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Gender and Macroeconomics

Günseli Berik, University of Utah, USA

Yana van der Meulen Rodgers, Rutgers University, USA

Introduction

Economic development affects women and men differently. This statement may seem obvious today but economists did not begin to even consider the relationship between gender equality and the macroeconomy until the 1970s. Since then, gender-aware research has sought to document the gender-differentiated impact of neoliberal macroeconomic policies adopted around the world in both low-income and high-income countries. Neoliberal policies, key features of stabilization and structural adjustment programs pushed by the World Bank and International Monetary Fund, encompass fiscal and monetary austerity, privatization of public services and goods, and liberalization of trade and investment flows. A growing number of economists have recognized that these macroeconomic policies are not gender-neutral in their impacts. In the reverse direction, gender relations in the household and market work to shape macroeconomic outcomes. As this body of research has expanded, international financial institutions have increasingly emphasized the synergy between growth and gender equality, and they have integrated gender equality into their institutional mandates.

The channels between gender equality and economic growth are complex; and considerable debate has emerged regarding both the direction of causality and the distributional consequences of growth. Gender-aware empirical research has shown that the relationship is contingent on a variety of factors, including the measure of gender equality, the time dimension of the analysis, and the structure of the economy and its institutions. This entry reviews the research on how gender equality and the macroeconomy interact and the kind of macroeconomic policies that promote gender-equitable well-being.

Macroeconomic Policies and Gender Outcomes

Key policy objectives for sustained economic growth have traditionally included full employment, price stability, and foreign sector balance, which are pursued through fiscal, monetary, and exchange rate policies. Since the early 1980s, the World Bank and the International Monetary Fund have enforced a particular set of macroeconomic policies – which they billed as “sound” and “sensible” – through their stabilization and structural adjustment packages. Typically, these packages encompass an initial macroeconomic stabilization component (currency devaluation to reduce the balance of payments deficit and an austerity program to curb the domestic debt). Stabilization policies are followed by long-term economic adjustment to prevent the recurrence of macroeconomic imbalances. The basic policies for adjustment include: (a) removal of government price regulation and subsidies; (b) privatization of public services and industrial enterprises to ensure their operation according to market criteria of profitability and to eliminate budget support for state-owned companies; (c) reduction of trade restrictions and orientation of domestic production towards export markets; (d) removal of restrictions on foreign direct investment (FDI) and financial flows; and (e) maintenance of balanced government budgets.

The standard macroeconomic models upon which these stabilization and adjustment programs are based do not include gender as a dimension of analysis, thereby implicitly presuming that macroeconomic policies have gender-neutral effects. Feminist economists have challenged this presumption, initially in the context of the impacts of these programs, which launched the feminist macroeconomics research agenda. Feminist economists have argued that because gender inequalities are embedded in social institutions, macroeconomic policies will affect men and women differently. In addition, household- and market-level gender inequalities in the division of work, distribution of income, and wealth each work to shape macroeconomic outcomes such as the composition of aggregate demand and GDP growth. When analyses incorporate rather than ignore gender, class, and ethnicity effects, they show that neoliberal reforms do not promote well-being in a broad-based manner.

Questioning the soundness of neoliberal reforms, feminist economists have argued that shrinking public budgets, restrictive monetary policy, and increased privatization have placed enormous pressures on the availability and quality of public services in countries around the world. They have also shown that these policies entail additional drawbacks for women – especially women in low-income groups – due to the constraints they face in the household and in society (Elson and Çağatay 2000). Adverse impacts include disproportionate job losses for women in public sector contractions, as well as increasing work burdens as women and girls have needed to cope with expenses of privatized education, healthcare, and water services. Based on this evidence feminist researchers have argued that the soundness of macroeconomic policy needs to be judged not only in terms of traditional aggregate indicators, but also in terms of the gender-, class-, and ethnicity-differentiated impacts on well-being (Berik and Rodgers 2008).

Trade and investment liberalization – another component of neoliberal reforms – has had mixed blessings for women. Increased openness to trade and FDI in many countries has given women greater access to employment in export-oriented labor-intensive manufacturing. Women's jobs in highly competitive export industries (especially garments, textiles, and electronics) have generated new sources of foreign exchange, resulting in an increasing feminization of foreign currency earnings. Even in agriculture, women's seasonal or daily wage labor on farms has proven critical to keeping production costs low and export demand high.

However, employment gains for women have often been accompanied by downward pressure on wages, precarious working conditions, and an informalization of work in which jobs lack basic legal and social protections. While some have argued that wage discrimination is costly and necessarily declines in the face of competitive pressures in global markets (Black and Brainerd 2004), several studies using data from Asian economies have provided compelling evidence of growing gender wage gaps resulting from increased trade openness (Berik *et al.* 2004; Menon and Rodgers 2009). In these cases, rising wage gaps are the outcome of employer efforts to compete internationally: as employers lay off workers in import-competing sectors and move to lower-wage sites, they obtain wage concessions from those still employed in a manner that disadvantages women workers. Research has also focused on the adverse impacts of the footloose nature of FDI moving from one country to the next in search of the lowest-cost producers. In particular, Seguino (2007) provides evidence that FDI mobility not only leads to lower wage growth but also has a negative effect on productivity growth in semi-industrialized countries.

Pressure from international markets to keep production costs low has increasingly induced firms to offer insecure jobs that are temporary, casual, and flexible (Benería 2007). Across countries, increases in the proportion of the workforce classified as informal are partly explained by the growing tendency of final-goods producers to subcontract smaller-scale, home-based operations (Gwynne and Cristobal 2014). Home-based workers are predominantly women who work for lower pay (often on a piece-rate basis), receive few (if any) fringe benefits, pay their own utility costs, and work long hours. In view of their informal status, most home-based workers remain uncovered by labor regulations that impose costs on producers. They are predominantly new labor-market entrants, women who have lost their formal-sector jobs, or women who need to combine paid work with child care obligations.

A large body of evidence has documented poor working conditions, worker abuses, lack of union rights, and discrimination by gender in developing countries (Berik and Rodgers 2010). Despite these drawbacks, some researchers have argued that jobs in the export sector offer better pay as compared to many other alternatives for women (Kabeer 2004). However, this argument leaves the improvement of working conditions to the unfettered market. With pressure from consumers and the negative consequences of media exposure, corporations have increasingly turned to voluntary self-monitoring through corporate social responsibility in order to address poor working conditions in developing country factories. Even if consumer-led corporate codes of conduct are proliferating, relying on companies to self-regulate compliance may be insufficient, especially in light of strong consumer demand for low-cost clothing, the lack of agreement among corporations and monitoring groups over a common set of labor standards, the large number of factories and subcontractors that remain outside the scope of private monitoring efforts and, above all, the unwillingness of corporate buyers to offer developing country suppliers unit prices that are sufficient to pay for decent working conditions.

While export orientation has contributed to rising employment opportunities for women, several studies have shown that in middle- and higher-income economies, women have experienced displacement from low-paying jobs in manufacturing industries that have upgraded their technologies, reduced the size of their workforce, and moved production to lower-wage countries. For example, Tejani and Milberg (2016) find evidence of a shift in labor demand away from women as a result of industrial upgrading in Southeast Asia and Latin America and in

Mexico, technological upgrading and rising capital intensity of export-oriented manufacturing has been linked to a relative decline in employment opportunities for women (Fussell 2000). Even in lower-income countries, women can experience job displacement when technological change makes traditional female jobs redundant and when women face barriers to training for new jobs.

While financial liberalization constitutes another integral feature of standard macroeconomic policy reforms packages, greater integration in the world's capital markets has contributed to increased vulnerability to financial crisis and exchange-rate shocks. A number of high-profile crises in the 1990s and early 2000s have spurred wide-scale discussions about the costs and benefits of financial liberalization as well as reforms to the existing international financial architecture. That said, empirical studies that focus specifically on financial liberalization and crisis through a gendered lens are quite sparse, with results suggesting that the main cost is the additional burden created for women during financial crises and economic downturns (Stotsky 2006).

While gender-aware macroeconomic analysis has encompassed mostly empirical work, some theoretical studies have incorporated gender into macroeconomic models, including the representation of gender differences in consumption, savings, labor force participation, and unpaid care work (Çağatay *et al.* 1995; Grown *et al.* 2000; Braunstein *et al.* 2011). Some of this work follows the approach of modeling an economy as two systems: one includes the standard types of variables related to the macroeconomy and the other comprises gendered variables related to the unpaid reproductive economy. Other modeling efforts have incorporated gender-disaggregated variables in order to trace the implications of promoting gender equality for macroeconomic outcomes. For example, some models trace the effect on output of removing constraints on female labor supply or raising the earnings of women who have a higher marginal propensity to spend on consumption that benefits children's well-being. In building the macroeconomy as a gendered structure, these gender-aware models have contributed to the growing awareness of the valuation of women's care work, the constraints and costs that care work imposes on women, and the division of resources and tasks within the household.

Gender Equality and Economic Growth

Economic growth can potentially reduce gender inequalities and enhance broad-based well-being through the utilization of newly-generated resources. Economic growth can empower women and reduce gender inequality in health, schooling, labor-market outcomes, rights, and political voice. The causality can also run in the other direction, in that gender equality can promote economic growth and is a worthy goal to pursue for both intrinsic and economic reasons. Removing barriers and alleviating the constraints that women face can yield benefits in the home, in the labor market, and even in the broader macroeconomy such that the potential productivity gains achieved by closing gender gaps will boost economic growth. Moreover, failure to close these gaps can actually harm economic growth through such channels as relatively poor health and educational attainment for women, inefficient allocation of resources, suboptimal governance in business and governments, and reduced aggregate productivity.

Several studies have shown causal links between economic growth and gender inequality, with growth improving or worsening inequality depending on the gendered indicator under consideration. Evidence indicates that economic growth reduces the disadvantages faced by women, especially in educational attainment, life expectancy, and labor force participation (World Bank 2011; Duflo 2012). Growth brings higher incomes and improved service delivery, which helps to close gender gaps in educational attainment, health outcomes, and employment.

In some countries, technological improvements work to women's relative advantage as the returns to cognitive skills rise relative to the returns to manual skills.

A way in which growth can mediate women's welfare is by creating the need for structural changes that indirectly benefit women. For example, when economic growth is associated with greater public investment in infrastructure, it saves women time from collecting water and fuel, thus freeing up their time and other resources to engage in paid work or alternate remunerated activities. This type of transformation has been documented in countries like South Africa, where the mass roll-out of electricity to rural areas caused women's employment to rise by almost 10 percentage points while men's employment did not change (Dinkelman 2011). And in Morocco, a program that financed connections to piped water contributed to greater leisure time and less stress over water-related issues (Devoto *et al.* 2012). Conclusions about economic growth freeing up women's time hold not only for infrastructure, but also for labor-saving appliances and devices.

Yet economic growth may not be sufficient to improve gendered well-being in all its dimensions, especially if unpaid work burdens, biased laws, differential access to resources, and social norms continue to constrain women's ability to take advantage of new, well-paid employment opportunities (World Bank 2011). Gendered biases in access to new labor market opportunities play a crucial role in constraining women's advancement in the labor market and in achieving more equitable occupational distributions and narrowing pay differentials. These biases could be caused by inequities within households (especially women's relatively greater time burdens in performing unpaid household work), formal institutions (including statutory laws that favor men and inadequate public infrastructure that contributes to women's domestic work burdens), markets (particularly unequal access to credit, agricultural inputs, and investments in human capital), and informal institutions (such as employers' discriminatory attitudes toward women workers and social norms that restrict women from engaging in market-based work).

In the reverse direction, gender inequality can impede economic growth. A growing body of empirical evidence indicates that gender inequality in education and employment can act as a drag on long-run growth. Educational inequality can contribute to women's unequal household bargaining power, which could potentially reallocate household spending away from children's needs, thereby reducing the quality of the future labor supply and long-run productivity growth. Systematic differences in investments in girls' and boys' education can be inefficient due to distortions in skill levels that channel men and women into gendered occupations, an argument supported with evidence in Klasen and Lamanna (2009). Their cross-country economic growth analysis indicates that countries with wider gender differences in labor force participation rates grow more slowly, with simulations showing lower growth in the Middle East, Northern Africa, and South Asia due to this effect. Closely related, greater equality in education can help to boost FDI by expanding the pool of skilled labor, which, in turn, stimulates economic growth (Busse and Nunnenkamp 2009).

The widely emphasized positive association between growth and gender equality in education or labor force participation may not hold in the case of gender earnings inequality. There is a plausible case to be made that women's lower relative wages can raise profitability in sectors that employ women, boost investment or exports, and fuel economic growth. This growth effect poses a challenge for policy makers seeking to reduce gender wage gaps, since doing so may slow down growth, as the expected expansion in women's consumption spending is likely to be more than offset by decline in investment and exports (Seguino and Grown 2006).

The empirical evidence is not conclusive and in a meta-analysis of studies that use regression analysis of cross-country datasets, Bandiera and Natraj (2013) conclude that this body of work cannot definitively demonstrate a causal link from gender inequality to economic growth. This failure is mostly due to the difficulties inherent in this methodology in identifying the direction of causality and in pinpointing the underlying mechanisms that link inequality and growth. Another criticism, echoed in Benería *et al.* (2015), is that cross-country regression analysis implicitly assumes that the role of gender inequality is similar across countries, ignoring the role of country-specific factors. These weaknesses can diminish the plausibility of claims that link gender inequality to growth. Although most cross-country regression analyses include controls for regional differences, the research strategy generally does not evaluate the effect of differences in economic structure among countries.

Results from this body of research on gender and the macroeconomy, support the implementation and enforcement of a number of policy interventions. Of particular importance is a transformative approach that boosts the remunerative value and security of women's jobs, supports women's roles as caregivers at the same time that they are employed in productive market-based activities, and promotes equal opportunities for skills development and employment for women. Macroeconomic policy reforms are integral to this agenda, with three specific directions for policy reform that need to be implemented at the multilateral and national levels. First, end fiscal austerity so as to facilitate public investment in infrastructure that boosts productivity. In particular, invest in a public social care infrastructure that provides care services for children, elderly, disabled, which predominantly employ women and which reduce the unpaid care burden of women in the labor force. This investment pays off in the long run by improving labor productivity and is more effective than investment in physical infrastructure in creating jobs and boosting current aggregate demand (İlkkaracan 2016). Complement this strategy with industrial policy that invests in upgrading of economic activities so as to create higher productivity, higher-paying jobs. Second, strengthen the enforcement of labor standards, including gender equity in employment, with a broad-based strategy that incorporates trade incentives to support creation of decent jobs. And third, consider regulations that slow the speed with which financial capital and foreign direct investment can leave a country. These reforms will promote gender equitable well-being by improving women's entitlements through the state as well as the labor market, thereby promoting gender equality and broad-based social well-being.

Cross References

Economic Man and Gender

Feminist Ethics

Gender and economic theory of the firm

Gender and social security

Gender, Economics, and Unpaid Work

Gender, economics and agency

Human Rights from a Gender and Economics Perspective

Macroeconomics

Tobin-type taxes

Codes of Conduct/Codes of Ethics, Business Principles

Corporate Social Responsibility

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