CHAPTER 1

Challenges to Financing Gender Equality: A Macroeconomic View

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The theme of 'financing gender equality for development and democracy' raises the stakes on gender mainstreaming and gender policy to a new level. It is asking governments to 'put their money where their mouth is'. This poses many challenges for governmental economic decision-makers: it will involve re-thinking and re-examining a wide range of decisions about economic management and governance.

The issue of financing gender equality brings to the fore at least seven underlying systemic challenges:

1. The need for a deeper examination of both the content and processes of the macroeconomic, financial and trade policies that shape the environment in which spending and financing decisions are made;
2. How to track money intended for economic development and poverty reduction projects and programmes, including opening up frameworks such as poverty reduction strategy papers (PRSPs) and raising the social and equity considerations involved in issues of debt sustainability and the transfer burden of debt servicing, including how to distribute the burden more equitably;
3. The issue of gender and domestic resource mobilisation, including the generation and retention of national and domestic saving;
4. The domestic regulation and operation of financial markets and monetary policy;
5. The issue of remittances and private capital flows and the issue of regulation of the capital account;
6. Official aid flows and the adequacy, responsibility and accountability of development cooperation;
7. The social content of trade reform, aid for trade and trade-related capacity building.

These are all issues that must be explored if there is any serious intention of financing gender equality adequately and successfully in the context of development and democracy. This chapter provides a brief macroeconomic overview.

The Macroeconomic Policy Environment

Macroeconomic policy is often designed and implemented in a void without much consideration of the linkages and reinforcing effect of policy instruments on the primary and secondary incomes of citizens, especially those who have few economic and social resources. There seems to be a general lack of awareness of the critical role of social reproduction in the formal and informal economy. Macro policy designers at the World Bank, International Monetary Fund (IMF) and national ministries of finance often view their domain as a technically neutral, ultra scientific space where they design instruments that have the precision of guided missile systems. For example, the public expenditure design of the medium-term expenditure framework that underlies PRSPs focuses on the links between 'inputs' and 'outputs', apparently shuttling towards politically neutral predetermined outcomes. But what constitutes the 'inputs' and 'outputs'? What are these outcomes, who or what determines them and how do they take gender and other social dimensions into account?

In prioritising the objectives and targets of economic policy, less attention is paid to how policy variables will impact on social infrastructure such as childcare and housing or to the kinds of subsidies that could help to compensate for the structural and other changes generated by policy shifts that impact on the livelihood and adaptability of individuals and households in the care economy and that may also have implications for micro, small and medium-sized domestic enterprises.

Fiscal policy has been shown to have asymmetric effects on women. Typically it focuses on ensuring the proper rate of growth of the capital stock. The general prescription of fiscal policy reforms is to offer tax relief to capital (either in the form of tax credits on structures and equipment or tax cuts on corporate income). In either case, this imposes an increase in the tax burden on the poor in terms of loss of benefits and earnings as governments reduce expenditure by laying off workers or cutting social expenditure. The reduction in social expenditure, which tends to increase the burden of social care in households and communities, tends to have a disproportionately negative impact on women due to the unequal burden of responsibilities that women shoulder.

Women's primary responsibility for the household means that they must try to protect household budgets and ensure stable food management by increasing food preparation at home or seeking additional income to maintain family living standards. In addition, women are more likely than men to attend to sick family members who no longer have access to care. Women themselves are likely to be more vulnerable to declining health and rising morbidity because they have less food and more restricted access to medicines.

The burden of home-based care rests heavily on the female members of families. Research by UNAIDS has shown that HIV/AIDS increases women's unpaid work as women are forced to carry more responsibility for sick relatives as well as compensate for loss of income from parents, spouses or siblings who are affected by the disease. Yet fiscal policy does not attempt to take into account the externalities of such unpaid care work. A gender-sensitive approach to fiscal policy would seek to ensure the supply and quality of goods and services that would impact positively on home-based care activities (UNDP, 2004).

In general, the prioritising of the objectives and targets of fiscal policies leaves much to be desired. Firstly, priorities are rarely open to discussion. Secondly, less attention is paid to how policy variables impact on social infrastructure such as childcare and housing. As a result, reform of fiscal policy has typically focused on measures to address budget deficits and tax reform in favour of business and capital. Nevertheless, there is a direct and reinforcing link between the budget and social policy. Restrictive fiscal policy measures such as the imposition of value added taxes or a rise in sales taxes on consumer items have a pronouncedly negative effect on social equity because these instruments impact directly on household budgets. World Bank research confirms that 'indirect taxes increase poverty due to their regressive nature' (World Bank, 2001: 70). It is also well-known that higher taxes on consumer goods increase the relative price of such goods. What is less frequently acknowledged is that given increases in the relative price of consumer goods in the context of static incomes, women will seek to produce these goods themselves in order to protect their family's consumption patterns rather than purchase them in the market (UNDP, 2004).

Monetary policy has differential impacts on women and men in terms of access to credit for consumer durables, housing and investment funds. In the context of gender bias in the loan market, which may be coupled with gender inequality in terms of ownership of land and other collateral, high interest rates and tightened credit conditions that squeeze domestic investment are likely to crowd out women's demand for investment finance more than men's. Even in fairly stable and unconstrained credit markets women are at a disadvantage to men due to existing gender biases, low income (given a gendered segmented labour market and women's predominance in temporary and casualised jobs) and lack of access to conventional collateral items, such as land titles. The latter problem has historically shunted poor women into informal and micro lending. But a credit-constrained environment will impact on even middle- and upper-class women as tightened credit requirements, loan eligibility and higher borrowing costs come more into play.

Bakker (1994) has detailed the asymmetric impact of both fiscal and monetary policy instruments on women. The use of gender-sensitive budget analyses can further elaborate how the welfare burden is shifted from the capital budget to the social sector and from the formal economy to the informal and household economies, with implications for women's labour, productivity and access to productive resources.[1]

Debt Management

Conventional thinking on debt analysis assumes that the welfare burden of debt servicing affects men and women equally. However, it is now widely recognised that the adjustment burden of debt payment has disproportionately negative impacts on women, especially the poorest.

These gender-differentiated impacts stem from several factors:

- Societal and gender bias that ensures that women shoulder the primary role in social and community reproduction. Thus women are responsible for most unpaid work.
- Existing gender inequalities, such as access to land, credit, training and social capital, work to the disadvantage of women. This raises the issue of women's and men's different constraints in terms of opportunities, capability, security and empowerment.
- Gender bias in macroeconomic, labour market and social policies privileges men and male heads of households. This affects women's employment opportunities, their efforts to earn decent wages and gain access to adequate social protection such as unemployment compensation, sick leave, and disability and old age pensions. Women receive significantly lower wages than men for comparable work and are more likely than their male counterparts to work in lower-paid jobs or the informal sector and have less access to credit.

Research shows that in many countries women and children shoulder the main responsibility for collecting, storing and distributing essential goods, such as water and fuel, within the family and community. The PRSPs of Ethiopia, Malawi and Zambia made specific reference to women's 'water bearing burden', while others made linkages between 'reproductive health and women's water carrying burden' (Zuckerman and Garrett, 2003). Lack of easy access to water and fuel imposes a tremendous burden on women's time and their health, as they are often required to expend substantial amounts of time and energy in meeting these responsibilities. Contrary to conventional expectations, the privatisation of essential services, as implemented under structural adjustment programmes and continued within the PRSP and trade liberalisation agendas, has not improved women's access to health care and other necessities.

The Effects of Trade Agreements

Current approach to trade policy-making in Commonwealth countries is driven by trade agreements, negotiated multilaterally in the World Trade Organization (WTO) and increasingly in regional or multilateral fora. In general, most trade policy targets and policy instruments are focused on market access, with the presumption that this will generate the necessary employment. However, less attention is paid to the after effects of import liberalisation on the livelihoods of poor women and men. This includes the potential negative effects of liberalisation-induced fiscal and monetary policy on income and asset distribution. For example, monetary policy may support trade liberalisation by shifting credit towards the export sector at the disadvantage of the domestically oriented sector. This has implications for employment, business development and housing construction. Additionally, tight money policy has implications for liquidity for other sectors of the economy such as small and medium-sized businesses and the housing sector.

Likewise, the fiscal budget is expected to support different aspects of the trade reform agenda such as customs reform and trade facilitation efforts, producing a trade-off between different items and areas of the fiscal budget. As with general tax policies, discussed above, the fiscal effects of tariff reduction and the elimination of licensing fees have particularly negative consequences for social sector aspects of the budget.

The adjustment costs of trade liberalisation have been a source of considerable tension in multilateral trade negotiations. The resulting impacts of these costs on development, as well as on social and gender equity, have also been a source of concern for those working on poverty eradication, women's economic empowerment and gender equality. As a result, over the last ten years increasing attention has been paid to the need for additional financing for trade and trade-related development. To this end, in the Doha Round greater attention has been paid to aid for trade as a potential mechanism for redistribution and compensation. However, there remains some debate around this issue.

Aid for trade is relevant to the discussion of women's economic empowerment and gender and trade because of its wide scope, which ranges from the issue of trade policy and regulation, trade development and trade-related infrastructure to trade-related adjustment. In the area of trade policy and regulation, women, in their multiple roles as workers, community and household caretakers and business actors, are impacted by reforms of trade policy and trade regulation arising from trade-offs, trade disputes and the institutional and technical support that aims to facilitate the implementation of trade agreements. Women business owners, who are usually under-capitalised and have less access to finance and credit than their male counterparts, must grapple with complying with rules and standards emanating from changing trade policy and trade regulation. Likewise, women and men workers in the import-competing sectors are also differently impacted by trade rules that liberalise these sectors.

[Trade issues, including the debate around aid for trade, are discussed in greater detail in Chapter 5.]

Moving Beyond Poverty Reduction to Address Structural Inequality

Ultimately, the macroeconomic, trade and debt management policy instruments and policy targets that are currently in vogue in Commonwealth countries tend towards regressive income and asset distribution, as signalled by persistent and growing poverty and inequality. This not only reinforces a false choice between efficiency and equity, but engenders commitment by governments to a limiting anti-poverty framework, which in turns muddies the water for gender equality, women's empowerment and community development.

Currently, there is very little interaction between macro-level planning, macro phenomena (fiscal policy, trade liberalisation, financial liberalisation and privatisation) and gender mainstreaming at the level of policy analysis and application. Thus at the level of the economy there has been less rapid movement in transforming bargaining power to determine or define the use of resources, resource ownership rights and control between men as a group and women as a group. Yet the public and private infrastructure available to individuals, households and businesses is critical in enabling individual functioning and capabilities. To the extent that there are adequate social (childcare and early childhood support) services and physical infrastructure such as water, electricity, land and housing, individuals and families have a good base from which to undertake the process of securing sustainable livelihoods.

Thus any economic framework for women's and community empowerment must focus attention on housing, sanitation, health care, education and skills training, with particular attention to unpaid work, the care economy, basic schooling, employment and enterprise development, and the development of public infrastructure within communities.

Likewise, the simplistic appeal to (micro-credit driven) community development must be replaced by a comprehensive and structural plan to eliminate public poverty and at the same time create the dynamics for generating sustainable livelihoods for men and women based on their strategic gender needs and interests. This is especially important for communities where the structural effects of a long history of neglect and abuse are pervasive.

Thus, there is a need to move the discussion and action agendas beyond poverty reduction to look at structural issues of inequality and economic injustice that reinforce old forms of poverty, as well as creating new types of poverty and inequalities. Gender equality must be reaffirmed as an end in itself and not simply a means to an end.

This will require a shift in perspective from seeing and treating the national budget as only a device for debt and debt services payment to re-integrating the social function of the budget. The focus of economic decision-makers must shift from the current over-emphasis on generating the primary surplus as the main target of fiscal policy towards more people- and gender-sensitive budgets. The targeting of the primary surplus has led to over-emphasis on fiscal restraint and decreased or stagnant growth. This has occurred even in the context of structural unemployment and low interest rates growth (Celasum et al., 2005; Marano, 1999). Tight fiscal policy has had significantly negative outcomes for policy options to generate employment and for the growth and competitiveness of the domestic economy. This means that more balanced attention needs to be paid to alternative options such as increasing public investment and lowering interest rates. This may mean reducing the primary surplus in order to create real resources for the economy.[2] Increasingly, research shows that a reduction in the primary surplus can co-exist with a reduction in debt (especially when there is a rise in GDP due to the re-launching of economic growth). This can also be consistent with debt sustainability.

Conclusion

It is clear that shifts in macro-policy impact on the provision of care in households and communities. Caring for men and women in their various life cycles and in preparation for life in the labour market and as citizens who contribute to society is critical to overall economic development, growth and performance. Social reproduction, which has primarily been the work of women, is the lifeblood of the economy. Therefore, economic decision-makers should work to better orient economic policy to support social reproduction. This can be achieved partly by promoting access to basic social services and the reduction of public poverty, and partly by directing shifts in the financing of social spending in a more balanced way in the allocation between different sources of revenue. In addition, in order to meet the needs of, and to prioritise, social reproduction, macroeconomic policy must have broader goals and an extended time horizon. Greater attention must be paid to the distributional impact and the high cost of pro-cyclical macroeconomic management. Thus, in order to be more effective for social reproduction needs, macroeconomic management should be designed to counter the business cycle's swings in economic activities.

It is only through such thoughtful approaches to the management of the economy that sustainable financing for promoting gender equality can be undertaken.

Notes

1. For a more in-depth discussion, see Williams (2003).
2. Some models suggest that a 1 per cent reduction in the primary surplus can yield as much as a 0.5 per cent increase in structural GDP, in some cases higher. See simulations for Belgium, Italy and Turkey.

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