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Mainstreaming Gender in the Work of Ministries of Finance

What Does Engendering Mean for Macroeconomic Policy?

The last few years have witnessed a spate of economic research and writing pointing to the importance of engendering the macroeconomic reforms that are currently under way in many Commonwealth countries (Cagatay, Elson and Grown, 1995; Bakker, 1994; Sen, 1996). This literature goes beyond the feminist writing of the previous decade which largely emphasised the impact of structural adjustment reform packages on women. While exploring this impact in greater depth, current writing focuses much more on their feedback effects for the viability of the reform process itself. In this sense, its perspective is not only that of women concerned about the effects that great structural changes can have on their lives, but also of the macroeconomic policy-maker who is responsible for ensuring the economic sustainability and political viability of the reforms. This research finds that when economic reforms are not engendered, their potential positive effects are weakened, and they have unanticipated and unplanned negative effects.

The concept of engendering

By engendering we mean much more than identifying the impact of policy or programme changes on women. While a focus on impact is both necessary and important, engendering, as a concept, also has other implications.

Engendering involves the recognition that the gender division of labour and its associated norms, values and ideologies about masculinity and femininity are defined by a complex of power relations which tend to accord to women a lesser political voice, social/cultural value, and access to, and control over, economic resources. These power relations of gender, while prevalent in most societies, are by no means universal in their content, and vary with historical and regional context, in addition to being crosscut by other social relations of class, caste, ethnicity, or race within a given society. Furthermore, the structures of gender power do not only define dyadic relations between women and men within a society, but can involve quite complex relations among women and among men who are at different points in their lifecycles¹ (Sen and Batliwala, 1997). Engendering policies and programmes of government ministries requires addressing these power relations in a serious way.

Engendering also implies an acknowledgement that the reproduction of human beings on a daily and/or generational basis takes resources and labour, and is mostly done outside the paid economy; its smooth functioning, however, is critical to the efficiency of the paid economy. The work entailed in human reproduction is largely done by women over and above the work they do in the paid economy. Because this work is unremunerated and often unrecognised, it imposes a variety of hidden costs on women, as well as on the growth rate of the paid economy itself.

Conceptually therefore, engendering a particular ministry's working requires an understanding of:

- ◆ gender power relations in their diversity and how these interact with the work of the ministry, with its institutions and structures, and with suggested policy and programme changes;
- ◆ the implications of current and future policies and programmes on the daily and generational reproduction of human beings, i.e., on what has been called the 'care economy' (Elson, 1993) and the workers in the 'care economy' who are largely women; and
- ◆ the impact of current policies and programmes and any suggested changes in them on different groups of women and men in terms of access, effects, etc.

This understanding can be acquired through a process of gender analysis, using gender-sensitive indicators and qualitative analyses of the relative situations of women and men both in the national economy and within the structures and institutions of government and the Finance Ministry itself.

Engendering – practical issues

Gender mainstreaming requires a strong co-ordinated effort and the institutional means for carrying out the necessary action. The Commonwealth is promoting the Gender Management System (GMS) as a means of providing this.

The GMS is defined as “a network of structures, mechanisms and processes put in place within an existing organisational framework, to guide, plan, monitor and evaluate the process of mainstreaming gender into all areas of the organisation's work, in order to achieve greater gender equality and equity within the context of sustainable development. A GMS may be established at any level of government, or in institutions such as universities, inter-governmental or non-governmental organisations, private sector organisations or trade unions” (Commonwealth Secretariat, 1999).

Among the recommended structures of the GMS are Gender Focal Points in each ministry of government. These are designated senior members of staff who are directly involved in, or who are able to influence their sector's planning process. They are the main agents for facilitating gender mainstreaming on a day-to-day basis within a particular ministry.

In the case of larger ministries such as finance, the GMS recommends that rather than charging one individual with the responsibility of the Gender Focal Points, the role should be expanded to that of a Gender Unit consisting of several staff members who have specific expertise and/or interest in gender mainstreaming.

These institutional arrangements are discussed in the context of Ministries of Finance in Section 4 of this manual.

The GMS also recommends a number of mechanisms to effect gender mainstreaming, including gender analysis, gender training and a gender-aware performance appraisal system. These are discussed in the context of Ministries of Finance in Sections 4 and 5 of this manual.

Engendering Ministries of Finance

There are three possible points of entry to engendering the work of Ministries of Finance:

- ◆ at the level of ongoing macroeconomic management which includes responsibility for the annual budget of the government and the fiscal deficit, external and

- internal debt, and the Balance of Payments (especially but not exclusively the capital account);
- ◆ at the level of structural reforms intended to improve the efficiency of resource use and support poverty eradication in the economy, particularly in approaches to deregulation, liberalisation and privatisation; and
 - ◆ in the specific context of credit liberalisation and the provision of micro-credit.

These three points of entry corresponding to key areas of responsibility for the Finance Ministry are linked to each other, so that attempts to engender one area of work will inevitably impinge on others. For instance, a key instrument used by Ministries of Finance to promote structural reforms is the budget itself; i.e., the budget is not only an instrument of short-run macroeconomic management, but also of the strategic reform process.

Engendering and macroeconomic management

Because of the critical linkages between short-term macroeconomic management and longer-term structural economic changes, it is important that the Finance Ministry does not take a very narrow short-term approach to macroeconomic stabilisation. While ensuring fiscal and monetary discipline may be an important priority, it cannot be allowed to override critical requirements for a sustainable longer-term growth path for the economy. Indeed one of the major criticisms of stabilisation reforms is that in a number of cases they have jeopardised the basic requirements of the growth process in terms of both physical investment and human development. A gendered approach to economic stabilisation means not only examining the welfare outcomes of policy on women and girls as compared to men and boys, but measuring their feedback effects on the growth process.

A key step to engendering macroeconomic management is for the ministry to conduct a *budget trade-off exercise* that will examine alternative scenarios for reducing budget deficits while strengthening the ability of government to support human reproduction needs. These needs must be seen to include aspects of human reproduction typically left out in discussions of human development which tend to focus largely on education and health, *viz.*, childcare, maternity and paternity support, safe water, and fuel, to name but a few. As part of this exercise, the ministry should evaluate the opportunity cost of the possible trade-offs between a reduction in the fiscal deficit and a reduction in the potential rate of growth of the economy in the medium term, as well in the extent of poverty reduction.²

Budget deficit reduction exercises under structural adjustment stabilisation are usually conducted on their own terms, i.e., in terms of what the implications of different combinations of subsidy cuts will be for the deficit itself, rather than in terms of their impact on growth or human reproduction. Typically, it has been assumed that the reduction of government expenditures will of itself release the blocks to private investment and expenditure. Experience during the 1980s and 1990s in a number of countries now clearly points to the fact that private investment and markets do not automatically step into the breach when the public sector withdraws or cuts down its spending.

Furthermore actual budget cuts have often been dictated by political expediency rather than any systematic analysis. Areas of human reproduction and poverty alleviation, which do not have vocal or powerful interests supporting them, have suffered disproportionately from cuts. These areas impinge particularly on women and on gender relations since they are a key aspect of women's responsibilities and of gender systems. For example, there is now considerable evidence that growing pressure on adult women to earn incomes and increasing school fees and expenses

have led to a greater withdrawal of girl children from school. The importance of making budget exercises more sensitive to gender concerns and to the sustainability of medium term growth cannot be stressed too highly.

Given the weakness of the database in most countries on the magnitude of the gender impact of macroeconomic management, budget trade-off exercises such as the one identified above can probably only be done in stages. The sharing of experiences with countries where women's budget exercises have taken place (Australia, Canada) would be useful, although it must be borne in mind that these countries are at the high income end of the spectrum, so the nature of gender relations and issues facing women might be different from those in lower income countries. Women's budget exercises have begun in South Africa and Sri Lanka, and these countries' experiences might be more relevant to the majority of developing countries.³

Engendering and structural reforms

As the key ministry directing the pace and pattern of structural economic reforms, the Finance Ministry has a critical role to play in engendering reforms even if specific decisions have to be taken by other ministries.

Figure 3

Tools for Engendering National Budgets

The Commonwealth Secretariat is developing a series of policy options for integrating gender into national budgetary policies in the context of economic reform. The policy options centre on six possible tools:

- ◆ **sex-disaggregated beneficiary assessments** – a research technique whereby groups of women are asked how, if they were the Minister of Finance, they would slice the national budgetary pie; the results are compared with the existing budget to see how closely it reflects women's priorities;
- ◆ **sex-disaggregated public expenditure incidence analysis** – this involves analysing public expenditures in such areas as health, education and agriculture to see how such expenditures benefit women and men, girls and boys to differing degrees;
- ◆ **a gender-aware policy evaluation of public expenditure** – evaluating the policy assumptions that underlie budgetary appropriations, to identify their likely impact on current patterns and degrees of gender differences
- ◆ **a gender-aware budget statement** – a modification of the Women's Budget; this is a statement from each sectoral ministry or line department on the gender implications of the budget within that sector;
- ◆ **sex-disaggregated analysis of the impact of the budget on time use** – this looks at the relationship between the national budget and the way time is used in households, so as to reveal the macroeconomic implications of unpaid work such as caring for the family, the sick and community members, collecting fuel and water, cooking, cleaning, teaching children and so on;
- ◆ **a gender-aware medium-term economic policy framework** – medium-term macroeconomic policy frameworks are currently formulated using a variety of economy-wide models which are gender-blind. Approaches for integrating gender could include: disaggregating variables by gender where applicable; introducing new variables incorporating a gender perspective; constructing new models that incorporate both national income accounts and household income accounts reflecting unpaid work; and changing underlying assumptions about the social and institutional set-up for economic planning.

Sources: Commonwealth Secretariat (1998); Elson (1996)

Liberalisation/Deregulation: The gendered implications of liberalisation measures are more clearly perceived when one examines how these measures actually work in practice. While the theory of liberalisation identifies its positive potential, there are certain caveats to be borne in mind while attempting to engender these measures.

First, in arguing that a shift towards the production of tradables will lead to greater resource use efficiency, the theory makes an implicit assumption that international markets for most commodities are in fact competitive and therefore efficient. While this is certainly true for some markets, there is also considerable evidence that imperfect competition and oligopolistic structures dominate many international markets.

As is well-known, global markets consist not of the small, perfectly competitive firms of economic theory, but of large multinational companies often operating in highly imperfect markets. In such a milieu, breaking into export markets for a small/medium producer requires pursuing one of three alternative routes – finding selective niche markets, accepting low product prices from multinational buyers, or linking up as outsourcing ancillaries to multinational producers. Among small producers, many successful exporters belong to the last category, especially in labour intensive products that rely heavily on the use of female labour. There is considerable pressure here to keep wages low, minimise benefits, and exploit gender relations to control the women workers. Furthermore, the availability of a healthy and educated female labour force is no guarantee that other cheaper sources of labour will not bid away the outsourcing firms.

In the aftermath of the ratification of the agreements creating the World Trade Organisation, a number of industrialised country governments, under pressure from their own labour organisations, have been pressing for social and environmental clauses that would give countries the right to ban the import of goods produced under 'sub-standard' labour or environmental conditions. Although most of the focus of the social clause is currently on the use of child and/or prison labour, goods produced with the cheap labour of women could also become a target.

For small firms using women's labour to be able to compete in international markets, a range of support mechanisms may be needed which involve improving the efficiency of the workers as well as marketing and input supports such as skills training, crèche services, maternity support, toilets/rest facilities. The Finance Ministry cannot focus only on keeping wages low through the standard mechanisms of labour control used in most export processing zones.

Secondly, the theory focuses on the static efficiency of resource use, i.e., given certain factor endowments, the most efficient use of those resources can be made by directing production to specialise in goods using relatively more of the abundant factor. Hence economies endowed with large supplies of cheap labour are best off specialising in labour-intensive exports. But specialising according to static comparative advantage is neither necessary nor sufficient to lift an economy onto a path of high growth and structural change, as the recent experience of many East and Southeast Asian economies suggests. Static efficiency does not automatically lead to dynamic competitive advantage in global markets.

Liberalisation theory presumes that the shift of resources from non-tradables to tradables can take place relatively smoothly and quickly. In actual fact a variety of supply constraints may operate, ranging from the poor availability and quality of physical infrastructure (transport, telecommunications, corporate services) to the non-availability of an experienced entrepreneurial class through to the poor quality of available labour. Gender issues can constrain supply in a number of ways. In many countries, because of gender biases, lack of access to basic education or healthcare

affects girls and women more than boys and men, making it more difficult for the former to avail themselves of new employment opportunities should they arise. Recent experience of global job creation points in fact to greater potential for female employment in labour-intensive manufactures and services, provided the job seekers meet basic health and education standards. This potential cannot be taken advantage of in situations where there are severe gender biases in health and education.

The gender division of labour in smallholder agriculture has also been known to constrain supply. Where women do much of the field labour but men control crop marketing and the incomes therefrom, increasing the production of cash crops means that women have to put in additional labour in cash crop fields controlled by men, over and above the labour they continue to invest in the production of food crops. If the income from increased cash cropping does not accrue to women, they cannot use it to purchase food and thereby reduce their labour in food production. As a result, women have been known to be reluctant to increase the labour they invest in fields used for cash crops.

In countries where the government has played a major controlling role in the past, liberalisation tends to be confined to some sectors of the economy. These tend typically to be the large formal economy where big firms and large agricultural producers operate. Single window permission mechanisms and simplified procedures do not appear to benefit informal sector producers and traders. This sector is one where women are heavily represented. Their efficiency continues to be hampered by exploitation at the hands of petty officials, and by traditional barriers to women's access to, and control over, productive assets. Land/tree rights, access to common property resources, technical services in agriculture and the self-employed sector, and a national policy in support of human reproduction can be vitally important measures.

Taken together the caveats discussed in the previous paragraphs cast some doubt on the economic efficiency of the outcomes that the theory of liberalisation predicts. The actual effects of liberalisation have in fact been rather mixed. Few countries have actually been able to raise export earnings significantly, despite removing barriers to the production of tradables. The absence in many countries of regulatory institutions appropriate to liberalised markets such as anti-trust regulatory authorities, functioning legal systems, or an effective whistle-blowing press have meant an increase rather than a reduction in political rents in many instances. In a number of countries, there has been little sign of sustained growth even in the medium term.

There have also been a number of unintended effects of doubtful value. The freeing of exchange rates and markets and the resulting movement towards world prices have led to sharp rises in the cost of living (depending on the extent of price-cost spillovers to the domestic economy). There is now a premium on jobs which provide access to global incomes, a scramble among professionals and middle-class salary earners to obtain them, and an accelerated 'brain drain'. As economies adjust to globalisation, livelihoods at the lower end of the income spectrum have become more precarious, with greater pressure on women in particular to earn incomes. Liberalisation has also meant the removal of certain types of positive discrimination, for example, low interest loans to the poor.

Addressing the gender dimensions of supply constraints, selective deregulation, imperfect competition, and industrialised country protectionism is crucial if growth is to be placed on a more sound footing. Major supply constraints such as low levels of female health, education, and lack of childcare facilities need to be addressed on a priority basis. Barriers to women's potential as producers, *viz.*, lack of land rights, or adequate access to technology, credit or other services also need to be addressed. The problems that women as informal sector producers/traders face with petty official

barriers, corruption and exploitation must be dealt with so that their time and productivity can be released.

Other problems identified above are the presence of imperfect competition in global markets, and industrialised country protectionism using measures such as the 'social clause'. Neither of these is under the direct control of Ministries of Finance in developing countries. However the Finance Ministry can spearhead an adequate response. Rather than reducing worker benefits in order to attract multinational capital, which often has a disproportionately large, negative impact on women workers, governments should take a leaf out of the book of a successful economy such as Singapore, which has concentrated on increasing worker productivity (rather than cutting costs) by raising skills, providing benefits, and thereby creating a high quality, competitive labour force, both female and male. Such a strategy would also cut the ground from under protectionist demands such as the 'social clause'.

Many of the actions to be taken under this third set of actions cannot be undertaken by the Finance Ministry in isolation. It will require it to set up a regular and effective institutional mechanism for interaction with other ministries within whose ambit the actions might normally fall. But the Finance Ministry needs to demonstrate the seriousness of its commitment by playing the role of nodal ministry, and spearheading the actions that need to be taken.⁴

Privatisation: For women, the public sector has been the source of some of the best paid and most secure jobs, especially in the area of services. Job reductions in this sector, therefore, tend to affect women directly by closing off one of the few avenues for better employment. Loss of jobs by male workers has also been seen to affect women as they are often expected to increase their own income-earning work to compensate for gaps in the household budget. In regions of chronic male unemployment, whether due to public or private sector job losses, field reports point to increased male alcoholism and domestic violence.

Declines in the funding of public services impinge differently on gender relations. Increased pressure to maintain fiscal discipline usually leads to intense lobbying by different economic interest groups to maintain their own share of government expenditures intact. In this political arena, sectors such as health and education have few champions, and are often the ones to suffer the most severe cuts. There is ample research that identifies the disproportionately negative effects this has on girls and women.

When schooling or healthcare access becomes more expensive due to cost-recovery schemes through increased user charges, societies with a preference for sons will usually cut back disproportionately on the expenditures made on daughters. More expensive or less easily accessible services mean that mothers must make up for the loss through additional service provision in the home, where possible. Greater pressure on the workload of mothers usually translates into work pressure on daughters as some of the additional tasks are passed on to them. Furthermore, in the area of schooling, the effect of cutbacks has been documented in the form of higher exclusion and dropout rates, especially for girls.

In addition to cutbacks in existing services, long pending needs in the area of reproduction have tended to drop out of the public agenda. These include, for example, the need for childcare facilities among very poor women in both rural and urban areas. As economic pressure has tended to fragment extended family arrangements, and as the burden of income earning falls increasingly on mothers, childcare responsibilities often fall on older children, especially girls, thus worsening the school dropout problem. Field surveys often find household work responsibilities to be a major reason for girls dropping out of school.

Debates about the pros and cons of liberalisation, deregulation and privatisation can and ought to take better note of gender than they have to date in most countries. Certain other bases of economic identity, *viz.*, organised versus unorganised labour, small versus large producers, domestic market suppliers versus foreign traders, have been acknowledged as defining potential winners and losers as resource allocation shifts from the domestic market to tradable goods. But the potential implications of liberalisation on women as producers and managers of human reproduction need to be better recognised at the official level through support for a National Human Reproduction and Social Development Policy. There now exists a significant literature that has identified the implications of liberalisation for women in a variety of contexts. This could be drawn upon to develop a gender audit for each of the measures suggested.

Not all measures will have the same intensity of impact or even, necessarily, impact in the same direction in all countries. The components of such a gender audit would include checking for each measure, the direct and indirect impacts on different groups of women; the spillover effects to other groups, especially girl children; and the feedback effects on the rate and pattern of economic growth in the medium and longer terms.

Doing this may well require some rapid field appraisals or surveys using participatory methods.⁵ A gender audit cell staffed by competent technical staff, and with direct access to the Minister of Finance will need to be set up in most cases. The gender audit process should be ongoing so that the gender impact of new policy measures can be examined prior to policy decisions. Corrective measures should also be initiated on this basis.

Credit liberalisation: A major weakness of financial sector reforms is that liberalisation does not appear to reduce the fragmentation of financial markets, to the detriment of those who rely more on informal financial markets (Baden, 1996). Women typically obtain credit through such channels – family members, friends, money-lenders, chit-funds, etc., largely because of their lack of collateral and the barriers to their entry into formal credit markets. For instance, in Commonwealth countries, particularly in south Asia where a large percentage of women are still illiterate, women are unable to fill in forms or provide acceptable collateral. The micro-credit movement of recent years has attempted to address such problems so as to improve women's access to credit through the formal financial institutions. Greater awareness and support for such measures from the Finance Ministry are necessary if these improvements are to be sustainable. They need also to be linked to attempts to improve women's access to real productive assets such as land/trees/common property resources, so that their access to credit and possibility to benefit from financial sector reforms can be enhanced.

Notes

- 1 Although there has been a fair amount of research on the implications of the life cycle for the relations among women, there has been very little corresponding discussion of the relations among older and younger men, or men who are at different stages of their life cycle. This is a new and exciting area of research.
- 2 Poverty is understood in this paper as defined in the Human Development Report 1997, to include not only income poverty but also deprivation in terms of human capabilities.
- 3 For an overview of gender-sensitive budget initiatives in various countries, see Budlender, Sharp and Allen (1998).
- 4 As is well-known, actions to correct gender biases often fail to fructify because of the low institutional weight of the agencies charged with carrying them out.
- 5 Some of the methodologies developed under the joint World Bank – NGO exercise (Structural Adjustment Programme Review Initiative, SAPRI) to study the impact of structural adjustment programmes could be adapted usefully here.