factors, such as pro-equality political and social movements, been major factors? A number of studies have attempted to sort out the causal mechanisms that have led to changes in indicators of well-being.

With regard to the impact of globalization, advocates have argued that women’s well-being is a beneficiary of the policy shift to liberalization and global economic integration. The primary effect, it is often argued, will be felt through increased female access to employment, as well as the more rapid growth experienced through letting markets “get prices right”. The World Bank, a major proponent of this view, claims that countries with higher levels of per capita GDP have greater gender equality. The policy implication, according to the World Bank, is that the promotion of economic growth via liberalization is an important tool for closing gender gaps in well-being.

However, the World Bank’s analysis does not take into account the fact that the recent period of global economic integration has not had a positive effect on economic growth (see chapter 2). Moreover, its argument is founded on a rather limited empirical base, namely that there is a positive relationship between improved gender ratios of secondary school enrolments and life expectancy on the one hand, and per capita GDP on the other. It does not evaluate the effects of economic development and growth on the more “economic” aspects of women’s well-being, such as the female share of employment, gender wage gaps, or other variables that measure women’s relative access to income.

In particular, the World Bank’s analysis misses the point that most of the gains in per capita GDP (except for some Asian economies) occurred in the pre-globalization era. As a result, the data merely show a relationship between growth in the pre-globalization era and gender equity in capabilities today, and tell us nothing about how current macro level policies are likely to affect well-being.

The information that can be derived from using a single indicator of well-being is clearly limited. Furthermore, taking one category of indicators for tracking progress in women’s well-being over time is also limited. This is because, while there may be improvements in some domains of well-being, this can coincide with reversals in others. Composite measures of well-being that sum across the three domains of capabilities, opportunities and empowerment have therefore been developed for this purpose, and to allow international comparisons. Several measures are currently in use.

The Gender Development Index (GDI) has been widely used, and is based on an adjustment to the Human Development Index (HDI), reflecting the degree of gender inequality. In particular, the HDI rankings—based on measures of life expectancy, education and per capita GDP—are “penalized”, or adjusted downwards, for the degree of gender inequality in basic capabilities. In this sense, the GDI is not a measure of gender inequality as such, but rather a human development measure that takes into account gender gaps in well-being. The strong influence of GDP on the HDI and GDI dilutes the ability of the GDI to capture gender inequality; thus, this measure fails to escape the tyranny of GDP in evaluating well-being. A second composite measure, used by the United Nations Development Programme (UNDP), is the Gender Empowerment Measure (GEM), which captures the extent of gender equality in economic and political power. Although it is distinctive from the GDI (which is focused primarily on basic capabilities and living standards), the GEM is also weighted by per capita GDP, and thus open to the same criticisms as the GDI.

Newer approaches to composite indices have been developed, based exclusively on measures of gender gaps in capabilities, opportunities and empowerment. One such composite index, the Standardized Indicator of Gender Equality (SIGE), draws on five measures of relative well-being: (1) education, measured as literacy ratios and primary and secondary enrolment ratios; (2) ratio of female to male life expectancy; (3) relative labour force participation rates; (4) female share of technical and professional, and administrative and managerial, positions; and (5) female share of parliamentary seats.

Using this more comprehensive composite measure of well-being, one study explores the relationship between the composite index of gender equality SIGE and GDP growth rates from 1975 to 1995 for 95 countries clustered into four groups (or quartiles), ranging from the poorest to the richest in terms of per capita income. Generally speaking, the economic struc-
ture within each group is roughly similar and, as a rule of thumb, the higher the per capita GDP, the more industrialized the countries in the group. This method of clustering countries by per capita GDP is a useful way to gauge the relationship between gender and growth by level of development, because the role of women in the economy differs by economic structure, and so we can expect that the influence of growth on gender equity will also vary. Correlating GDP growth rates for the period 1975–95 and the composite well-being index in the respective groups of countries to ascertain the extent to which higher growth rates produce better performance in achieving greater gender equality, the study finds mixed results. There is a positive correlation only for the third-highest and the highest income countries, while there is a negative relationship between growth and gender equality in well-being in the lowest and the second-highest income groups. This suggests that in the latter two groups (that is, the poorest countries in terms of GDP per capita, largely comprising agricultural economies with a primary commodity export dependency, and the Asian and Latin American semi industrialized economies) the countries that grew the most rapidly from 1975 to 1995 during this period of increasing global economic integration had the worst performance in terms of gender equality.

Similar findings emerge from the few regional studies that have been recently undertaken on this subject. In Latin America and the Caribbean, while some gaps in well-being have narrowed, progress is uneven across a set of nine indicators, and in some cases conditions have worsened. Where it has occurred, economic growth has not exhibited a beneficial effect on gender equality, and instead appears to exert a negative effect on some indicators. Conversely, growth in government expenditures and female share of the labour force exert a positive effect. In Asia, there is evidence that those countries that have performed the best at closing gender gaps in well-being, measured with a composite index, had the fastest rates of economic growth during the period 1970 to 1990.27

All of these results need to be considered with caution, particularly bearing in mind the frail databases on which the indicators are based. Moreover, association between different phenomena (captured through correlations) does not necessarily infer causality, and may in fact be linked to some other unidentified third relationship. Nevertheless these results provide further evidence for the various arguments that suggest that economic growth and structural change are not sufficient in themselves to promote gender equality. Only better datasets and continuing research and analysis can provide a more definitive answer.

More policy instruments to improve gender equality

As in all successful macroeconomic policy formulation, the development of gender-equitable macroeconomic policy is in some sense an art, in that no simple recipe exists. The actual policy choices made, the intensity with which different parts of the same policy package are pursued, and their sequencing, will depend on a wide range of factors. These include the history of individual countries and the absorption of historical experience into political, social and economic structures; the position of individual counties in the global order; and the constellation of social and political forces. Any proposal for alternatives must therefore avoid the error of prescribing “one size fits all” remedies as orthodox approaches have sought to do.

Nevertheless, a report such as this can usefully focus attention on widely shared objectives, and reinforce the view that there is a wide range of policy instruments for different political actors to choose from, depending on their circumstances. Moreover, as a general principle, policies adopted must be sensitive to issues of production, distribution and social protection, and their gendered demands and implications. In thinking about policies in each of these spheres, it is important to bear in mind that an important determinant of success is the exploitation of affinities, so that policies work in the same direction, or at least do not work at cross-purposes.

This said, there are some clear guiding principles. At a minimum, effective policy requires that the number of policy instruments must be at least as many as the objectives being pursued. It demands a creative blend of strategies that ensure the benefits of regulation without undermining the potential gains of market liberalization. This is based on the recognition that, under the right conditions, liberalization can produce benefits in the form of increased efficiency and opportunities, but it also involves economic and social costs.
The role of regulation is to reduce those costs sufficiently that the net effect is a macroeconomic environment in which capital has the flexibility to produce higher standards of living, but without imposing costs on vulnerable groups. Moreover, where certain groups do not share in the benefits or find their situation considerably worsened, the state needs the necessary room to manoeuvre so as to provide effective mechanisms for social protection. As has been noted, the macroeconomic policies of the last two decades have not only reduced dramatically the number of policy instruments available to the state, they have also reduced the capacities of states and the instruments available to deal with the adverse social consequences.

Clearly, if a broad agenda that places gender equality at the core of policies of economic development and structural change is to be adopted, then there is a need for a wide range of instruments, including some that are specifically designed to address gender-based inequalities and constraints.

It is clear from the discussion in these first three chapters regarding macroeconomics and gender that the orthodox or neoliberal policy approach of tight monetary and fiscal policies, and free trade and capital flows, has not provided a conducive environment for either widespread development or extensive improvements in gender well-being and greater gender equality. There is growing body of support among economists for alternative macroeconomic policies that, while aiming for macroeconomic stability, take more heed of development and social goals. Changes in policy direction would include monetary and fiscal policies that are more expansionary, taxation policies that provide governments with adequate revenues to fund social expenditures and repair the erosion of the protective capacity of the state, policies that pursue selective strategic liberalization of capital flows and trade, and regulation of capital flows so to avoid excessive volatility in employment and exchange rates. More precisely, trade and foreign direct investment (FDI) policy must serve as a tool of development, rather than to pursue the liberalization of trade and capital flows as ends in themselves.

Moreover, a variety of policy measures often referred to as “industrial policy” are essential to promote transition from an economy tied to the vagaries and limitations of over-emphasis on the production and export of commodities and labour-intensive low-value manufactures. Policy measures that help to overcome these constraints include market protection, selective promotion of goods which are likely to be in increasing as world’s demand income rises, subsidizing research and development, selective credit allocation, measures to foster intersectoral linkages, labour market and other policies to enhance human capital formation.

If developing countries are to be able to choose from a wider box of policy tools, changes will be required in the trade and trade-related rules embodied in the Uruguay Round Agreements. The latter restrict the range of policy choice and prevent developing countries from employing a number of policy instruments that would promote their industrial development, when in fact what they most need is greater policy “space”.

In addition, bearing in mind that the policies of advanced industrial countries exert a considerable influence over the development prospects of developing countries, the former also need to effect substantial changes in policy, including raising their rate of growth so to raise the level of world aggregate demand, and dismantling the protection of their markets and the heavy subsidization of agricultural products, which results in the “dumping” of these products in other markets, particularly to the detriment of developing countries.

Nevertheless, such changes in macro and meso policy, while more likely to foster growth, development and structural change, are not guaranteed in and of themselves to improve women’s well-being or, more particularly, to promote rapid progress in gender equality. This can only come about if a thorough gender analysis penetrates all levels and branches of government policy making, in order both to detect the gender implications of strategies and policies, and to ascertain at what level or point gender-equitable policy interventions are feasible and effective.

That changes in the macroeconomic framework will not necessarily effect substantial improvement in key aspects of women’s well-being becomes evident when one considers labour markets. Labour markets differ significantly from other markets, if only because the labour traded is that of sentient human beings with all their socially constructed identities. It is in this market that gender segmentation, reflecting social values and norms, is most vivid. In many societies the labour market is also
the point of entry to many social rights, social integration, and sense of self-worth and dignity.

The extent to which economic growth, structural change and technological upgrading expand women’s work opportunities and income-generating capacity depends on two crucial factors. First, it depends on the erosion of norms and removal of discriminations that account for the persistence of gender segmentation in labour markets. But it is also depends on the removal of structural constraints on women’s ability to take up widening labour market opportunities. Among the most important of these constraints are women’s relative lack of education and appropriate skills, and their relatively greater responsibility for the provision of unpaid care. In sum, from a gender perspective, effective labour-market policies must involve more than simply creating more jobs.

If gender inequalities in labour markets are to be rectified, society as a whole has to seek specific means of both progressing towards a better balance between the provision of unpaid care and paid labour, and facilitating greater gender equality in both domains. As section 2 of this report shows, this remains a challenge even in many advanced industrialized countries.

Furthermore, if economic growth is to be broadly shared, it is necessary to introduce a set of labour market policies and related interventions that can affect working conditions in both the formal and informal employment situations. These should not only enhance the capabilities of workers to capture some of the gains, but also rectify gender imbalances and discriminatory practices. Such policies would involve the improvement of core labour standards (which include the prohibition of all forms of discrimination and the principle of equal pay for work of equal value), and the creation of decent conditions of work which include the right to social protection for all workers, formal and informal, and the evolution of “family-friendly” workplace practices. These issues are discussed in the next section of the report.

Government, at both the national and local level, represents a critical locus of resources with which to promote gender equity through expenditures that, for example, expand women’s capabilities. Nevertheless, faster growth together with taxation policies that generate higher levels of government income (and are gender-sensitive to the extent possible) do not necessarily lead to a more gender-equitable use of these resources. To ensure that there is greater gender parity in expenditures on education and health, for example, and that women benefit from mechanisms promoting social security, gender-policy objectives have to be set, and mechanisms put in place, to guarantee that public expenditures are targeted to these areas, and to the provision of infrastructure and services that contribute to a reduction in women’s unpaid labour time.

An increased female presence in governmental bodies can contribute to greater government accountability to gender interests. Gender-responsive budget audits are also a means to promote equity. Budget audits can be used to review and analyse national budgets and expenditures to determine which groups benefit from fiscal policies, and whether there are inbuilt biases against women, especially those from low-income families. In these efforts, the ultimate objective is to make macroeconomic policy, and in particular public expenditures, responsive to the needs of women.

Gender budget audits can also examine the likely feedback effects of public expenditures on unpaid work. For example, health care expenditures may be found to redound on women’s unpaid labour time. The implementation of user fees for essential goods such as water and electricity may have similar effects. Gender budget audits thus make more transparent the gender effects of such policies, permitting a broader social debate and awareness of the effects of such policy choices. As such, they can serve as an important tool to ensure that public expenditures promote gender equity.

Finally, these changes depend on women’s mobilization in different circles and with different objectives. Pressing the ethical or human rights case is not enough, nor is presentation of empirical evidence of gender disparities in capabilities, opportunities and outcomes. In order to improve the prospects for improving women’s well-being and achieving gender equality, women’s case must be build on rigorous analysis, a clear vision of where appropriate policy interventions need to be made, and effective mobilization demanding states deliver on policy promises to do with gender equality.
Notes

1 Sen 1985, 1999; Nussbaum 2000; Agarwal et al. 2003; Razavi 2000b.
5 Murzay 1991.
7 Malhotra et al. 2002.
8 UNIFEM 2002.
11 UNIFEM 2002.
12 Klasen and Wink 2003; Seguino 2002.
13 Klasen and Wink 2003.
15 UNAIDS 2003.
17 ECLAC 2004.
19 Cagatay and Oder 1995; Razavi 2000a; Ghosh 2004b; Jomo 2001.
20 Freeman 2000.
21 Deere 2004.
22 McKinley 2004.
24 World Bank 2001a.
26 Seguino, Stephanie 2004.